

Monday, 21 November 2011

EXPLORATION

Jardine caps off first anniversary Southern Cross-style

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HAVING broken the back of its gold expenditure commitments with its Marda property in Western Australia waiting in the development wings, junior explorer Southern Cross Goldfields is positioning itself to be in the driving seat for future consolidation opportunities.

As it counts down to first production at its \$A55 million Marda gold play by the first half of 2013, the company is aiming to take advantage of the current high gold price environment and regional setting for consolidation, while at the same time looking to grow beyond its current stand alone 400,000 tonne per annum base case model through exploration.

Fresh from his first anniversary in the company's managing director's chair, Glenn Jardine told *MiningNewsPremium.net* the company was always talking to other players when it came to opportunities in the region.

"What we see as making sense in this part of the world is consolidation of the other micro caps like us ... companies with resources but not enough critical mass to get into production in their own right," he said.

The company has already finalised four deals in the past year in the region, starting with the Dempsey acquisition last October which included the Marda Central tenements.

In February this year it acquired the non-iron rights over Radar Iron's Marda tenements, while in August it struck an acquisition/farm-in deal with Renaissance Minerals over the Bullfinch and Southern Cross tenements and Radio mine. In August it finalised an option agreement with Barranco Resources over the Mt King deposit.

With 4000 square km of ground in the region and 2500sq.km around Marda, other juniors in the area include Gondwana Resources and Vector Resources, while producers include St Barbara and Evolution Mining, which have mills around 200km away at the Marvel Loch and Edna May operations.

The key for Southern Cross will be the establishment of a standalone mill, although Jardine said in the current high gold price environment ore from Marda could be trucked to either mill, a move that could cost up to 0.5 grams per tonne gold from its current average head grade of 2.6gpt gold.

However, it must be stressed that no discussions have taken place along these lines and Southern Cross' preferred option is to develop its own base case standalone milling facility.

"This part of the world, particularly the Marda district, is screaming out for a mill," Jardine said.

"Apart from regional opportunities we also have an opportunity to increase that base case in our own right.

"Our aim is to get some of our inferred resources into the indicated and measured category and include some of our other prospects in a FS so we can wrap some mine plans around them and look at increasing production.

"The base case doesn't need a lot of extra oz to really leverage profitability."

A feasibility study and debt funding arrangements are expected to be finalised in the first quarter of next year and will include results from additional metallurgical testwork, currently being undertaken to try and optimise further the process flow sheet and design.

Opportunities to further reduce capital requirements in the plant are also being investigated through the use of second hand equipment.

Resources at Marda total 8.8 million tonnes grading 20.7gpt gold for a contained 590,000oz, while the base case model was based on measured and indicated numbers of 4.3Mt at 2.15gpt for 300,000ozpa and estimated using a gold price of \$1485/oz.

Based on average production rates of 31,500ozpa over a four-and-a-half mine life average C1 cash operating costs, including mining, processing, site administration, refining and net of by-product credits, were estimated at \$790/oz.

Ore is planned to be sourced from multiple open pit sources including Red Legs/Die Hardy, Mt King, Andromeda, Blue Peter and the Evanston mine, while high-grade ore hits have been intersected below optimised pits shells at the Battler, Golden Orb and King Brown deposits, as well as below workings at the historic Radio gold mine.

To this end the company is spending up to \$700,000 over the next few months on its exploration efforts, mainly on gold, but also on its growing base metals story.

The major upside on the gold is along the 20km length of the Evanston Shear and potential below the oxide zone and 12 targets have been independently ranked.

The company believes transported cover of up to 5m in places has meant previous soil sampling across the field has been ineffective and in January flew the first electromagnetic survey across its tenure to see below the cover material.

Its next move is to match up the structural information of the field with the geology and pinpoint previous areas of soil geochemistry and drill below the cover with either auger or rotary air blast rigs.

Jardine said outside of its gold work, the balance of exploration funds would be directed on its base metals search, specifically the Southern Gossan at Copper Bore.

Copper Bore is located 400km northeast of Perth with the Southern Gossan prospect located at the southern end of a 10km long prospective volcanogenic massive sulfide horizon.

"But at the same time we don't want to be blinkered in our approach and just focus on the Southern Gossan because there is 10km of horizon where we have at least three mineralised positions," Jardine said.

At the Southern Gossan, drilling has been pushed down to nearly 250m below surface into the primary zone and step out programs have confirmed a significant down plunge extension with a result of 2.5m at 3% copper, 0.9gpt gold, 4.25 zinc, 19.2gpt silver and 0.2% lead returned from 265.4m down hole

This was inside a broader intercept of 4m at 2.2% copper, 0.7gpt gold, 3.1% zinc, 14.3gpt silver and 0.2% lead from 265m down hole.

VMS mineralisation at Southern Gossan has now been defined over a strike length of around 150m and to a vertical depth of 230m.

"We clearly have business to follow up on the Southern Gossan," Jardine said.

"We will continue step out drilling the Southern Gossan targeting the primary zone and will undertake further ground dow hole EM and mapping over the rest of the field."

Additionally, two bullseye aeromagnetic anomalies located at the Kims Bore and Copper Bore prospects coincide with the target horizon and may present drill targets once geophysical surveys and modelling has been completed.