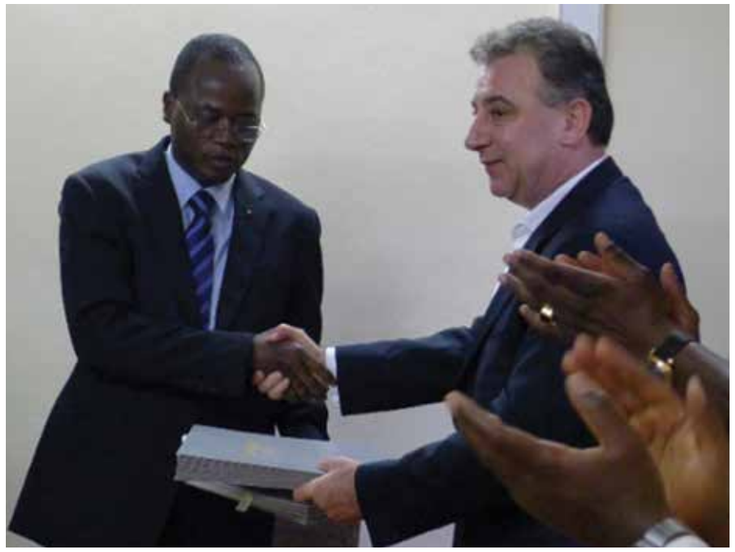
TIMIS TRAINS HIS TALENTS ON BURKINA FASO

When Frank Timis puts his expertise behind a project in Africa, seasoned investors generally sit up and take notice. And his latest plan, to bring the world's largest manganese deposit – located in Burkina Faso – to market for Pan African Minerals Ltd, has all the hallmarks of replicating the success he had with the African Minerals Ltd Tonkolili iron project in Sierra Leone.



Timis has been dubbed "the Emperor of the Resources Industry" by the West African press and governments have an open-door policy when he visits, all of which adds credential to his plan to upgrade 1,400km of railway between Cote d'Ivoire and Burkina Faso to connect the dots and bring the Tambao manganese project in Burkina Faso into production.

Like the 30-month turnaround for Tonkolili to come online, Pan African is pursuing an aggressive timeline to production, aiming for Q3 2014.

In August, the Tambao project was sanctioned by President Ouattarra of Cote d'Ivoire and President Compaore of Burkina Faso, allowing for the transport of manganese ore from northern Burkina Faso down to the Port of Abidjan, Cote d'Ivoire.

It is no small task and will include construction of a spur line of 238km of rail from the Tambao mine site to the existing railway at Kaya and refurbishment of 1,249km of existing rail into the port. Starting off as a 1Mtpa DSO operation, the third-party port access can accommodate up to 750,000tpa of shipments until Pan African moves to a 3Mtpa plus operation and develops its own port area. While the port component is much smaller than the 25Mtpa facility established at Tonkolili, the rail aspect is nearly seven times longer than the 220km of rail built in Sierra Leone.

Initially, the product will be moved via a combination of road and rail before going through the third-party port; by the time the project transitions to the 3Mtpa operation, Tambao manganese will be moved by rail to port and exported out of Pan African's own port facility.

Assessing the economics, Tambao has an NPV of $3.4 billion, an internal rate of return of 122.2 per cent, and it is expected that shareholders will be protected from funding dilution with early cash flow from operations to pay for all capital costs to ramp the project from 1Mtpa to over 3Mtpa. Capex for the first stage is $US93.13 million, with the 3Mtpa ramp-up operation capex calculated to be US$764.1 million – all to be funded from operating cashflow.

Operating costs are anticipated to start at US$85.25/t, and as the project grows and operations are brought in-house, they are expected to drop down to $US46.73/t when operating at 3Mtpa.

The governments of Burkina Faso and Cote d'Ivoire are not only excited by the macroeconomic effects this large-scale mining project will bring, but also the regional benefits that will flow through from the railway corridor. It is expected that the railway will support growth in livestock and agriculture, job creation and an improvement of socioeconomic conditions.

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Needless to say, Timis's reputation is underpinned by his and the Timis Corporation's commitment to corporate social responsibility and philanthropic values. From African Minerals involvement in Sierra Leone, over 10,000 jobs for locals were created, improving conditions and bringing stability to the former conflict stricken nation. The Timis Corporation stands by its commitment to support the regions it operates in through community projects, which include schools, health clinics, infrastructure projects and scholarships.

The expectation is that the same benefits will be rolled out in both Burkina Faso and Cote d'Ivoire, despite the divide between mine and port.

While Timis might be the visible spearhead of the organisation, the Pan African board carries a wealth of experience commensurate with the challenge ahead. CEO Alan Watling was most recently the CEO of African Minerals and in charge of getting Tonkolili off the ground and operational.

In Australia, Watling is synonymous with many well-known mining infrastructure achievements, including 20 years at Rio Tinto Ltd, which included tenure as head of railways for Hamersley Iron, and the main driver of Fortescue Metals Group Ltd's 45Mtpa greenfields operations at the Chichester Hub in the Pilbara.

On the team with Watling are Victoria Sherwood, Karl Sinko, Marcus Reston and Guy Blakeney in executive leadership roles – with all except Blakeney previously working at African Minerals.

Attention is now fixed on the final stages of development at Tambao to make sure the project is ready for first shipment in 2014.

Technical documents are in the process of being signed off by Pan African management and road and rail upgrades are set to begin.

Pan African have a JORC compliant resource of over 100Mt with average grades of over 50 per cent manganese over a 30-year mine life with 3Mtpa production and with 55 per cent manganese for the first 10 years. African mining intelligence stated in July 2013 that this is some of the best grades in not only Africa, but globally for manganese. Geophysics suggests that there is a high prospectivity for lateral extensions at the outcropping Tambao deposit in addition to depth extensions, which have recently been confirmed by drilling. The valley floor Canga ore sits on the surface of the manganese cap, grading at around 40-50 per cent manganese for 1-2Mt.

Underneath the Canga ore is the high-grade 55-58 per cent manganese mineralisation, from which Pan Africa expects to define 20-25Mt of ore – suitable for DSO.

The transition ore below the oxide is considered to hold the same tonnage, but at a lower grade of 45-50 per cent manganese before moving in to carbonate ore bodies, the deepest with a grade of 40-45 per cent manganese and a large resource target of 80-120Mt – still open at depth.

Pan African estimated its high-quality manganese oxide grading at 54 per cent manganese could command prices of US$506/t, a premium price comparable with lower-grade products.

Manganese grade and price per tonne do not have a linear relationship, with steel mills prepared to pay more for higher-grade products, as it reduces input costs, produces less slag and increases the grade of the steel.

According to Pan African, Tambao's ore will allow steel mills to produce at a faster rate and at a lower cost.

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