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EXPLORATION

Emmerson explores JV possibilities

Richard Roberts, [6 October 2008](#)



Drilling at West Gibbet, 5km from Tennant Creek, where Emmerson's first drill-hole intersected 13m grading 66.9gpt from 74m depth in an oxidised hematite-dominated ironstone.

'SURVIVAL of the fittest' is a cliché that's rapidly gaining currency in the junior resources sector. Emmerson Resources CEO Rob Bills prefers "fortune favours the brave", and he claims to have won new friends on an eastern states roadshow this week.

No easy feat, one could guess, given the sharemarket mayhem going on around scheduled meetings and an investment forum appearance. But Bills says he's been encouraged by support for the company's plan to continue down a path of aggressive exploration in the Northern Territory's Tennant Creek mineral field – which produced some good results in the first half of 2008 – in the face of reported cutbacks in exploration and general expenditure in the sector.

"I think there is recognition that at some point in time this market will turn," Bills told *HighGrade*. "I don't know when that will be, it's going to be volatile for a while, but the fact that we're getting out there and getting on with it – we've just approved another \$A10 million to spend in the ground, so we are not pulling down the shutters – has earned us a fair bit of respect.

"I remain quite optimistic, and I say that not lightly because I have seen it [market downturn] before," the former WMC and BHP executive said.

"We're in what you might call a sweet spot in that we've got \$A14 million in the bank, so we've got enough money to last us through the next 12-18 months and we can turn the tap down as we move further into our project pipeline if we need to but at this point in time we're actually going to plough ahead and I think, as they say, good fortune favours the brave.

"Certainly we've taken a big hit on our share price but it's remained stable over the last 3-4 weeks at around 10c or so."

That gives Emmerson a market capitalisation of about \$A20 million, with its \$14 million in the bank and a refurbished 300,000 tonnes per annum gold plant near Tennant Creek (the only plant within 500km of the town). The company raised \$A20 million in an IPO and listed on the ASX last December. It hit the ground running and had spent about \$A5 million on drilling, mapping and surveying by the middle of this year.

This year's spend will be channelled more into brownfield targets and in particular those showing good signs of adding to known high-grade, shallow resources, or mineral inventories. Bills is still looking at a two-year production horizon for Emmerson because he wants to establish a large, high-quality resource inventory before restarting the plant, but as the major ground holder in the district with more than 2700sq.km, and a central mill, he also remains open to earlier production through some sort of consolidation or partnering process.

Two other possibilities loom larger now after the destruction wrought on world financial markets over the past month, and the equity market slowdown locally.

"In this environment we've got a strategy laid out where we have got some options in terms of tapping into either joint venture money from seniors, or from overseas parties," Bills said, the 'seniors' being companies like his former employers. The experienced geologist spent 25 years with WMC and BHP before taking on the Emmerson post.

"Because of the very nature of the program, including a big investment in geophysical techniques that hadn't been used in Tennant Creek before, we're starting to see [generation of] some targets that would be of interest to bigger players," he said. "There is certainly

nothing firm on the table, but I think there is potential there in the future and the exploration program was set up with a view to establishing that option.

"We've also embarked on an initiative to try to pull in some money from China or even Korea or Japan.

"We've got some advanced copper projects in our tenements – there's some quite good in-ground inventories ... not all JORC compliant, but certainly quite advanced. Some of it's in an openpit situation and we need to pull it into a reserve and actually understand it in terms of processing and mining. We can't treat copper through our mill, so our focus will stay on the gold, but we [have] packaged together some advanced copper exploration projects that could be funded by an overseas joint venture party.

"It's early days [but] we've had a couple of overseas parties through our projects."

HighGrade understands up to \$A10 million is being sought to fund the copper exploration, with a new party able to initially earn 49% in copper resources identified on Emmerson's ground. The JV party would also put some money into Emmerson via a placement.

"What we'll do is pursue these options quite hard and see what comes out," Bills said.

"Come June next year we'll have about \$4.5 million in the bank, having spent \$10 million this [fiscal] year on exploration and \$5 million last, so a pretty aggressive spend.

"We've got the biggest tenement position there and, we believe, the most prospective tenement position. We've certainly got a very full pipeline of projects lined up to drill and are drilling at present. We want to stay really focused on our knitting, on our brownfields and greenfields gold projects. This copper proposal is something that I don't want Emmerson shareholders to get diverted by. I think gold is yet to really run and I think it will be interesting to see how it goes over the next 6-12 months."

Bills said early stage drilling had produced strong results "suggestive ... of some pretty decent openpittable resources" and it "would actually not be a big jump for us to move into production".

“But again we don’t want to go down the same path as some of our predecessors and start production too early before having that quality resource bank in front of us.”