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Graphic Business

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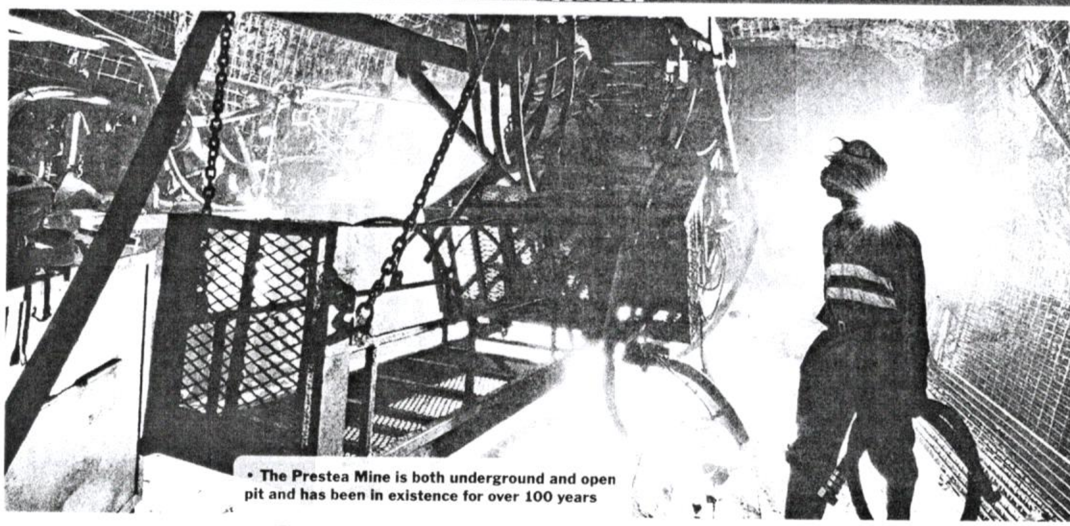

• The Prestea Mine is both underground and open pit and has been in existence for over 100 years

Another rescue plan for Prestea mine

• Golden Star Resources attempts turnaround

By Maxwell Akalaare Adombila

AN EARLIER plan to revive and return the country's oldest mine, currently run by Golden Star Bogoso Prestea Limited, to profitability failed to deliver the desired results.

As a result, the open and underground mine in the Prestea-Huni Valley Municipality in the Western Region has been posting losses since gold production resumed in late 2017.

The situation has forced the mine owners, Golden Star Resources Limited (GSR), to refine the revival plan around a new methodology that the company said was "more focused" and "achievable."

The Chief Executive Officer of GSR, Mr Andrew Wray, said in a media interaction last Friday that in spite of the challenges, the company had no plans to sell the mine, given its potential for success.

He explained that the new rescue plan was put together after an independent consultant had concluded a review exercise that assessed why the initial plan was overwhelmed and prescribed solutions to make the revised one successful.

Among other things, Mr Wray said the revised plan involved the reduction in the stope height level from 24 to 17, expanding the underground shaft to allow for easy movement, using a new long hole open stoping mining methodology and increasing investments to procure more equipment for use.

He said the company also planned to invest more than $10 million into the mine this year to help replace equipment, improve access to the underground and undertake infill drillings in line with the attempt to turn the fortunes of the mine around.

• Mr Andrew Wray — CEO & President, Golden Star Resources Limited

Realistic plan

The CEO's interaction with the media was the first since his appointment in May last year.

It formed part of efforts by GSR to sensitise the public to its operations in Ghana in the Prestea and the Wassa mines, both in the Western Region.

Explaining further, the CEO said unlike the original plan, the revised one was less ambitious and rather realistic; more targeted and easy to execute and account for.

He noted that although his outfit was optimistic that the implementation of the revised plan this year would return the mine to profitability, the mine was still expected to post losses in 2020 as well. Mr Wray, who is also the President of the company, explained that this was because it would take time for the capital investments being injected to combine well with the revised plan to deliver the desired results.

No plan to sell

Until its resumption in gold production in 2017, the Prestea Underground Mine was under care and maintenance for 14 years.

It followed the successful purchase of the mine and its accompanying assets by GSR, a Canadian gold miner, from the Standard Bank at about $16 million around 2003.

After the completion of the revival processes, the mine resumed gold production in October 2017 to high hopes of a rebound in economic activities and job creation in its catchment area.

While the resumption in gold production might have delivered some jobs to some locals, its contribution to Golden Star's bottom-line has been negative, resulting in the company having to use revenue from its sister mine, Golden Star Wassa Limited to subsidise its operations.

The company's 2019 full year results showed that the Prestea operations suffered a gross loss of $87.97 million in that financial year - almost triple the loss recorded in 2018.

In 2018 and 2019, gold production in the mine also missed targets, mainly due to the above challenges.

The CEO said the losses at the site were a challenge to the business, given that "the money that Prestea is losing can be spent on exploration."

He, however, stated that GSR had no intention to sell the mine since it had a high potential for success.

"A lot of people ask the question "if it is losing money, why don't you just close it down?"

"The answer is that the potential is there to be successful.

"What we believe the site needed was a plan that is built for success and then methodical execution," he explained.

He said once the plan had delivered results and returned the mine to profitability, the company could then consider a plan to sell or divest.

Staff reorientation

While admitting that some of the challenges facing the mine were traceable to leadership failure, Mr Wray, who used to be the CEO of La Mancha, GSR's biggest shareholder, said the staff in the Prestea Mine should not be blamed for the mine's below par performance.

"I think it is unfair to blame the team at the mine site."

"If they were given a plan that, really, was not a plan that was achievable, then I do not think it is right to blame them for a plan that was not achievable," he said.

Consequently, he said the company had resolved to maintain the staff but reorient them to the demands of the revised plan to allow for success.

"Now, we are giving them an achievable plan; a plan that we can help them to account for," he added.

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