

Galway Turns To Old Colombian Gold Mine For Growth

By: Anthony Vaccaro

Galway Resources (GWY-V) may have initially grabbed the market's attention via its California gold project's proximity to **Ventana Gold's** (VEN-T) and **Greystar Resources'**(GSL-T) assets, but lately the company has been busy proving up a different project altogether.

With the recent acquisition of one of Colombia's oldest and largest producing gold mines -- El Volcan -- Galway has been sinking dollars into bringing the mineralization around the mine up to modern geological standards.

The mine is on its larger Reina De Oro property, which was acquired in January 2010 and sits roughly 8 km southeast of Galway's California project.

Galway wasted little time in testing its newly acquired ground as it has already released two sets of promising channel-sampling results in February.

And company president and chief executive Robert Hinchcliffe says more is set to come.

Two drills will start turning at the project in the second half of April, with one operating from surface while the other is underground.

The first phase of drilling is expected to cut 10,000 metres and the company has plans for a 20,000-metre program beyond that.

Funding will come from the \$10 million Galway currently has in its kitty, and Hinchcliffe says that outstanding warrants could bring in another \$8.5 million.

That should carry exploration programs at Reina De Oro and California for the immediate future. The company allocated its exploration spending equally between the two projects.

As for future financings, Hinchcliffe says drill results will be the determining factor.

"The more successful we are, the more we'll spend and the higher our share price will be," he says on the phone from Colombia.

At Reina, Galway is confident that it has discovered a significant high-grade gold zone.

El Volcan has been the site of gold mining since the 1590s and is the largest gold producer in the California-Vetas-Surata gold mining districts.

The mine is made up of two main levels, with eight mineralized quartz veins currently being mined by a Colombian company with a small workforce.

"The mining will stop when we exercise our option," Hinchcliffe explains of the current activity. "It's part of our agreement. We're continuing to let them mine, but it's not artisanal miners that we're dealing with."

El Volcan has been mined from surface down to roughly 250 metres and over a 570-metre vein length. Galway estimates that 30% of the area has been mined out.

Currently Galway is focusing on 2 km of the 5 km of historical underground drifting that has been dug by miners. The remaining 3 km is currently not accessible -- Galway, however, says it plans to drill there.

Its latest channel samples come from eight mineralized structures, all of which were accessed on the lower level of the mine.

Highlight grades included 70.1 metres strike length with a 0.9 metre true width returning 104.8 grams per tonne gold; 1,374.8 grams gold per tonne over a strike length of 5 metres with a true width of 0.8 metre and 223.8 grams gold over a strike length of 25 metres with a true width of 0.9 metre.

"Several of the veins appear to be getting richer over longer intervals when compared with prior results," Hinchcliffe says.

Galway says all of the veins are open along strike horizontally and to depth.

The mineralized zone is composed of quartz veins together with splay veins that are spatially associated with shear zones hosted in porphyry and metamorphic gneiss, Galway says.

While it is still early, Galway believes that the steep slope of the veins and the highly competent wall rocks makes the zone ideal for bulk mining methods.

Galway's shares have enjoyed a strong run coinciding with a booming gold price and increased investor interest in Colombia.

The company's first foray into Colombia, however, was connected with coal. And while it still has coal assets in the country -- it is joint ventured with **Xstrata** (XSRAF-O, XTA-L) on the GALCA project -- it announced its entrance on the junior gold exploration scene with its acquisition of the California property in July of last year.

That move began a strong bull run for the company's shares culminating in a Dec. 11 closing price of \$1.71. Since then its shares have come off a bit in step with its junior gold company peers and have been trading in the 90¢-\$1.10 range since early February.