

Auroch playing its hand

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Kristie Batten

DESPITE an enviable 3 million ounce gold resource, a shift in strategy towards a modest development may pay off for Auroch Minerals.

The weak market conditions have brought about a shift in the attitude of the gold majors, with the top companies stressing a focus on profitable ounces over growth for growth's sake.

And it's that mentality that Auroch is basing its development strategy on since new management took over the 3Moz Manica project in Mozambique in January.

Manica had been owned by London-listed Pan African Resources for a decade and after spending \$US19 million on drilling, the company wasn't quite sure what to do with the asset.

Johannesburg-based Auroch managing director Dean Cunningham was with consultancy TWP at the time.

"Pan African was a client and they came to us," Cunningham said.

"It culminated in us coming to Australia and doing a reverse listing."

So Terranova Minerals became Auroch, though Pan African remains a 42% shareholder in the company.

Cunningham took on the top job at Auroch, backed by \$A3 million cash and a team with African know-how.

"While we are an Australian company, we are a company that has our expertise in Africa," Cunningham said.

"So we have very good contacts in Africa."

And the team had a very strong understanding of the Manica project.

"We had a very good understanding of the potential," Cunningham said.

Pan African's previous work left Auroch with a huge amount of historical data to work off.

"This database highlighted to us the potential and the prospectivity of the project," Cunningham said.

Around 90% of the drilling to date focused on the Fair Bride sector of the project, with 87% of the 3Moz resource contained there.

The resource covers just 8% of the 27km of gold-bearing shear zones, with most of the previous work focused on the southern shear.

"So when we looked at this, we looked at the potential prospectivity of the northern shear," Cunningham said.

The company's current drilling program is focused on the Guy Fawkes sector. Auroch is confident of upgrading the 230,000oz Guy Fawkes resource later this year.

As well as drilling, the company is also completing a definitive feasibility study into a small-scale development at Manica.

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A scoping study was released earlier this year, which assumed the development of non-refractory and transitional ore from Fair Bride, Guy Fawkes and the Dot's Luck sector, comprising 382,000oz of combined gold resources.

The study returned a seven-year operation to process 720,000 tonnes per annum of ore at an average head grade of 2.23 grams per tonne gold for production of more than 40,000 ounces per annum of gold at cash costs of \$642 an ounce.

Auroch decided to go for cash flow over size and explained that developing only a fraction of the resource didn't rule out a larger operation in the future.

"I think under the current market conditions that may be an ideal plan for us," Cunningham said.

The plant will be designed to be expandable but will be fit for purpose when built. Manica is on the Odzi-Mutare-Manica greenstone belt just a few kilometres from the Zimbabwean border.

While there are established operations on the Zimbabwean side, the proposed Manica operation will be the first in the region.

"We are in what you would call a gold camp," Cunningham said.

"Once we build a plant we'll have first mover advantage."

He added that other companies in the area were likely around 2-3 years behind Auroch.

The company last week lodged an application with the South African Department of Trade and Industry for a grant to fund up to 55% of the DFS costs, which will take around two months to approve.

"We're fairly confident that process will meet all the requirements," Cunningham said.

Discussions with a couple of banks have already started and Cunningham said South African banks were very comfortable funding Mozambique projects.

Auroch also enjoys support in Mozambique and has forged a strong relationship with Mozambican Mineral Resources Minister Esperanca Bias.

"She engages, she understands how markets move," Cunningham said.

"We keep her fully abreast of everything we're doing."

The plan is to have the DFS completed by the end of the March quarter of next year, followed by the start of construction in the June quarter.

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