



## The Weekend Australian

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### Explorer keeps its focus

By Robin Bromby, Mining writer



**Caption:** Core activity: Northwest's drilling continues, pinning down the nature of the mineral system

IN the gold business, keeping your share price up is almost as important as finding the yellow metal in the ground.

**Northwest Resources**, exploring the Nullagine Goldfield in the Pilbara, has been trying to do both. When it floated late last year a decision was made to target investors on the east coast and overseas and to avoid, as much as possible, issuing shares through Perth brokers. As managing director John Merity explains, brokers there tend to stag stocks in new listings and dump them for a quick profit.

"It's probably easier in the west to raise money - there's a greater understanding of the industry - but we wanted longevity of support," he said. By and large Northwest has been successful: its price dipped below 20c in February but has stayed up since, hitting as high as 31c.

The company also has one other advantage over other juniors facing up to make the leap into production: it already has a processing plant.

It bought the equipment owned by Fimiston Mining NL (which later became Xcell Diagnostics) when it operated in the now closed Golden Spec mine in the early 1990s, and which lies within Northwest's tenements.

With steel prices rocketing, not to mention the cost of labour and other components, small gold companies have been finding an ever higher financial hurdle standing between them and production. Building a treatment plant from scratch has, for some, become simply too expensive.

The Nullagine field is relatively unexplored but there certainly is gold there.

Fimiston's mine, and the now closed Blue Spec, from which Anglo American produced 70,000 ounces in the 1970s, attest to that - as does the exploration success reported by Northwest's neighbour, Wedgetail Exploration.

The field is inland from Karratha and south of Marble Bar. Mr Merity said the lack of activity there could be explained by the fact that much of the land has been in private hands for the past decade, and there have been problems consolidating tenements.

Moreover, the mineralisation is not to be found in long, wide zones. "It's there but it's scattered. You've got to be able to understand where the gold is and how to find it," he said.

Previous explorers had hit occasional high grade intersections but had never worked out the nature of the mineral system.

The present drilling program would go a long way to realising that goal, although no assays have yet been reported.

The 10,000m drill program was concentrating on the southernmost of the two strips of tenements, known as Camel Creek. This is the same mineralised trend which hosts two Wedgetail projects, Golden Eagle (359,000oz of gold) and Barton (101,000oz).

While the previous mines have been high grade operations - Blue Spec averaged 25g a tonne and Golden Spec 13g/t - Northwest is targeting medium grade resources, averaging about 3g/t gold, which could sustain an open-pit mine turning out 30,000oz a year.

Mr Merity is hoping to prove up something like 150,000oz, which would be worth about \$80 million after the gold is mined.

He sees this as the Troy Resources strategy and one that has seen that miner able to produce at low cost, and replace mined-out areas with new deposits.

That strategy calls for defining what he calls a robust open pit resource, targeting first gold production for as early as the last quarter of 2006 and using that to generate cash flow to pay for more regional exploration.

If a decision to mine is taken, then Northwest plans to let someone else run the plant. They can take on the job of finding the skilled workforce, while Northwest sticks to its knitting - that is, being an explorer.