Eyre for a gold rush

Monday, 29 January 2007

IS TRAFFORD Resources' latest Wilcherry Hill discovery South Australia's next Roxby Downs?
By Mark Story - *RESOURCESTOCKS*

Trafford's Wilcherry project map

High-grade, thick and flat lying as opposed to thin and standing on its end: It's every mining engineer's dream of an ideal ore body.

Not surprisingly, news that this is exactly what Perth-based Trafford Resources seems to have hit found considerable favour with the market in late September.

In his 37 years in this industry, Trafford's managing director Ian Finch has never, in a greenfields exploration, hit the size and type of gold intersection found at its Weednanna prospect Wilcherry Hill project, 30km north of Kimba on the Eyre Peninsula.

If the strength of the intersection and proximity to the surface are any indication, the recently listed junior mineral explorer is now sitting on South Australia's next gold mine.

Given how high-risk long-hole drilling can be, especially for a junior with limited resources, Finch says Trafford is extremely fortunate to have struck it rich at the first drilling project as a new company.

"We've picked the bones out of our existing data in order to identify where to drill and in the first few holes have come up trumps," said Finch, a geologist who cut his teeth in the Zambian copper belt in the early 1970s.

"Anyone who knows South Australia will see this as a significant intersection. It scores an 8.5 based on these intersections and our interpretations on what they mean."

Finch, together with non-executive directors Shane Sadleir and Neil McKay, raised $4 million in capital when they listed Trafford on the Australian Stock Exchange on June 19.

Both Finch and Sadleir were formerly involved in the formation of Namibian uranium explorer, Bannerman Resources.

Finch was initially introduced to Australian mineral exploration when recruited by CRA to work out of its Port Lincoln and Adelaide operations between 1981 and 1987.

He's adamant the company is progressively closer to finding what he's repeatedly told the market has always been there – an openpit similar in proportions to Roxby Downs, the largest uranium project in the Southern Hemisphere.

It was Finch's unprecedented attempts to unearth another opencut discovery of Roxby Downs proportions that saw him take out a 15,000 square kilometre project back in 1986.

He was responsible for putting the first hole into Prominent Hill back in 1989.

"We still believe there are a number of undiscovered multi-commodity projects within this region of South Australia and provided we can use drilling successfully, we'll be successful in finding them."

Positive capital sentiment following news of the company's 5.71 grams of gold per tonne in an uncharacteristically wide intercept (36m-long) drill sample at Weednanna saw the share price surge 50% on its June list price of 20c.

This latest hole was drilled 75m west of – and in the opposite direction to – 06WDRC002, which only two weeks earlier returned an intercept of 32m grading 3.44gpt gold.

The intersections in holes 06WDRC002 and 06WDRC007 are the largest gold intercepts seen to date and according to Trafford, appear to represent a sub-horizontal style of mineralization not previously recognised at Weednanna. The gold mineralisation is closely associated with sulphide alteration within calc silicate host rocks and is open to the south and possibly at depth.

While Trafford is also contemplating joint venture partnerships to develop its interests in lead-zinc, the company's primary focus is exploring for iron oxide, copper, gold and uranium (IOCGU) deposits at its 10-15

Wilcherry Hill prospects. Behind Roxby Downs, Prominent Hill and Carapateena – Finch suspects this could be the next multi-commodity project in South Australia.

Due to the success of previous drillers, he's confident the company's iron oxide, copper, gold and uranium prospects all represent high potential. But that said, Finch plans to allocate the most amount of expenditure on those projects with the greatest likelihood of being accelerated to development level as early as possible.

"We're planning to be the most successful IOCGU explorer in South Australia. We're against leading explorers in the area like Minotaur Exploration Ltd, which currently has four times our market capitalisation," explained Finch.

Beyond the Wilcherry Hill Project, Trafford also holds an option to buy 80% of the Lynas Find Gold Project in the Pilbara region of Western Australia where Finch believes significant gold reserves may remain from past mining.

With drilling rigs in such short supply (Roxby Downs alone currently has 22 of them), Finch is delighted to have secured a diamond rig for step-out drilling of the Weednanna prospect intersection this November.

He's planning to complete a geophysical survey within the next few weeks in order to create targets for November's planned drilling program.
Given the company's initial hits, Finch will be disappointed if Trafford isn't in a position to make a significant resource statement within 12-18 months.

Until such time, he says any talk of production would be premature. While divestment of the asset prior to production is always an option, he says it would always have to protect the interests of Trafford's shareholders who have remained loyal to the company's strategy from Day 1.

Unlike many junior explorers that inadvertently plan for failure, he claims the directors' 90 years of collective experience in successful mineral exploration and mining projects will help deliver Trafford's plans for success.

Due to the company's tightly controlled corporate structure there's no reason, adds Finch, why future good news won't be reflected in the share price.

In an effort not to dilute shareholder value, Finch and Co have carefully constructed the company to ensure there are no free listed options to any investors.

"We know what we're doing corporately, we're not a bunch of bearded geologists embedded in the rocks," he says.

"Given that the first few holes at Roxby Downs were not good at all, our first few wins bode well for future discoveries.

It's important we hold firm to our strategy of only looking for the big ones. We are serious explorers with serious experience, backed by serious money."

**** This report, first published in the November 2006 edition of* RESOURCESTOCKS *magazine, was commissioned by Trafford Resources***

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Everything old is new again

Friday, 9 December 2005

CARPENTER Pacific is rapidly discovering it's a great time to be a low-risk, high-margin, onshore US oil and gas explorer. By MARK STORY *RESOURCESTOCKS**

Carpenter Pacific chief

The growing US appetite for natural gas, fuelled by a mounting supply crunch, and the double-whammy effects of two (recent) major hurricanes on production and spiraling prices – plus major plans to exploit mature onshore oil and gas reserves – are driving US-based, Australian explorer Carpenter Pacific's ongoing upside.

executive Jeffrey Clarke

The company plans to develop low-cost projects by exploiting mature reserves and finding new reserves in existing producing areas.

Favorable industry fundamentals, plus record high natural gas prices, advances in drilling, completion and fracture stimulation techniques – coupled with ready access to infrastructure – have let Carpenter Pacific pursue several attractive investment opportunities in the US. The company now has a significant gross acreage position of some 30,000 acres in its three projects.

Since repositioning itself last year, Carpenter has refocused on aggressively pursuing a low-risk strategy to increase its reserves and production of conventional but more significantly non-conventional natural gas in the onshore US.

The explorer has ramped up its development programs in East Texas and Utah. In addition to raising $US22 million in new capital, the last calendar quarter of 2004 also saw Carpenter Pacific acquire significant interests (a 30% interest in the 5,000 acre oil and gas projects) at Jefferson-McLeod in the East Texas area. This has now been expanded to 12,000 acres and the 5,000 acre (64% working interest) Helper prospect in Utah.

Carpenter's Dallas-based CEO Jeffrey Clarke expects the 15 new wells and numerous recompletions (expected to start in 2006) to give the company opportunities that will lead to two to three years of drilling opportunities.

Underpinning the low-risk strategy is the development of new reserves in known areas. The ambitious lease acquisition program in East Texas has resulted in the acquisition of an additional 7,000 acres, taking the company's position to over 12,000 acres of mineral leases.

Considered on par with the big Middle-Eastern fields in terms of size, the fields where Carpenter is drilling in East Texas have previously made over 15 trillion cubic feet of gas and over a billion barrels of oil.

"Instead of saying there's nothing left, we're taking the stance there's still lots to come out," said Clarke, who has over 35 years experience in the oil and gas industry in North America and internationally in technical and senior executive positions.

"Because there's so much 'known area', the chances of drilling a well where there's no commercial hydrocarbons are very low."

What's driving much of Clarke's optimism is a significant improvement in the technology associated with gas production, especially since the 1950s and 60s when most of the last big discoveries were made.

With the recent successful completions (the Childers-1, Huntington-3, Harris-1U and Davis wells) now tied, Clarke expects to have from five to seven million cubic feet of gas a day gross. And with a 30% interest (with 19% royalty), Carpenter will end up with a 25% share of the wells' revenue stream.

During the past 10 months, the success of the development program in the Jefferson-McLeod project in East Texas has resulted in several recompleted wells being successfully tested. The second phase recompletion, in August, of Childers-1
alone has been tested at a daily rate of 1.4 million cubic feet of gas and 10 barrels of oil from this zone, flowing at 1200 lbs of tubing pressure through a 22/64-inch choke.

In more recent developments during early October, Carpenter identified at least 10 further prospects on its East Texas leases, following the discovery of oil and gas at the recompleted Huntington-3 well. After re-entering the abandoned well, the company and its partners perforated and fracture-stimulated two new reservoirs. Huntington-3 was tested at 240 barrels of oil per day and 450 thousand cubic feet of natural gas per day, flowing at 475 lbs of flowing tubing pressure.

These two completions will be part of the production being brought on in the next four weeks and will add to current production.

"As a result of this success and the previously announced success of Childers-1 [in August], the company believes that it has at least 10 further development locations on its leases," said Clarke.

"That's as well as an additional recompletion in Huntington-1, to exploit this discovery and target the same reservoirs producing in Huntington-3."

The company has also identified a substantial inventory of future drilling locations in all three projects, and has positioned itself for strong near-term growth in production, revenues and operating cash flow.

Beyond East Texas, Carpenter Pacific has two major operations in central Utah. The first of these to be tested was the Helper field, where the company has a net position of 64%. This field is part of a large complex called Drunkards Wash (comprising conventional and coal reservoirs), where there are currently two drilled wells in test phase. but it's understood that up to 20 wells could ultimately recover around 40-50 billion cubic feet of gas from the project.

The second of Carpenter's Utah-based developments is the Clear Creek Unit (55% net position), where the company has its single biggest potential resource.

Clear Creek has produced over 130 billion cubic feet of gas, most of which was produced in the 1950s and 60s. The company has an active program for this area and is currently in the process of testing two wells.

Carpenter suggests there's potential for over 500 billion cubic feet left to be produced out of this field. Ryder Scott, one of the most prestigious independent petroleum engineering consulting firms in the US, has estimated the field could potentially contain up to one trillion cubic feet of gas.

Most of this field was originally developed when gas was selling at 10-20c per thousand cubic feet (MCF). Even compared to more recent history, gas prices have soared on the back of the mounting US supply crunch.

For example, even only seven years ago gas was selling for US$2/MCF compared with around US$13.88/MCF today.

To Clarke, the fact that oil was selling for US$9/barrel, and gas at US$2/MCF back in 1998 tells a very revealing story. He claimed that while a tight market for oil field services has raised operating costs, with production prices up at least six-fold they remain affordable.

"Right now oil and gas in terms of pricing is a great business to be in," said Clarke.

"As a result of commodity prices – currently approximately US$13 per thousand cubic feet – operating cash flow margins should be at enviable levels."

Carpenter Pacific…at a glance

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MARKET CAPITALISATION: A$61.6 million

DIRECTORS
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MAJOR SHAREHOLDERS
AMP Life 8.79%
Citicorp Nominees 4.32%
Arredo Pty Ltd 3.61%

**This profile, first published in a different form in ResourceStocks, was commissioned by Carpenter Pacific Resources*

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South Deep synergies on the cards

Wednesday, 8 February 2006

A REVIEW of Barrick Gold's recently-acquired $US10.4 billion worth of Placer Dome assets could see the world's largest gold producer enter a possible co-operative venture with South African major Gold Fields. By Mark Story in Cape Town

The assets include a 50% stake in the massive South Deep project on the outskirts of Johannesburg, directly adjacent to Gold Field's Kloof operations.

Alex Davidson Barrick's executive vice president advised delegates at Indaba Mining 2006 that some type of collaborative arrangement between both parties made perfect sense – with the potential knowledge transfer and common sharing of mine shafts targeting reduced operating costs at both mines.

Revelations of likely synergies between Kloof and South Deep coincided with news earlier this week that South Deep's reserves had fallen by around 50% following a review.

Revisions that peg reserve estimates back to from 55.6Moz – due to reclassifying lost ounces as resources – means they were neither viable nor economic to mine.

However, Davidson doesn't expect the revised 29.3 million ounces of reserves to impact plans to increase South Deep's future output.

Possible synergies between Kloof and South Deep are part of an overall development integration review that Barrick expects to complete within 100 days of its Placer Dome takeover.

Meantime, Davidson was non-committal over any interest Barrick may have in buying its JV partner Western Areas' interests in South Deep.

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"Bell-ringer" for commodity prices rally

Wednesday, 8 February 2006

DON'T be surprised if the bull-run currently being experienced in metal prices starts wagging its tail some time soon. This was the sobering, albeit not totally unexpected missive unleashed on delegates attending day one of Mining Indaba 2006 by Gerard Holden, managing director (mining & metals) at Barclays Capital. By Mark Story in Cape Town

He told delegates the unprecedented strength experienced across (base metal) commodity markets – fuelled by demand in China, now the world's fourth largest economy with 9.9% year-on-year growth – will have the adverse effect as over-supply increasingly becomes a reality.

According to his prognostications, base metals prices – currently around two-and-half-times what they were three years ago – are likely to peak during the first half of 2006 and return to historical averages somewhere between 2008/09.

"The fact that base metal prices will fall is something we can all agree on," said Holden.

Based on previous historical trends, he claimed the state of the precious metals price rally also looks fragile, and when it stalls he suspects the fallout could be brutal. Based on his analysis gold is likely to range-trade between $US35-370 per ounce over the medium term.

According to Holden, another "fallout" of the bull-run in commodity prices has been the growing willingness of cash-rich institutional investors to take illiquid markets more seriously.

This in turn, added Holden has fuelled recent growth within London's AIM market.

With the market likely to turn on the back of falling commodity prices, he said it was especially timely for junior explorers - like the 30 ASX-listed companies with developments in Africa – to ensure they raise sufficient capital and find the partners required to fully develop their assets.

With precious metal prices also likely to head south, Holden advised gold producers they're well situated to gain protection (and greater options) through hedges being at highs not seen for many years.

"Long-term" hedge programmes can be constructed to produce attractive returns for shareholders.
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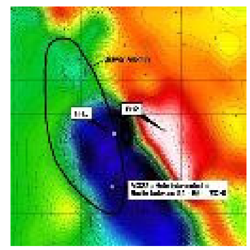
Heaps of upside for laterite play

Monday, 10 October 2005

LESS than one year after listing on the ASX, Metallica Minerals is shaping up as Australia's first nickel laterite heap-leach nickel (likely concentrate) producer. By Mark Story - *RESOURCESTOCKS**

Nickel laterites are back in vogue. What seemed highly unfeasible a handful of years ago has actually happened, and majors, juniors and investors are scrambling to get back into nickel laterites.



Anomalies targeted by Metallica. (Grid lines are 500m apart)

There are still plenty of burnt fingers around from Australia's earlier dalliances with laterites, in which revolutionary, capital-intensive, high-tech plants designed for the hard-to-process ore failed spectacularly.

Today, the understanding of laterites and reliability of the processing technology has advanced to the point where that most risk-averse of creatures, the global mining giant, feels comfortable stepping into the fray.

Nickel giant Inco has entered into a not insignificant joint venture with West Australian laterite player Heron Resources.

But it is world mining giant BHP Billiton that has really stepped up its laterite exposure by advancing its massive Ravensthorpe project, forming a strong alliance with Turkey laterite heap-leach pioneer European Nickel, and also taking a strategic stake in established nickel laterite junior Heron.

Which leads us to Brisbane-based Metallica, which is eyeing off the title of Australia's first pure heap-leach nickel producer from laterites, courtesy of its North Queensland Nickel Cobalt (NORNICO) laterite project.

NORNICO's setting is excellent, as it is close to a nickel refinery for sale of nickel concentrate, the Sun Metals Zinc Refinery for acid/sulphur supply, close to infrastructure, and centred on the expired Greenvale nickel mine, which produced 40 million tonnes of high-grade nickel and cobalt ore containing 624,000t nickel and 42,000t cobalt from 1974-92.

While heap leach technology is far from new, especially in relation to gold and copper production, applying this simple processing technology to nickel and cobalt laterites is relatively rare.

European Nickel is set to reap the benefits of this low-risk, low capital cost approach at its Caldag laterite project in Turkey, and has caught the attention of BHP Billiton in the process. But apart from that, companies using heap leaching to process lateritic are few and far between.

Revelations that NORNICO ores are amenable to heap leach treatment mean the vision of Metallica managing director Andrew Gillies to develop a low capital cost and low operating cost nickel-cobalt mining operation with high margins for a sustained period of time can now become a reality.

While Metallica thinks NORNICO will be highly suited to heap leach nickel processing, this will not be the case for many (if not most) other nickel laterite projects; having the right ore-types, setting and know-how are critical.

While metallurgical column heap leach testwork won't be completed until December, early results suggest that a nickel extraction rate of more than 80% is achievable. Integral to Gillies' low-cost mining strategy is the rate of nickel extraction from the ore and the speed at which the nickel enters the solution.

The next step is to undertake column tests followed by pilot testwork on all key NORNICO ores to simulate the field conditions of a heap leach nickel operation.

Column leach testwork involves dripping a solution of diluted acid with water through a 3-4m-high column of agglomerated nickel laterite ore. To the uninitiated, agglomeration is the process whereby ore is mixed into balls – for the column heaps – which enhances percolation of the diluted acid through the heaps.

As the acid percolates through the heap, the nickel is leached into the solution – resulting in a nickel-rich liqueur that is then collected at the base of the column. An amazingly simple system of getting nickel and cobalt into solution compared to the high-tech dimensions of the Murrin Murrin-style laterite plants.

In essence, a heap leach nickel laterite operation uses simple components and few moving parts, yet can achieve metal extractions of over 80% in six-to-nine months. According to Gillies, heap leaching offers a major reduction in capital cost and allows shorter feasibility, construction and commissioning times, hence smaller operations will be achievable and economic.

Even though there's still a lot of drilling, metallurgy and feasibility work to be done on the NORNICO deposits, Gillies still expects Metallica to be producing nickel concentrate production within three years.

"We'd like to produce about 10,000 tonnes a year of nickel (in concentrate), which we think will get us into the big league for a junior – just look at some of the market caps of the sulphide nickel producers," he said.

"We can achieve this by processing approximately 1.5 million tones of nickel ore per annum by simple heap leaching."

By selling concentrate to the Yabulu Nickel refinery that borders its NORNICO project area – rather than producing its own nickel and cobalt metal – Gillies expects to earn about 75% of the contained London Metals Exchange metal price.

"Producing a concentrate saves capital outlays and we don't have to worry about marketing, and the margins should be very attractive," said Gillies.

"It's all about maintaining high operating margins."
Incorporating four main laterite deposits, the NORNICO nickel project comprises Bell Creek to the north, and Minnamoolka, Kokomo and Lucky Break to the south.

Metallica also has 2000sq.km of exploration acreage that is prospective for nickel cobalt laterite deposits and has been earmarked for additional exploration.

On the strength of this area's largely under-explored upside, Metallica in August entered into a formal joint venture agreement with…

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IF LAST year was South Africa's year of commitment, 2006 marks the mining community's willingness to deliver on obligations to regional communities throughout the continent. **By Mark Story in Cape Town**
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From little acorns come mighty oaks

(Thursday, 9 June 2005)

THERE are few junior resources companies in Australia that are in the enviable position of being able launch two new mines by the end of 2006, but that is exactly what mineral sands and abrasives player Olympia Resources plans to do. **By Mark Story - *RESOURCESTOCKS***

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