

Gold Mining in Cambodia: Attractive but Risky

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Nestled between Vietnam and Thailand is Cambodia, a poor country with a basket of largely untapped resources that include gold. Within the past decade the surge of interest in the country's mining prospects has been met with positive response from the Royal Government. For Cambodia, the mining sector may be a key to economic growth, meanwhile for investors, there may be attractive possibilities, however, there is also common use of the term "high risk."



That Cambodia has gold is one of the few things of which investors can be certain. The solid history of artisanal gold mining bears proof, as do the exploration efforts that are currently underway.

The country's gold appears to be widely distributed. Commercial scale gold mining opportunities are often associated with northern Cambodia, which [Southern Gold](#) ^[3] (ASX: [SAU](#) ^[4]) [described](#) ^[5] as emerging into a new gold province.

However, Southern Gold says that there is a west-northwest structurally controlled trend spanning Cambodia and reports that they hold seven exploration licenses in the east.

Scott Donahue, Vice President of Corporate Affairs for [Angkor Gold](#) ^[6] (TSX: [ANK](#) ^[7]), says his company has traveled to all four corners of Cambodia and that there are great possibilities throughout.

Finding an economic deposit

The question that has yet to be answered is whether those possibilities will translate into an economically viable mine.

CAMEC is an association of companies and individuals involved in Cambodia's mining exploration sector. It is also one of the competent voices that [warns](#) ^[8] that Cambodia presents higher risks than many other countries competing for exploration investment.

The country has no producing gold mine and is also void of commercial mining history. There is no example investors can point to as a model of success or even upon which to improve.

The best indicator of Cambodia's gold mining potential at this point is [OZ Minerals](#) ^[9] (ASX: [OZL](#) ^[10]) Okvau Workings deposit.

Considered the most advanced project in the nation, Okvau is located in the Mondulkiri

province. The deposit has inferred [resources](#) ^[11] of over 600,000 ounces of gold. And though this discovery, made in 2010, has been a prompt for optimism, it has not been enough for OZ to deem production economic. Rather, the company said it needed to find two million ounces of gold and has continued its exploration efforts in hopes of doing so.

Donahue says OZ is expected to make an announcement in the near future and positive results are anticipated.

“Good news for OZ is good news for Cambodia,” he said.

Expressing further optimism, when asked about Angkor's own prospects, Donahue described their property as mineral rich and said he is not worried about the possibility that they may not find what they are looking for.

Developing mining policies

If an economic gold deposit is found in Cambodia, investors face another set of risks. With the non-existent mining history comes the absence of a comprehensive body of mining policies. Yet to be etched into stone and proven as functional are systems outlining and regulating mining related issues such as taxes, royalties, and incentives.

CAMEC recognizes these as challenges to building a world class mining sector in Cambodia.

Thus far, the Royal Government of Cambodia is widely commended by foreign investors for the treatment that they receive. Still, it cannot be overlooked that that record covers only the span of exploration, a period when miners are making investments but revenues aren't being generated.

Operating conditions

Infrastructure is commonly cited as a potential area for concern.

In 2010, Sok Leng, Director General of Mineral Resources at Cambodia's Ministry of Industry, Mines and Energy [cautioned](#) ^[12] that it is not all easy as there is poor infrastructure and exploration has to be conducted in the remote jungles. He added that this requires companies to invest more time and capital.

Improvements continue to be made, with notable infrastructure investments being attributed to the Chinese and these are apparently paying off.

Donahue says that Angkor is pleased with the infrastructure and denies that it has presented Angkor with any significant problems.

Though Cambodia is considered to have extremely expensive electricity, Donahue says that neither the access or nor the costs of adequate supplies of electricity or water are red flags.

All of the services that we need, we have, he said.

Futhermore, there is large labor pool available in Cambodia.

Donahue describes Cambodian citizens as some of the most genuinely friendly people in the world. And the majority are also young. With more than half of the country's population under age 25, there is a large labor pool available.

With regards to their qualifications, Donahue says that what they lack in skill is made up in heart and effort.

However, venturing into remote areas of Cambodia to explore for gold does involve a risk that many mining companies may not have encountered before—that of unexploded land mines.

But, there is even a means to overcome this. Angkor works with a specialized mine

team that travels ahead to clear the way and as a result have not had any bad incidents. Although these services are the company's largest in-country expense, Donahue says it is a small price to pay for safety.

Overall, he considers the prospects and conditions in Cambodia to be pleasing as says that the costs are in line with industry standards.

I, Michelle Smith, do not hold equity interests in any of the companies mentioned in this article.

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