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Merrex Gold thinks big in Mali



MERREX GOLD

A camp at Merrex Gold's Siribaya gold project in western Mali.

BY ANTHONY VACCARO

The hard-hit junior gold mining sector enjoyed a rare respite in October, but while many juniors moved up, **Merrex Gold** (MXI-V) was among the most favoured of them all.

The company, whose Siribaya gold project in western Mali has already attracted the attention of **Iamgold** (IMG-T, IAG-N) and some large institutional investors, saw its share price jump 12%, or

5¢, to 46¢ on 208,000 shares traded on Oct. 12.

Iamgold, which is the operator at Siribaya, is spending \$10.5 million on exploration to take a 50% stake. They have spent \$9 million to date and hold a 15% interest in Merrex.

The institutional investors include Chilton Global, Gamco Gold Fund and TD Asset Management.

According to John Cumming, Merrex's vice-president and chief financial officer (no relation to *TNM's* editor), the company's ability to draw in investors has to do with three things: the property size, the deposit's grade and its potential tonnage.

Speaking to the first point, there is no debating the magnitude of Merrex's holdings. Siribaya covers 848 sq. km

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along southwestern Mali, which makes it the size of all five boroughs of New York City.

And that large swath of land sits in prime gold-mining territory — the project is 50 km south of **Randgold Resources'** (GOLD-Q) Loulo Mine and **Avion Gold's** (AVR-T, AVR-V) Tabakoto and Segala mines.

Then there is the grade. The initial indicated resource for the Siribaya structure outlined 4.05 million tonnes grading 2.39 grams gold for 308,200 oz., and inferred resources of 946,000 tonnes grading 2.29 grams gold for 69,500 oz.

As for the third reason, Cumming, speaking in mid-September at the Precious Metals Conference in Vail, Colo., said the company is “increasingly confident Siribaya is an Iamgold-sized opportunity.”

The statement mentions that Iamgold

is not interested in 400,000-oz. deposits, or even 1-million-oz. deposits.

Cumming's confidence that Siribaya will hold much more has to do with the structural anomaly that extends over 10.5 km in strike.

The current resource estimate comes from an area that stretches over 900 metres.

Merrex has been drilling shallow heel-to-toe reverse-circulation (RC) fences across the entire 1-km width of the structure, and has so far covered 4 km of strike. It has found mineralization throughout and plans to cover 7 km before year-end.

Mineralization at the structure occurs in two parallel bodies, which the company refers to as 1A and 1B.

The company's focus is on extending zone 1B to the north while infill drilling.

At the same time it is looking to delineate a new resource in 1A.

A total of 30,000 metres of RC drilling will be done this year to confirm the structure's footprint. Another 10,000 metres of diamond drilling will be completed with the aim of bringing the resource estimate over the 1-million-oz. mark.

While the structure may be shaping into a hefty deposit, it is important to note that the entire 10.5-km strike represents 1% of the total property package.

Merrex has \$13 million cash-on-hand, which is enough, Cumming says, to carry it to the end of 2012.

As for Iamgold's involvement, the company came on-board in 2009, and Cumming emphasizes that the gold producer can't get beyond the 50% mark.

“There's no creep in this deal,” he says.