Latest high grade drilling results suggest prospective Barlee has much more to offer

Active Australian junior Beacon Minerals Ltd believes it has found a potential new gold province in the eastern goldfields of Western Australia.

The discovery of a shallow high grade oxide gold deposit in a relatively unexplored region – which had previously been shunned due to heavy soil cover – has accelerated the company's production aspirations.

Beacon is looking to define a 500,000 ounce resource on its Barlee gold property, located 200 kilometres north of Southern Cross, to sustain a 75,000 oz per annum operation.

The junior's managing director, Darryl Harris, believes a June 2011 start-up is not beyond expectations given the search has already started for a second-hand processing facility.

Previous studies, based on a 500,000 tonne per annum plant, pointed to a $40 million price tag – a total which included the refurbishment cost.

Doing the numbers, based on that rate – plus an estimated $300/oz cash cost and a $1,200/oz gold price – the $900/oz margin returns a healthy annual $63 million cash flow.

"So, you would be looking at paying off your capital within six to nine months, and then everything after that would be profit," Harris said.

With an initial maiden JORC resource at Barlee of 384,000t grading 6 g/t for 74,000 oz, the company is looking to aggressively grow this through further drilling.

Once this occurs, it would then undertake an environmental impact assessment study and look to shore up project finance by the end of 2010.

Following a capital raising at the end of last year, Beacon is sitting pretty with $6 million in the bank and no debt. Given this, it believes it is more than capable of meeting its aggressive targets.

Importantly, the resource does not include a new high grade mineralised zone at Halleys West, where gold numbers of 14m at 45.3 g/t, 12m at 11.2 g/t, 6m at 6.1 g/t and 5m at 14.1 g/t have been generated through recent drilling.

There are also signs that the deposits may in fact connect.

"There is a possibility that underlying all of this within the structure that Halleys East, West and probably Halleys North East are connected – whether that is at depth or not we don't know yet," Harris explained.

Range available

Mineralisation along the Halleys Shear also extends over several km, providing numerous targets.

To date the company has completed several drilling programs on the property, including the most recent in December last year, when 7,500m of RC and RAB work was carried out.

These targeted the new high grade zone west (Western Zone) of the previously defined mineralisation at Halleys East.

An initial resource of 500,000 oz at the WA site could sustain an annual output of 75,000 oz.

RC drilling has also been undertaken at Phil South, where mineralisation remains open at depth and down plunge to the south west, as well as at Phil North.

Another target is Crabman South, located 1 km south west of Halleys East.

The company is now gearing up for a further drilling program, with several RC and RAB rigs arriving in February, where they will undertake a 10-15,000m program.

All mineralisation encountered to date is less than 100m below surface in the oxidised zone and is of high grade, pointing to low cost mining and processing. Of this, only 10 square km of the total 300 sq km holding has been tested.

"We have really only touched less than 5% of our tenements," Harris said.

"Being shallow, oxidised material, we don't anticipate any processing issues, but will undertake some metallurgical testwork this year."

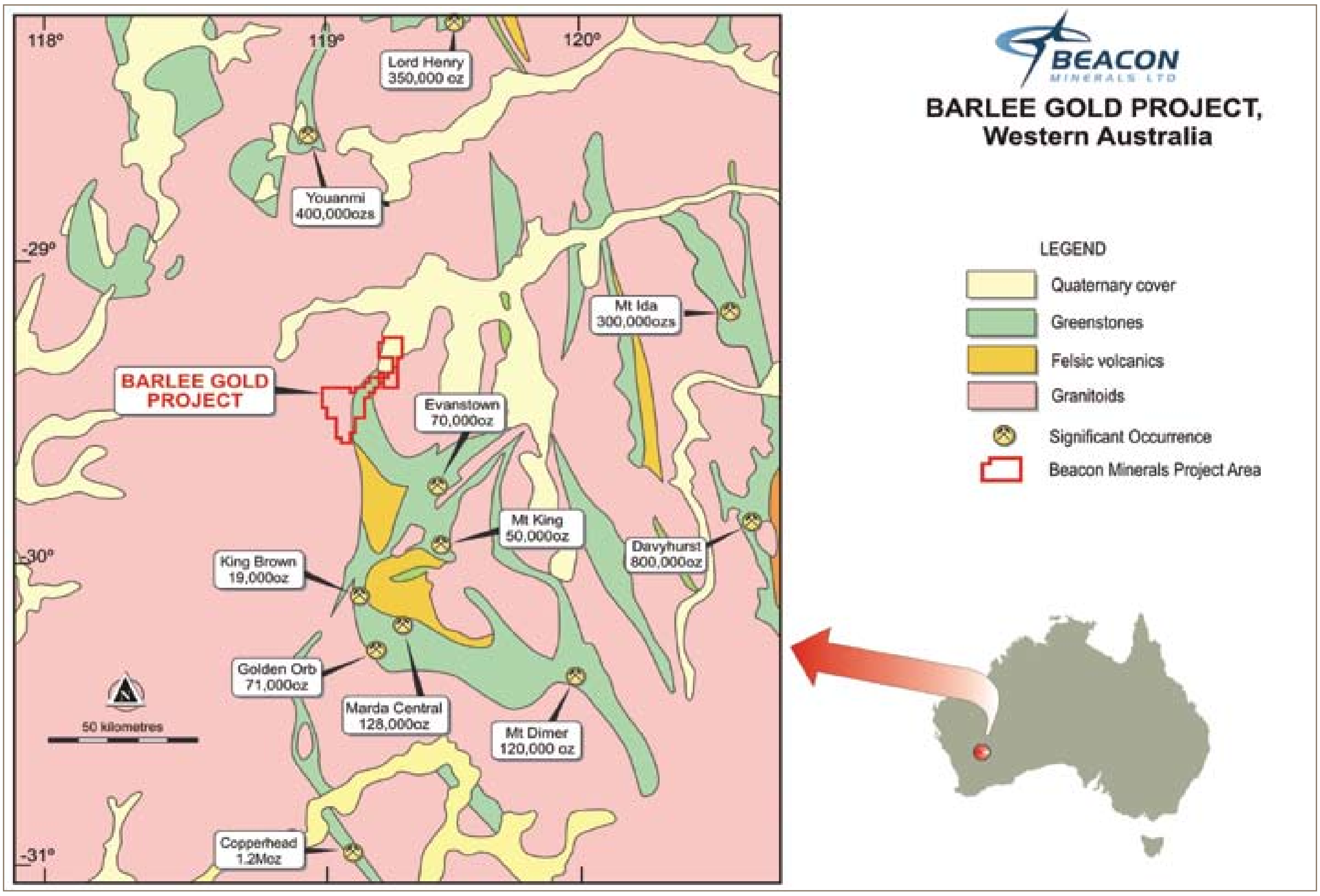
While deeper drilling is yet to be carried out by Beacon, two historic Helix Resources Ltd holes in the area hit primary mineralisation at 140m depth.

"So really, we haven't touched the depth or along strike potential of the mineralisation yet," Harris noted.

"We are still coming to grips with the regional geology, but when you look at our holdings in relative terms, they (Halleys East and West and Phil) are very small areas.

"We are now stepping out 400-500m on Halleys North East where RAB drilling returned 27m at 0.65 g/t.

"We have to use RAB drilling because of the 5-10m of soil cover in the area, and we are tying that into the regional structural geology.



The project area sits in an interesting neighbourhood.

"This is similar to results obtained initially at Halleys East and, when you get those sorts of numbers from RAB, it tends to show you that there is mineralisation underneath.

"We have done a lot of aeromagnetic work and the mineralisation regionally appears to be associated with north-east and south-west trending faults.

"We have outlined 23 targets outside of our immediate area where we are planning further geochemical sampling work and RAB drilling.

"We won't get around to all of them this year, but will probably identify and drill the most promising targets."

Strategy outlined

In its second year of field activities at Barlee, Harris said, the company was eyeing off a couple of opportunities in the region to further grow its holdings.

A popular part of the world for nickel players, a possible gold farm-in deal could be within the realms of possibility, although Harris admits he is in "no rush".

Outside of WA and more on the backburner for Beacon is its Greenvale property in north Queensland where, this time last year, it withdrew from the Lucky Creek JV to focus its efforts on Barlee.

Another divestment for the WA junior last year was its stake in a number of projects in Kyrgyzstan, which included a silicon property and a gold-silver-copper play.

If anything, Harris said, the change to just one core project within Beacon's portfolio was a positive move.

"It means we won't spread ourselves too thin or get distracted from the task at hand at Barlee," he added.

"Now that we are cashed up and have eliminated our debt, we are in a strong position to grow Barlee and develop it into a high margin asset."

By Tania Winter