

# EUREKA *report*



## Golden hopes in the back of beyond

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May 30, 2011

**PORTFOLIO POINT: Tantalising drilling results have lifted Gold Road's hopes that it will strike it rich.**

To see the future of gold mining in Australia you need to travel vast distances, to where the last cattle station ends and the desert interior begins.

In WA, that is Yamarna station, 1000 kilometres northeast of Perth, closer to the South Australian border than the west coast.

It is here that Gold Road (GOR) is attempting to unlock geological secrets that have been too tough for other exploration companies, and so remote that prospectors from the 19th century gold rushes never trekked that far inland.

Modern exploration tools, and a gold price above \$US1500 an ounce, have changed the outlook for Yamarna as Gold Road unleashes the biggest drilling campaign ever seen in the area, where few rock outcrops rise out of the desert sand.

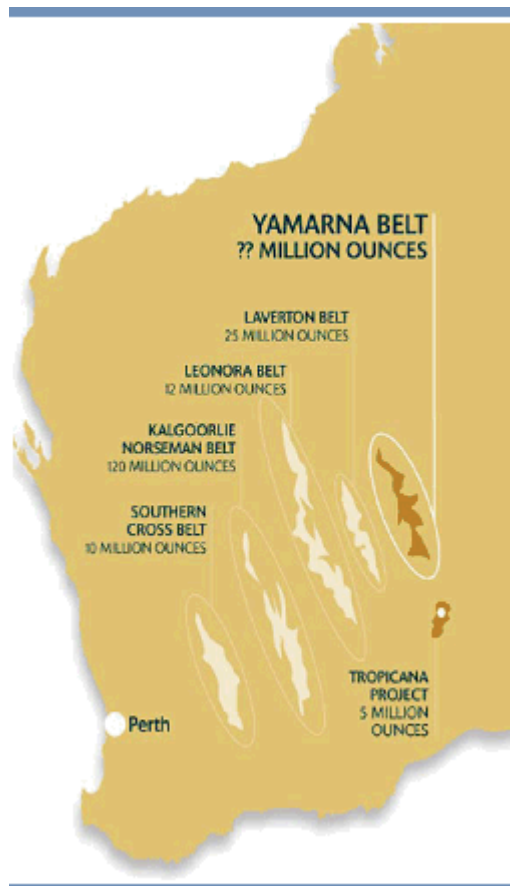
When I visited the site last week as a guest of Gold Road, it was with a pair of curious east coast stockbrokers. We were among the first outsiders to make the three-hour flight in a light aircraft from Perth to the short bush airstrip that services the site.

What we found was a small team of geologists and service staff overseeing a three-rig drilling program that has been set the ambitious task of banging down 85,000 metres of drill hole this year, more in a single campaign than has been spent on targets in the area over the past five years.

With supplies having to be trucked over 600 kilometres of dirt track from the major mining service centre of Kalgoorlie, the development is literally taking place at the end of the road; and while working conditions are agreeable now, that will change in summer when temperatures soar.

The reason Gold Road is working so far inland, and why the stock has attracted a growing number of investors, is that the company has encountered tantalisingly rich intersections from earlier drilling campaigns and is getting close to declaring that it has enough gold to start a mine.

But the real attraction of such a remote location is the potential for it to be the "fifth leg" in the vast Yilgarn Craton of southern WA, a prolific gold-producing region that includes world-class mines at Kalgoorlie, Leonora and Southern Cross (the region is believed to contain as much as 30% of the world's economically recoverable gold).



Those gold mining centres, which have yielded hundreds of millions of ounces of gold each, are based on massive tears, or shear zones, where the earth's surface was ripped open about 2.5 billion years ago to allow the flow of gold-rich fluids to the surface.

For Gold Road the job of proving that the Yamarna Belt on the eastern edge of the Yilgarn Craton is indeed the fifth major shear zone is a very heavy lift because the remote location means that any discovery must be big, and preferably very high-grade to tolerate the costs of working so far from services.

It is not there yet, but the accelerating exploration program has helped attract investors with an appetite for a high-risk, high-reward campaign.

Since Eureka Report first mentioned Gold Road (then trading under the name Eleckra) last October, the stock has risen from 42¢ to a peak on April 29 of 84¢, before retreating to recent sales around 60¢ mark as the market waits for the first assay results from current drilling.



The view of the stock from the Southern Cross Equities team (the only stockbroking firm to make the trek with me) is that it will be closely watched, with Gold Road likely to attract a “speculative investment” tag given its current status as an explorer rather than a near-term mine developer.

For the technically minded reader, what Gold Road is chasing is information from drilling that will pinpoint high-grade gold deposits in the complex shear zone that runs for more than 500 kilometres in a roughly north-south direction – for more detail see the latest corporate presentation (click [here](#)).

So far, Gold Road has outlined slightly more than one million ounces of gold, but that is spread across multiple deposits and averages a low 1.63 grams of gold per tonne – insufficient to develop as a mine in such a remote location.

What’s needed is more of the fabulously rich intersections encountered in narrow veins at the current flagship target area called Central Bore, where one hit measured more than 1000 grams a tonne, but in a section less than half-a-metre wide.

As it now stands, Central Bore’s average grade of 7.86 grams a tonne would yield handsome profits, probably as an underground development because the narrow veins would require shifting too much rock for an open-cut mine.

Then there is the issue of volume, because Central Bore currently has just 595,000 tonnes of ore, which boils down to an estimated 150,300 ounces of gold – a very good start, but more is needed.

The grades at Central Bore mean that it is the focus of current drilling, which includes the first deep drilling to see how gold grades (and volume) hold up at depth.

Apart from needing more high-grade ore, a challenge for Gold Road is to keep its focus on specific target areas inside a massive 5000 square kilometre tenement package that runs for 250 kilometres of the Yamarna Shear and comes within a few kilometres of the five million ounce Tropicana gold discovery of AngloGold Ashanti and Independence Group.

Current geological thinking is that Tropicana has been formed in a different setting to Yamarna, a region known as the Albany Fraser Belt – but it seems likely that it lies at the intersection of two major structures and was influenced by the Yamarna Shear.

The chief executive of Gold Road, Ian Murray, is justifiably excited about the prospect of Yamarna becoming a substantial gold mine.

“We think the sky’s the limit,” he said at the exploration camp. “There is a real chance that we could be mining within the next one or two years.”

Possible ways of generating quick cash flow include trucking the highest-grade ore about 190 kilometres for processing at under-utilised plants near Laverton, or setting up a heap-leach operation, the quickest way to extract gold. Neither option is attractive for long-term gold production, or for extracting maximum profits.

The most likely approach will be to develop a stand-alone processing plant, but for that to happen Gold Road needs more gold, and preferably more high-grade gold like that at Central Bore.

The company's exploration director, Ziggy Lubieniecki, is confident (as are all exploration geologists) that the \$9 million being spent on this season's drilling campaign will yield the results he wants.

"We have 150 kilometres of smoke," he said – a reference to the gold indications along almost the entire length of the company's tenements. "We're still learning the geology, but we have an enormous number of drilling targets to attack. The (drilling) campaign underway will be dictated by the results."

For investors, Gold Road is a work in progress. It is undoubtedly on the track of a totally new source of gold, in a region long regarded as too remote and too difficult, but being opened with the assistance of modern exploration tools, and a gold price above \$US1500 an ounce.

Gold Road is a stock to watch, as is the entire region, if the Yamarna Shear lives up to its promise as the Yilgarn's fifth leg.

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