

CARRICK GOLD

LITTLE BY LITTLE



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Even at today's prices, the economics of opening a new gold mine need careful attention, as Alan Swaby learns while talking with Carrick Gold



Just like rare book collectors, gold exploration companies are always on the lookout for the big find—the one that will make their name, not to mention their fortune. Not surprisingly, both professions tend to attract more than their share of dreamers.

Of course, seasoned operators in both the collecting and gold mining businesses have a nose for anything that seems too good to be true. But to be doubly sure, that's why stock exchanges have very strict rules on what can and can't be claimed when exploration companies are going out to the market to raise cash. To attract money from serious investors, the data must be much more robust than wishful thinking.

This, then, is the situation that the Australian company Carrick Gold found itself in just one year ago. The name had been around for quite a long time—since 2005 to be exact, but today, the longest-serving employee of the company is managing director John McKinstry who has been there just one year! “The previous management,” he says, “was short on professionals with a resource background.” When the new chairman Laurence Freedman took over he soon realised things weren't as they should be and set about restructuring the business. “His aim is to move from small exploration company to profitable gold producer in the shortest possible time and eventually build up a bank of profitable mines.”

As well as re-building the workforce from scratch, the first six months of McKinstry's tenure was a frantic gathering and re-working of all the exploration and



Drill chips

geological data the company held. Once it had been put into a proper database, it was a question of re-evaluating the data, from which it was possible to get a clearer view of matters.

The second six months have been equally busy, with the undertaking of 60,000 metres of new core drilling to confirm what the existing data indicated and to expand the horizons a bit wider in what is largely under-explored territory. “Carrick Gold holds leases on 1,320 square kilometres of land within a 90 kilometre radius of

Kalgoorlie,” says McKinstry, “and so far we have concentrated on our known deposits. Of these, the Lindsay’s Project to the north-east of Kalgoorlie is the most advanced and the one that is likely to be the first mined, commencing late in 2012.”

The net result of all this work is that what was once broadcast to the market as resources of four million ounces now looks to be a shade under one million. Of this, Carrick has converted 120,000 ounces in reserve in the past six months. The difference between the two is that reserves

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Rob Schuitema, John McKinstry, Laurence Feedman



Managing director John McKinstry

have been assessed as being economically minable, whereas the potential of resources needs further investigation to determine their cost of extraction and processing.

“This wasn’t exactly welcome news to our existing investors,” admits McKinstry, “but by and large they have accepted the reality of the situation and have stuck with us—banking on this being fertile ground that needs more work.”

The scale and spread of reserves requires Carrick to think laterally about how it approaches processing its ore. “Whichever deposit you consider,” says McKinstry, “at the very worst it is a maximum of 90 kilometres

2005

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Year Carrick Gold floated

from an existing and under-utilised processing plant. Rather than spending A\$70 million or more to construct yet another processing plant purely for ourselves, we are currently talking to these processors about doing the

work for us. We will pay to do this, but apart from the potential capital saving there is a huge time saving in using a readily available plant. Under that scenario we would do our own mining with contractors, which again minimises the need for extensive capital, in turn lessening risk.”

Metallurgical test work is underway to test the suitability of the ore for heap leaching. This would give Carrick two



Lindsay's camp

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main options—to process all ore by milling at the lowest possible cost or to process higher grade ore in the mills and treat lower grade ore by the low-cost heap leaching method. Using the very long road trains common to the Australian outback, McKinstry estimates that it can truck ore to a processor 90 kilometres away for no more than \$10 per tonne. Once negotiations have been completed with a mining contractor and processing plant, it will be a simple calculation for investors to make on what

the likely returns will be.

Mining plans are well advanced for the Lindsay's Project. Once the optimal processing option is decided and mining contractors selected, Carrick can proceed with the applications for permits, which are relatively straightforward without the need for a processing plant.

Once Lindsay's is up and running, Carrick will concentrate on the next most advanced site—Kurnalpi, located some 83 kilometres from Kalgoorlie. Gold deposits have been

found at shallow depths that are viewed as ideal for open pit mining. At this stage, Carrick has focused only on what can be extracted by open pit mining.

In the meantime, Carrick has gone on the acquisition trail and announced in March that it is buying the western tenements of Mt Jewell from Pioneer Resources, which are adjacent to other Carrick sites. Four-and-a-half million dollars is payable upon approval from Pioneer's shareholders to secure the deal with the balance in three annual instalments to 2015.

“The tenements we are buying are in our patch,” says McKinstry. “They have already been subjected to extensive exploratory work yielding two deposits containing resources of 185,000 ounces. This equates

to a cost per resource ounce of \$43, which in our opinion is exceedingly good value.”

With many gold companies going back over old workings that have been abandoned as no longer economical, Carrick Gold still has virgin territory to exploit. At the same time, it is realistic enough to know that none of them are likely to be the equivalent of Kalgoorlie's Superpit; but by finding ounces here and more ounces there, Carrick is gradually putting together the type of profitable profile it has set out to achieve. **BE**

For more information about Carrick Gold visit:
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