

# Northwest riding a winner

Originally named in honour of a champion thoroughbred this gold mine is living up to its pedigree. By **Wally Graham**



Northwest managing director John Merity.

When *RESOURCESTOCKS* spoke with Pilbara gold play Northwest Resources in September last year, managing director John Merity told us that by the same time this year the company wanted 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."

A recent meeting with Merity and exploration manager Christian Easterday left no doubt that the company is getting closer and closer to achieving this aim after it recently announced the company's

maiden JORC resource at the Blue Spec deposit of 155,000 ounces at 46.3 grams per tonne gold and the discovery of additional gold bearing systems along the Blue Spec Shear as a result of a first-pass, 15,000m reverse circulation (RC) drilling program it completed in December.

The results of the December drilling program support the company's belief that the Blue Spec Shear has the potential to host multiple high-grade gold deposits similar to Blue Spec.

The Blue Spec Shear Project hosts the high-grade Blue Spec and Golden Spec underground deposits along with the recently identified Blue Spec East discovery

zone. Together these lie within the Blue Spec alteration system which on its own is considered to contain in excess of 500,000 ounces of gold.

"Our drilling at the end of last year told us that we have got four large alteration systems that are comparable in size to the 500,000-plus ounce Blue Spec alteration system," Merity told *RESOURCESTOCKS* recently.

"We are planning to complete another 15,000–20,000m of RC drilling this year in order to identify additional high-grade discoveries and add significant ounce to our established resource base. At Blue Spec the current undiluted resource of 155,000oz

RC drilling on the Blue Spec Shear.



at 46gpt will be further delineated and extended with a further 7000–8000m of diamond drilling.

“Our goal at Blue Spec this year is to define an underground high-grade resource well in excess of 300,000oz of gold.”

Northwest has invested a significant amount of time and effort in assembling a number of advanced datasets to assist in the construction of a predictive model for exploration targeting within the Blue Spec Shear Project.

A series of high-priority targets was generated from the predictive targeting model and the first-pass RC drilling program was designed to test as large an area as possible within identified target zones.

“For a junior company of our size to hit the ground and in two years complete over 70,000m of RC and diamond drilling is almost unheard of,” Easterday said.

“We have put a lot of work and money into the ground. We have developed some serious momentum; more importantly, we have developed a much greater understanding of the area.

“We are now starting to make some important discoveries from that understanding and we are starting to unlock some of the larger prizes within our projects.

“Our first priority is the Blue Spec underground, something that was never recognised for its overall potential size, but something that we are now starting to unlock.

“That has certainly given us a real backbone for the company, a real focus, around which we are structuring other discoveries within the gold field.”

Historically there has been virtually no drilling previously undertaken along the Blue Spec Shear outside of the immediate deposit areas. Northwest believes a number of factors combined to prevent the full potential of the high-grade gold Blue Spec Shear from being realised in the past. However, with a world-class exploration approach, Northwest is rapidly advancing the development of one of Australia’s more significant high-grade gold camps.

The high-grade Blue Spec underground mine has had a series of different owners since its discovery in 1906, when it was named after a horse that was the winner of the 1905 Melbourne Cup. Inadequate exploration capital and a lack of understanding of mineralisation and structural controls plagued the mine until it was acquired by Northwest in late 2004. The company converted all historical data into digital environments and conducted the first consolidated 3D geological interpretation of Blue Spec and Golden Spec mines along with detailed structural

mapping of the Blue Spec Shear project.

“In addition to the fantastic grades, one thing that you will note at Blue Spec is that it is an ore body that has poorly defined strike extents,” Easterday said.

“Most of the drives, from previous mining, end in ore and we do see a lot of potential for strike extensions to our current resource. But what we have done from the very beginning is take a conservative point of view on the actual modelling on Blue Spec. Significant intersections released earlier this year on the eastern extent of our Blue Spec resource have already indicated that the next resource revision will start to include further strike extensions.

“We have modelled a high-grade resource that is basically an undiluted resource, and then we have modelled a diluted resource, which equates to a 2m minimum mining width.

“Although previous mining by Anglo had achieved underground stope widths of less than 2m, our diluted resource offers a more conservative view of expected grade in a mining scenario and the grade still remains over one ounce per tonne. That is a strong economic qualifier for an undiluted resource grade of 46gpt gold (Au).

“One thing that we see along the shear, not only at Blue Spec but also at Golden Spec and Green Spec, is that these deposits show a distinct profile of increasing gold grade with depth. This is something that we had recognised early on and have now associated with other vertical zonation characteristics related to these ore bodies. It is something that we are very aware of when targeting new areas and augurs well with our current mineralisation models.”

To complement its 155,000oz resource at Blue Spec, Northwest has significant infrastructure onsite that includes a modern exploration camp, a triple compartment shaft and decline at Blue Spec, and an existing treatment plant, specifically designed to treat the gold-antimony ore, with historic recoveries of 89–91% Au.

So with such extensive infrastructure and a resource that the company expects to more than double, the question that Merity says he is often asked is “Why aren’t you mining?”

“The answer to that is that there are no shortcuts to success,” he said.

“There is simply no substitute for drilling holes and having the results underpin a robust resource model.

“We need to tread a sensible path between doing the work that is needed to achieve confidence in the resource and moving forward as quickly as we can, because one of the greatest project risks that we have is simply the time to get into production.

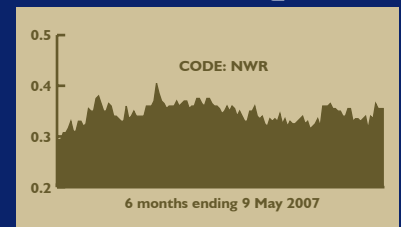
“This year we are focusing significant drilling at Blue Spec and Blue Spec East to assemble a critical mass of resources by midyear. I think we will get that pretty comfortably, in which case we will then commence scoping and pre-feasibility work and that will take us through towards the end of the year before we commit to full feasibility studies and begin de-watering the Blue Spec underground.

“So we do start with a huge advantage in terms of capital cost and time but we don’t want to squander that by not doing the homework on the resource that we just have to do.”

As this edition was going to press Northwest was eagerly awaiting results from deep diamond drilling at Blue Spec and a 4000m RC drilling program it conducted in April at Blue Spec East that was designed to test the extent of gold mineralisation discovered at the target late last year, where drilling intersected ore grade gold mineralisation extending over an exceptional down-hole width of 35m, including 25m @ 4.3gpt Au.

“It is very exciting. We expect Blue Spec to get significantly bigger and Blue Spec East has the potential to change the face of the company quite dramatically,” Merity said. **RS**

## northwest resources at a glance



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### Market Capitalisation

\$27.8 million (at press time)

### Major Shareholders

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Mr William Douglas Goodfellow

5.96%

ANZ Nominees Limited 3.84%