

In search of Pilbara Gold

The Pilbara may be best renowned for its iron ore, and oil and gas developments, but an emerging explorer aims to add gold and antimony to the region's honours list. By **Allan Trench**

When it comes to gold, the Pilbara region of Western Australia has traditionally trailed its southern cousin, the Yilgarn Craton, by a merry mile – if not several miles.

Whilst the efforts of one company will not bridge the entire gap, Northwest Resources is certainly getting the Pilbara back onto the radar of the Australian gold industry with its high-grade Blue Spec Shear gold project.

What is more is that Northwest is adopting a systematic, hands-on approach to understanding the local Pilbara geology, coupled with a focus on drilling well beyond that deployed by the vast majority of junior explorers.

Will this approach pay off? Recent evidence suggests that it already is.

I recently spent a day with Northwest's exploration team, gaining insight into the exploration activities and approach of the company. Seldom have I been more impressed with what I saw. So when the opportunity came to write a pen-picture of the company's progress for *RESOURCESTOCKS*, I jumped at it.

But first to the company's background. Northwest listed on the Australian Stock Exchange in December 2004 after an oversubscribed capital raising of \$2.25 million from the issue of 11.25 million shares at 20c. Initial public offer investors also received 1-for-2 free attaching options, exercisable at 20c before end-January 2008.

Having been around the traps for only a year and a half, Northwest remains relatively low-profile amongst retail investors, although a number of placements to sophisticated investors has grown the list of knowledgeable shareholders.

Northwest's lead project is the high-grade Blue Spec Shear gold project, located near Nullagine in the eastern Pilbara, and host to two former operating gold-antimony mines; Golden Spec and Blue Spec.

Northwest hit the ground running in 2005 through reverse circulation drilling that totalled some 35,000m. That is pretty impressive stuff in itself, but the assay results so far have justified the company's drill focus.

With that drilling commitment, the list of high-grade hits has been extensive, with mineralised ore shoots taking shape and shoot continuity being established.

Recent drill results have continued to be encouraging: hits at the extension of the Golden Spec deposit include 2.8m at 77.6 grams per tonne gold from 190m, with 7.2% antimony thrown in for good measure. Add to that 2.3m at 75.7gpt gold from 224m (plus 7.66% antimony) and 2m at 74.5gpt gold from 342m and you start to get the idea.

A resource update for Golden Spec and the newly discovered Green Spec is imminent, with resource work also progressing at the Blue Spec deposit.

For the record, Northwest considers

itself a focused gold company. But in order to answer the obvious questions about antimony credits from gold production, it is worth quickly running through the facts and figures on that aspect of operations too.

They are pretty impressive – and for those without an encyclopaedia immediately at hand, antimony is used in flame retardants, semiconductors, digital equipment and, wait-for-it, tracer bullets!

Managing director John Merity explains that Northwest is taking a conservative view of antimony by-product credits in forward-looking project economics.

"We are calculating a gold-equivalent value based on realistic revenues from antimony concentrate production rather than in-ground antimony metal values. Our gold-equivalent is presently based on a gold price of \$US550 per ounce and an antimony metal price of \$US5000 per tonne," he explained.

"We can reasonably expect to receive around 35% of the antimony metal price for our concentrate – so say around \$US1800 per tonne. Using the above metal/concentrate prices, we then estimate that ore grading 1% antimony [produced in concentrate form] is the equivalent of 1gpt gold.

"The grade of antimony varies between different deposits along the Blue Spec Shear, but at the Blue Spec and Golden Spec deposits, we expect an average grade of around 4% antimony based on production history and recent drilling. A

Northwest's treatment plant adjacent to the Blue Spec deposit.



The road from Nullagine to the Blue Spec Shear gold project.

4gpt gold-equivalent by-product credit will further strengthen what we expect to be very robust project economics driven primarily by the high-grade gold.”

So what is so different about Northwest’s approach to exploration?

One key lies in the fact that the Pilbara boasts good surface exposure of rock types in stark contrast to the Yilgarn Craton. That means that you can actually map the structures and alteration.

Northwest exploration manager Christian Easterday explains that it is the first time the Pilbara landholdings along the Blue Spec Shear have been thoroughly mapped at a detailed scale, despite the very good geological exposure.

Easterday puts the lack of a past focus down to successes achieved away from the Pilbara.

“We see the area as having received very little attention previously – which is a big plus for the current project. The Pilbara belt got a reputation for being a bit difficult to explore, although we see that as more perception rather than based on hard evidence,” Easterday commented.

“Discoveries elsewhere, such as in the Yilgarn, deflected previous explorers’ efforts and focus, so we figure that the Pilbara has yet to hit the limelight, at least in a gold context: its time is coming.”

Success from Northwest’s on-the-ground detailed mapping has quickly emerged.

In addition to identifying a number of highly prospective new targets along the Blue Spec Shear, in July, the company announced the discovery of the Red Ribbon Shear, considered analogous to the Blue Spec Shear, which has been mapped for over 12 strike-kilometres within the company’s tenement holdings.

There are no surprises as to the next step. “We’ll be drilling the new Blue Spec Shear targets in the next few months and continue to firm up specific targets on the Red Ribbon Shear,” Easterday said.

But with investors having so many exploration companies to choose from

these days, it is worth pondering just what sets Northwest apart from its peers in terms of competitive advantage. ResourceStocks put the question directly to Merity and Easterday.

Easterday comments: “I think we have two competitive advantages, firstly our tenements and secondly our approach to exploration.”

On the tenement side, Easterday points to the fact that the Blue Spec Shear is an 18km shear zone that has not been explored, yet which hosts two near ounce-grade gold deposits.

“The shear has the potential to host a number of very high-grade, near-surface gold deposits. What’s more is that we’ve just discovered a parallel shear in Red Ribbon which looks just like the Blue Spec. How many other juniors can lay claim to such prospective tenements?” Easterday asked.

In terms of exploration, Easterday cites the combined use of a “major company’s scientific approach”, coupled with a junior company’s “just do it” approach as a key success factor.

“We’ve committed the time and investment to develop a predictive targeting model encompassing geophysics, geochemistry, structural information and drill results which we think will add significant new discoveries along the Blue Spec Shear and Red Ribbon Shear.

“Of course, these advantages can be wasted if you’re not a committed explorer. Over this calendar year and the last, we will have drilled nearly 60,000m RC and diamond. Drilling and assaying account for more than 70% of our expenditure: administration accounts for only 15% of expenditure – we pride ourselves on being a lean exploration outfit,” Easterday said.

So it appears that Northwest is rapidly establishing itself as a top-tier exploration company, with an emerging track record of success. But what of the future?

Merity explains: “This time next year we want to be recognised not only as a company which has a growing reputation

as an innovative and successful explorer based on discoveries. We also want to be positioned as an emerging high-grade gold producer from a project which still has significant exploration upside.

“If we can do that, and I feel with our Blue Spec Shear gold project and exploration team we can, we will have created significant and sustainable value for our shareholders.” **RS**

northwest resources
at a glance

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Market Capitalisation
\$7.8 million (at press time)

Major Shareholders
Craigside Company 41.88%
Forty Traders 4.81%
Forbar Custodians 2.89%