

The Speculator



By David Haselhurst

PORTFOLIO POINT: Two of our gold prospectors reach milestones, with A1 Consolidated to pour its first gold this week and Beacon Minerals embarking on a major drilling program to upgrade its resource.

Beacon Minerals (BCN) was one of the first stocks added to the portfolio in calendar 2010 when we bought 200,000 shares at 2.4¢ each. They haven't done much since and were 2.7¢ at the close of trade yesterday, but that's expected to change soon.

Late last week Beacon launched a new season's field program involving an extensive 15,000-metre drilling program on its Lake Barlee gold project 200 kilometres north of Southern Cross on the northern Yilgarn greenstone belt of Western Australia.



During December, before we bought in, the company successfully completed an \$8 million capital raising and announced a JORC-compliant maiden resource from an initial drilling program of 384,000 tonnes of 6 grams per tonne (g/t) for 74,000 ounces of gold.

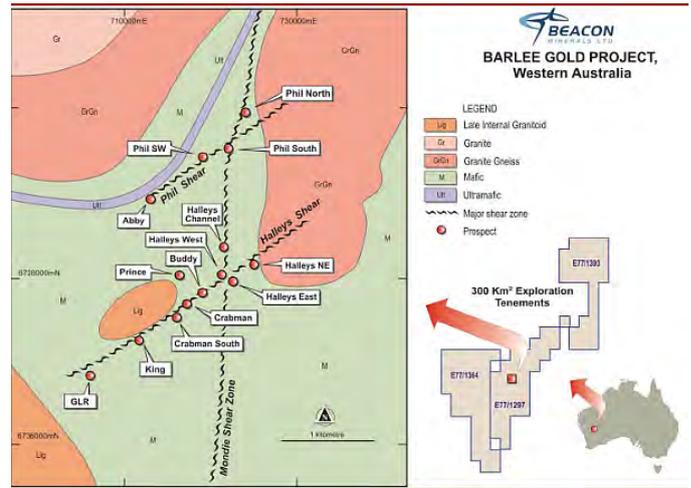
While the initial quantity is not a lot to get excited about, the grade is relatively high, with the gold content of a tonne of that ore worth about \$US210. That's about three times richer than ore being mined from Kalgoorlie's Super Pit.

The Lake Barlee project is contained within three exploration permits totalling 300 square kilometres, of which prospecting has so far been confined to no more than a 10 square kilometre area. The initial resource is based on two small deposits – Phil South and Halley's East – about a kilometre apart and within a vertical depth 60 metres, beneath transported sand cover of seven or eight metres of overburden.

The resource did not include high-grade drilling results announced shortly beforehand from its new Halley's West zone, including an intersection in one hole of 14 metres of 45.32g/t gold. Nor did it include any results from several other discovery targets.

Beacon managing director Darryl Harris (a metallurgical engineer) sees the initial resource as an excellent base on which to expand the company's regional exploration, with more than 20 priority structural targets identified.

The company seeks to establish a resource of 300,000–500,000 ounces of gold on which to establish a stand-alone treatment plant with a potential



annual production capacity of 75,000 ounces.

It is also very keen to identify any suitable second-hand, refurbished plant equipment that may become available, with some expectations that production could start as early as the June quarter of next year.

The new exploration campaign launched late last week will comprise 10,000 metres of rotary airblast and 5000 metres of reverse circulation drilling.

Beacon Minerals has an issued capital of 731,880,000 shares which, at 2.7¢, carry a market capitalisation of \$19.76 million. Following the recent capital raising and repayment of all debt, the company had \$5.96 million cash at December 31, sufficient to meet all of its programs for the year ahead. It also has \$248.19 million "in-the-money" listed options exercisable at 1¢ by August 31, 2010, to bring in another \$2.4 million cash.

The large amount of paper on issue in Beacon is due to an ill-fated and overly ambitious prospecting adventure in the former Soviet Republic of Kyrgyzstan, from which the company extracted itself a couple of years ago.

Previous large-scale gold mines established on similar geology surround Beacon's 300 square kilometres of ground include: Davyhurst, 130 kilometres to the south-east (800,000oz); Mt Ida 120km east (300,000oz); and Youanmi 90km north (400,000oz).

First gold pour for A1 Consolidated

Another of our West Australian prospectors – A1 Consolidated (AAM) – becomes a producer this week with an initial gold pour scheduled from its BrightStar gold project near Laverton on WA's North Eastern Goldfields.

Ore will come from the Beta open cut, which will be the first pit developed on the BrightStar project based on a so-far proven reserve of 150,000 ounces of gold within a JORC-resource of 1.7 million ounces.

The pour will mark the commissioning of the company's refurbished treatment plant, which has a capacity to treat 300,000 tonnes of ore a year with expectations of an initial annual output of 30,000 ounces of gold. Managing director John Williams said the processing plant had been set up for a planned expansion to 750,000 tonnes of ore a year to be undertaken as soon as revenue from gold production can accommodate it.

We carried AAM over from last year's portfolio at an end-of-year price of 37¢. With AAM's shares trading yesterday at 31.5¢, the company's 180.34 million shares carry a market capitalisation of \$68.4 million.

Cash at December 31 stood at \$2.43 million, which has since been topped up by another \$200,000 with the pleasing spectacle of chairman Michael Hunt exercising a million options at 20¢ each and holding the shares.