

Exterra starts canvassing the market

■ Jarrod Lucas

Exterra Resources will be hoping it fits the "cheap as chips" bill at this year's Diggers and Dealers Mining Forum as delegates look for bargains amid a cost-focused resources sector.

The aptly named Second Fortune underground gold mine, near Laverton, has been the focus for Exterra since it listed on the Australian Securities Exchange in May 2011.

The Perth-based tiddler headed by John Davis will be combing the market to find \$5 million it needs to resurrect the project, set in the same backyard as Saracen's Red October mine and AngloGold Ashanti's Sunrise Dam mine.

Exterra's timing could be impeccable after releasing a prefeasibility study on July 24 which shows the project would generate revenues of \$80 million and achieve payback within 14 months.

Those projections are based on a gold price of \$1400 an ounce and despite a return to stability, last year's end of a 12-year bull run for the precious metal has left many investors scarred.

But Mr Davis said sentiment within the mining industry was improving ahead of Diggers, where about 1800 delegates were expected for the three-day forum.

He said some interest was returning to the junior sector.

"I'll be at Diggers and it will be interesting to see who is there and who we can talk to and you never know," he said.

Exterra hopes to produce 20,000

ounces a year at Second Fortune, which closed in 1988 when Golden Fortune Mining hit financial troubles with the gold price stuck below \$US450/oz.

The deposit has been mined down to 62m below the surface and the proposed new development will consist of a decline with a portal located in the floor of the open pit.

Processing would be completed off-site at Saracen Mineral Holdings' Carosue Dam mill 80km to the south.

"We've just started canvassing the market," Mr Davis said.

"We've had approaches from joint venture parties but obviously you have to give away a reasonable percentage if you're going to go down that route.

"Now the prefeasibility study is completed, we're in a position to put the economics and numbers on the table and talk other avenues, whether it is gold loans, debt or a combination of debt and equity."

Mr Davis said Second Fortune was expected to deliver free cash for Exterra of \$17 million over an initial 2½-year mine life, which included capital payback, taxes, royalties and other operating costs.

"We've run the numbers down to \$1300/oz and it still makes good money at those levels so we're pretty optimistic on the upside for gold, but we'll see," he said.

Former Bank of England governor, Lord Mervyn King, will be a keynote speaker for this year's Diggers forum, which gets underway on Monday.