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An Exploration Project At The Limit: Minesite Kicks The Tyres At Gold Road's Ultra-Remote Yamarna Discovery

By Our Man in Oz

For anyone unfamiliar with the Australian outback, Yamarna cattle station is an excellent starting point. It is about as remote as it is possible to be anywhere on planet earth, and it is also shaping up as planet earth's next major gold discovery, with a hint of base metals and uranium tossed in for flavouring. The appropriately-named Gold Road is the making all the running at Yamarna at the moment. But if Gold Road's current heavy-hitting drilling programme continues to unlock hidden secrets in an area so isolated that even the old-timers of the 19th century didn't make it in their wandering, it won't be alone for long. Strikingly rich gold assays have been reported by Gold Road, and while some are over narrow intersections of a metre and less it is hard to ignore dirt that grades 1,000 grams to the tonne, a bonanza 32 ounces.

The challenge for Gold Road and its enthusiastic chief executive, Ian Murray, is to explain what he believes has been discovered without drowning a casual observer in geological mumbo-jumbo. Some of his reports, compiled by the redoubtable and even more enthusiastic exploration director, Ziggy Lubieniecki, are documents that require a master's degree in geology, and half a day to digest. As for a quick visit to walk the ground, well that's out of the question unless you take a packed lunch, water bag, good book, and knuckle down for six hours in a light aircraft to make the 1,000 kilometre trip from Gold Road's home town of Perth to Yamarna.

Minesite, in the interests of having a better-informed audience than your average news source, did just that last week, braving a chilly winter morning in Perth, and an over-crowded, boom-time domestic airport, to join a small tour group prepared to make the three hour trip out to site (and three hours back). This was a classic dawn-to-dusk exercise in rock-kicking, and included a long stay at the field camp, visiting drilling rigs, and eyeballing gold-rich core. Making up the numbers in an aircraft designed to carry just eight people were two analysts from the Australian stockbroking firm Southern Cross who, like Minesite's Man in Oz, felt a need to see what had propelled Gold Road's share price out of the penny dreadful wasteland of less than a year ago to an all-time peak price of A84 cents on April 29th. Fair enough, more recent trades have been lower, at around A63 cents, but even at that price Gold Road is capitalised at A\$183 million, a value handsomely higher than it was 12-months ago, but well short of the potential if the Yamarna discovery lives up to its promise.

At best, Yamarna is an entirely new gold province, the fifth in a series of massive cracks in the earth's crust that stretches across a region known as the Yilgarn Craton, itself roughly the size of Germany, and 2.8 billion years old. Better known "fissures" in the Yilgarn Craton include those which include the 120 million ounces of gold in the Kalgoorlie-to-Norseman belt, and the 25 million ounces in the Laverton Belt. With those comparisons to live up to, plenty of drilling will be required for Gold Road to prove that it has anything that might rival its better-known relations. And drilling is just what the company's doing.

"We're confident that the Yamarna shear zone is roughly of the same age as that which runs through Kalgoorlie", Ian said at the field camp. "It's largely because of the deep cover and isolation that no-one has previously taken a close look at the area. The results we've seen so far add to the confidence that there is the potential for a multi-million ounce gold camp." One thing is for certain, Gold Road has plenty of ground to play with. Detailed exploration has, so far, touched just one per cent of the 5,000 square kilometres of tenement pegged by the company along what is sometimes called a "greenstone belt" because of the colour of some of the gold-bearing host rocks.

After a detailed explanation from Ziggy, which even left the Southern Cross analysts somewhat bamboozled, it was into four-wheel drive vehicles for a tour around the best area of discovery, Central Bore. It is here, with a windmill and cattle yard to mark the spot, that Gold Road has made delivered its best intersections. These include hits reported in February of five metres at 146 grams per tonne from a depth of 226 metres, one metre at 845 grams per tonne, and 45 centimetres at that eye-popping 1,000 grams per tonne. The challenge for Ziggy and his team is to stitch all the data from previous drilling into this year's A\$9 million, 90,000 metre blitz, to form a cohesive pattern which will lead to a commercial development. "We're seeing smoke everywhere", Ziggy said, by which he meant gold clues. "The sky's the limit in what we're chasing."

As the discovery currently stands, after some very strict pruning by outside ore-reserve consultants, Central Bore contains a modest 595,000 tonnes of material assaying 7.86 grams per tonne for just 150,300 ounces of gold. That estimates fits into an overall project in multiple discovery zones, of 20.4 million tonnes averaging 1.63 grams per tonne for slightly more than one million ounces of gold. "What we want from the current drilling program is more of the high grade material", Ian said. "That's why we're focussing on the ground around Central Bore, and deeper under the discovery area."

Grade will be the key to any future mine development at Yamarna, which is the last cattle station in Western Australia before the start of "middle Australia" a place the Aborigines call the "never-never". The cost of operating in such a remote location is the primary reason that high grades are essential. That point has been well made by one of the world's biggest gold miners, AngloGold Ashanti, which discovered the five million ounce Tropicana mine close to the southern boundary of Gold Road's ground, but in a different geological structure. For a few fretful months AngloGold management muttered darkly that Tropicana was too remote to develop. But that view changed when the gold price rocketed through the US\$1,000 per ounce mark, and kept going.

Ian said he wanted to see sufficient material discovered at Yamarna to construct a stand-alone gold-processing plant, but had also taken a cursory look at other ways of generating quick cash flow. “We’ve toyed with the idea of a heap-leach operation, and of trucking high-grade ore to one of the under-utilised mills near Laverton”, he said. But having floated those possibilities he added that the rest of 2011 would be taken up with the biggest single drilling campaign ever to hit the Yamarna region.

For Minesite’s Man in Oz, and the Southern Cross team, the Gold Road field trip was an opportunity for an up-close look at an exploration project at the limit. In terms of timing, the visit could not have been better, as heavy recent rainfall had triggered a burst of growth in the grasses, fattening both cattle and the local kangaroos. The kangaroos made the odd bound across the bow of the tour group vehicles. High summer is not a time to make the trip to Yamarna, as scorching temperatures routinely top the 45 Celsius mark. Temperatures that high bring drilling to a halt, and even ground aircraft because the hotter, thinner air means aircraft require a longer airstrip, although Gold Road is considering building one as the drilling campaign hits overdrive during the cooler winter months.

For investors, Gold Road already ranks as a “10-bagger” for anyone canny enough to have bought at this time last year. The next big uplift will come as drilling results flow. That means discovery news is important, and that the critical factors are grade and a critical mass at a place where Gold Road can start mining.