

**July 7 - 13, 2008** edition – [www.highgrade.net](http://www.highgrade.net)

## COVER STORY

### Tennant Creek beauty still in the grade

By Michael Quinn, 7-13 July 2008



Westgold drilling at Rover.  
Photo: Graeme Hird

BROKERS and a couple of analysts pulled out their comfortable footwear and casual gear and converged on central Australia last week to check out first hand the prospects that could herald the renaissance of the historic, high-grade Tennant Creek gold and copper mineral field.

Those represented on a tour focused on Emmerson Gold (ASX code ERM) and Westgold Resources (WGR) included DJ Carmichael, ABN Amro, Bell Potter, Euroz, Equity Underwriters and Taylor Collison, amongst others.

Both of the headline companies are busy beavering away in a region that is a proven company maker – though in the case of the region's most recent miner, Giants Reef Mining, it proved the opposite. Still, Emmerson for one would argue strongly that one man's misfortune (not to mention an unfortunately flawed approach) can be another's opportunity – it picked up the Giants Reef assets from the administrator – and that a strong emphasis on new exploration in a highly prospective region will ultimately stand to succeed.

The beauty of Tennant Creek is grade. The biggest cliché in mining is grade is king, and the current era of high capital and operating costs emphasises the truism on an almost daily basis.

Tennant Creek is an undeniably high-grade mineral field, and finding of the relatively small volume deposits is now utilising gravity techniques as well as the magnetics that have traditionally been used to generate drill targets from the prospective ironstones (*see also HighGrade story on Tennant Creek in May 19 edition*).

Emmerson, which, given the current market circumstances showed great timing with a \$A20 million IPO late last year, has the advantage of already having an established mill ready to go and, according to managing director Rob Bills, the company's biggest value driver will be on finding openpittable high-grade gold in oxide to get the mill up and running. However, as has been proven many times over the years, desperately seeking feed for a hungry mill when under pressure is not a viable template for a sustainable business – just ask Giants Reef for starters! Hence the current thinking is that a minimum of 200,000 ounces would be needed before any consideration is given to kicking the Warrego mill back into life. And those ounces don't necessarily have to be all Emmerson's, says Bills, which, depending on the toll treating rates sought, spells positive news for the other contenders.

Still, Emmerson is very confident in its own extensive ground position in any case. Exploration manager Steve Russell has absolutely no doubt it is only a matter of time given the high prospectivity of the region, the dollars being spent by Emmerson, the progressive, open-minded exploration philosophy adopted by the company, and the enhanced, optimal techniques being utilised – including an extensive regional gravity survey.

Emmerson is spending \$A6-7 million per annum at present, with reprocessing of previous exploration data, the gravity survey, and drilling already underway. A major structural study of the region was also commissioned by the company.

Drilling recorded immediate success at one of Emmerson's brownfield targets, West Gibbet, with a hit of 13m grading 66.9gpt from 74m in the first hole drilled. To date West Gibbet has been shown to have about 40m strike, with every 5m of additional strike potentially worth in the order of 7000oz. Assays from other holes drilled have been delayed by labs swamped with work, such that Emmerson is now backing a new assay lab business in Perth (Quantum) to try and significantly reduce turnaround times.

The company is hopeful of drilling through the wet season and has a new RAB rig arriving in about August that will more or less coincide with the completion of greenfields geophysics programs.

Bills, whose credentials include being the group exploration manager with WMC Resources, believes an analogy can be drawn with Avoca Resources' outstanding success at Higginsville in Western Australia, given the relative shallowness of previous exploration in the two fields – only 7% of the total drill holes completed to date on Emmerson's 2700sq.km of ground have penetrated below a depth of 151m.

Meanwhile, quite how the strong copper and uranium potential of the iron oxide copper-gold (IOCG) ground is to be played is yet to be decided, with Bills steadfast at present that retaining a core focus on gold is the right strategy for the company. A deal with a Chinese party for the copper potential could be one way to address the situation, as could a joint venture or similar with uranium explorers covering the uranium potential.

Westgold has a broadly similar dilemma, and focus at its Rover field, stretching to the west of Tennant Creek and considered to be the undercover extension of the proven mineral field. It has already defined a significant zinc-lead-silver-gold-deposit at Explorer 108, but most focus is not surprisingly on a nearby gold deposit, Rover 1, where high grade gold has been confirmed after a 25 year exploration hiatus.

It remains early days but the feeling seems to be that Rover 1 has the potential to be rather special given the interpreted 700m strike extent of coincident magnetic-gravity anomaly that begins under about 130m of cover. An initial resource target of one million ounces is considered feasible, with Westgold's accumulation of high quality data as part of its exploration of Rover 1 (diamond core drilling involving orientation work and specific gravity every metre), a strategy to ensure the prospect is given every opportunity to show itself to be a potential mine.

One independent analyst described the initial hit of 65.75m grading 11gpt gold from 492m (plus copper, cobalt, bismuth and silver for 17.7gpt gold equivalent), as the best gold drill intercept made in Australia in recent years.

Drilling is now targeting mineralisation up-dip, and Westgold managing director Andy Beckwith says that if the results are positive over the next couple of months a second rig will quickly be swung into action. A resource by the end of 2008 is the aim, with next drill results due later this month.

While AngloGold Ashanti has claw-back rights over Rover 1 – excluding a small, though potentially significant part of where Westgold has been drilling – as it did also with Explorer 108 – Beckwith maintains it is a win-win agreement given the large size deposits AngloGold and its fellow majors are traditionally only interested in. (And he should know because he helped write the joint venture when he worked at AngloGold).

Regarding the path forward for the 8.7 million tonne Explorer 108 deposit (grading 5.6% combined zinc and lead, 20gpt silver and 0.3gpt gold), Westgold is awaiting metallurgical testwork results to confirm high recoveries. A scoping study including an assessment of the potential for high-grading the project will be carried out over the next few months.

Westgold is currently spending \$A300-400,000 per month, with a \$A5.1 million capital raising recently completed. The rights issue was underwritten by multi-commodity company Metals X, which now holds just shy of 30% of Westgold. Beckwith doesn't anticipate the company will face any problems with future fundraising. "We wouldn't have been able to get all these guys up here to site three-to-four months ago," he said. "We won't struggle raising cash."

*Disclosure: The reporter has an interest in Metals X shares*

