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Eleckra Takes A Fresh Look At The Yamarna Gold Project, And Moves It One Step Closer To Production

By Our Man in Oz

Minesite's Man in Oz was forced to look twice when he decided to catch up with the latest developments at Eleckra Mines, a small Australian explorer which has found that assays can be made to work that much harder, if you take the core back to the lab for a second look. The improved result means that Eleckra can now contemplate a faster-than-expected start on gold mining at its Yamarna project on the edge of Western Australia's Eastern Goldfields region.

The assays in question were obtained from the Central Bore prospect at Yamarna, the vast swathe of tenements that stretches for around 150 kilometres of gold-rich "greenstone" and which at one end bumps into the Tropicana project of AngloGold and Independence Gold. In June Eleckra reported a best assay of 14.14 grams a tonne of gold over four metres starting at a depth of 16 metres. But when the material obtained by rotary-air-blast drilling (a very basic drilling technique) was re-assayed in one-metre composite samples, it produced results as high as 37.84 grams a tonne, 6.17 grams a tonne and 5.97 grams a tonne. All of which yielded much more gold than had previously been reported.

Having established that there is more gold at Central Bore than first met the eye, or was revealed in the first set of assays, Eleckra then tried a re-evaluation at a second gold occurrence within the greater Yamarna area. This time it was metallurgical test work that was the subject of a closer analysis. Rather than looking at the Attila deposit as a single potential development, a fresh plan has now surfaced by which oxide and transition material close to the surface might be processed through a low-cost heap leach treatment option with gold recoveries of more than 90 per cent. Deeper material in the deposit could be treated by grinding and leaching.

As a result of all this, some investors in Australia are taking a fresh look at Eleckra, which was best known until recently for its share of the Thatcher Soak uranium deposit in which Uranex holds the dominant interest. Since late March, when the stock hit a rock-bottom A1.6 cents, the company has been in recovery mode. The recovery coincides with the focus on gold. So, with Eleckra now trading at A4 cents, and with interest building after the re-assay of the Central Bore drill material and the revised plans for Attila, Minesite's Man in Oz dropped into the Perth office of Eleckra chief executive, Ian Murray.

Surprised by the unexpected visitor, Murray quickly parked his lunch on a filing cabinet and got down to the business of explaining what's been happening at Yamarna, something that investors in Switzerland and London are about to hear first-hand. "The next step is to get a reverse circulation (RC) rig on site so we can get a much better look at what we've got," Ian said. "The plan is to punch down between 5,000 and 10,000 metres of drilling, targeting infill targets and deeper mineralisation. The aim is to pinpoint more of the high grade ore and increase the amount of gold we have in our resource base."

As things currently stand, Yamarna has a resource of 749,000 ounces of gold at an average grade of 1.78 grams a tonne across a number of deposits. Some of this material could form the basis of a heap-leach operation as a fast-track route to cash flow, while exploration spreads out across the total tenement package which looks one of the best in the Australian goldfields. Over the next few years, as AngloGold and Independence move to develop Tropicana, increased value will surely be assigned to the Yamarna area.

One way of looking at Eleckra, and perhaps appreciate of how low it has been flying beneath investors' radars, is to compare it on a market capitalisation per ounce of gold with its Australian peers. Using only its current resource, which is certain to be upgraded following the latest drilling, Eleckra is capitalised at around US\$9.00 per ounce of gold, one of the lowest ratings on the ASX. St Barbara, a sometimes troubled miner, is valued at US\$40 per ounce. Andean is at US\$295 per ounce, and Ramelius at US\$1,266 per ounce, which is somewhat stretched to say the least.

Another way of analysing Eleckra is to focus purely on its readily accessible oxide gold. This amounts to around 174,000 ounces. For an outlay of A\$26 million, Eleckra could get a heap leach operation up and running which would yield gold at A\$700 an ounce. Assuming it is sold at the ruling Australian gold price of around A\$1,100 an ounce, that's a margin of A\$400 per ounce, or equivalent to about A\$40 million in profit - not bad for a company currently valued on the ASX at an untaxing A\$7 million. In fact, it could be much better than that, if Eleckra opts to sell its stake in Thatcher Soak, as Thatcher Soak has been valued by one analyst at A\$27 million, a number which amusingly matches exactly the estimated cost of a heap leach processing operation.

After a few difficult years Eleckra is showing every sign of a sustained revival. It has cash in the bank from successful fund raisings earlier this year, and now has cash flow options presenting themselves in the form of heap-leach gold operations, and a possible deal on its Thatcher Soak uranium asset. Australian investors have been slowly waking up to the Eleckra story, and European investors will have a chance over the next few weeks as Ian dies the rounds of investment banks, and pops in to the next Minesite Forum on September 17th. He will not be a speaker, just a face in the crowd, but one London investors would do well to seek out for a personal account of what's afoot at Eleckra.

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