

<https://www.livewiremarkets.com>

23 March 2018



BARRY FITZGERALD

Independent Journalist

Nagambie's hunt for Fosterville-style bonanza gold

Exciting times are in store in the months ahead for a stalwart of the Victorian gold scene, Nagambie Resources (NAG).

The excitement comes from news it will kick off a diamond drilling exploration program early next month at its namesake Nagambie project, 120km north-east of Melbourne.

The program will test for gold-in-sediments in a sulphide target identified by a recent induced polarisation survey over the property which, when owned by others, was a producer between in the early 1990s of 130,000oz of oxide gold from a couple of shallow pits.

The IP lit up with all the colours Nagambie has been hoping for, with a sulphide target some 2,000m long and shown to start roughly 180m down-dip of the old oxide pits, jumping off the page.

Nagambie chairman Mike Trumbull reckons the modelling of the sulphide target was a "sensational development" for the company. The market was not too sure about that and will wait for first results from the pending drilling program before getting too excited.

But there was enough interest in the IP results to have Nagambie shares pushed 3c, or 19%, higher to 19c for a market cap of \$76m.

And the reason for that is simple enough – analogies between Nagambie and Kirkland Lake's treasure trove mine at Fosterville, some 60km to the west.

Fosterville is staking its claim to be the best gold mine in Australia as Kirkland works on increasing production from 260,000-300,000oz this calendar year to as much as 400,000oz in 2020 when the super high-grade Swan Zone (1.16 million ounces grading two oz of gold a tonne) is in full production.

Fosterville and Nagambie are both antimony-arsenic-associated, gold-in-sediments (silicified sandstones and siltstones) deposits formed at the same geological time (around 376 to 377 million years ago), making them very different to Victoria's nuggetty gold-in-quartz-veins gold rush heroes of Bendigo and Ballarat (formed around 420 to 440 million years ago).

Fosterville started out life like Nagambie as a gold producer from oxide scratchings. But in recent years the push deeper into sulphide material has delivered the bonanza of massively higher grades as the depth increases.

What limited drilling into sulphide material there has been at Nagambie in the past was relatively shallow at roughly 150m below the pit floors. Best results back in 2006/2007 included 26.7m at 5g/tonne gold from 110m.

Apart from being shallow, the drilling was conducted without the benefit of the IP targets Nagambie now has to hand. Nagambie's hope is that its grades increase in deeper sulphide mineralisation positions, as is the case at Fosterville.

Its diamond drilling should be ready to go in about three weeks and will be worth keeping an eye on. It is worth mentioning that Nagambie's market cap is not for its Fosterville-style gold hunt alone.

A big chunk of its value reflects its work over the years on finding a use for the old oxide pits and the associated overburden and tailings dumps at Nagambie, all with a very green flavour.

The old pits are destined to become collection points for the safe storage of potential acid sulphate soils being excavated in massive amounts from Melbourne's infrastructure boom. Store the material under water to prevent the formation (oxidation) of acids and sulphates, cap it with clay, and it's a case of problem solved.

The recycling of overburden and the tailings to produce sand and aggregates for concrete and road base material is already a revenue spinner for the company.

ABOUT THIS CONTRIBUTOR



BARRY FITZGERALD

Principal, Independent Journalist

One of Australia's leading business journalists, Barry FitzGerald, has joined the Resources Rising Stars' Ten Bagger team. FitzGerald, who is a specialist resources reporter with 40 years' experience, will publish his highly regarded weekly column...