

Queensland gold miner recovers from stumble

Gympie Gold Ltd's Harry Adams is not afraid to take responsibility for his company's failures.

By
Haydn Black

His company, which operates the Eldorado mine in the Gympie Goldfield in Queensland and the Southland Colliery in Queensland, hasn't exactly faded from investors' radar screens over the past year, but its light is certainly shining half as bright.

One year ago, the company's shares were trading close to the \$1.30 mark. Today they are closer to 40 cents/share.

But far from talking about faded glory or looking for excuses, Adams and his shareholders (who recently ponied up \$15 million in a share raising to get the company back on track) talk about risk minimisation schemes which fell victim to Murphy's Law: If anything can go wrong, it will.

"Historically, I think we would regard ourselves as excellent risk managers, however, over nine months we've seen three major risk management tasks turn out to go against us concurrently, and this was displayed by the company retracing its progress on the stock markets," Adams said.

"We stumbled, but now we're recovering."

The sharpest thorn in Gympie's side was the Southland Colliery, which ran into difficulties in September last year, when production shifted into the SL3 panel — one of the thickest in the Greta seam.

Both the equipment and ground conditions proved more problematic than expected, but since February the operation has been back on track, and in surprisingly good shape, breaking monthly records.

And, on the gold side, Adams' sky

seems blue, although not without some clouds.

"The main game at Gympie is not the Eldorado mine, but unlocking the goldfield," he said.

"Our recent discoveries are the most material thing we've achieved, but they're just not something that can

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contribute to the bottom line financially at this time."

Over the last 18 months the actual mining at Eldorado fell short of expectations.

It was a gamble that just hasn't paid off yet, but Adams is comfortable with the board's actions, describing the move to put in the Lewis decline as "... a courageous decision."

"That was a big bet for a small company like ours. On the one hand we can proudly beat our chests and say we are the first major goldfield on the Eastern Seaboard to be brought back to life, but it was a big commitment for us," he said.

"The gamble of putting in the infrastructure was made on the fact that we would pick up a lot of inferred resources as reserves in the zones we first hit," he said.

Instead of the operation kicking in some quick ore to help pay for the decline, the early drill-outs did not meet expectations as fast as expected.

"The structures are coming good but not on man's schedule," Adams said.

"We figured instead of spending \$10-15 million drilling it from the surface we may as well go down and get amongst it with the same amount of money. We just didn't get the payback up-front."

At the same time the decline was being put in, ore started flowing from the large bulk-mining operation on the Stockwork 6A orebody, which was receiving attention from modern mining techniques for the first time.

"Clearly, whilst the mining side was very successful, we mined it well and our unit costs came down exactly on schedule, and our mine design was quite successful, the grade of that orebody did not hold up," Adams said.

"Today we know so much about mining this type of orebody that we know we overcalled the grade on day one."

Gympie tipped the grade of about 11 grams/tonne, however, in hindsight the grade should be closer to 7 g/t.

"The orebody that underwrote the big bet on the decline was unsuccessful, and the Stockwork orebody didn't lay off the bet for us. It was the first stockwork we mined out."

Adams chalks it up to experience, and says there have been some important lessons learnt from the operation.

On the exploration side, the Gympie goldfield's major feeder structure has been expanded out to an eight kilometre strike,



with promising drill hits along the length of the structure.

"It's hard to convey it in words, but there has been a remarkable rate of progress in opening up the large scale potential of the field — not just conceptual ideas, but picking up a large structure that we know quite well."

The company now knows that if it were mining a virgin discovery of the scale that it has been mining and not a remnant ore zone, it would have made in the neighbourhood of \$300 million net.

Adams is upbeat about what that could mean.

"If we know our structure continues many kilometres to the north and south, it remains open at depth to the north and south. We could physically

fit in another 15 zones down to one kilometre depth," he said.

"I am obviously not saying we're going to find 15 zones of 2 million oz, but we have these walk-up drill targets each of which could host zones of that magnitude."

Excitement in the Gympie goldfield is being generated by the South Inglewood Zone which, unlike its northern siblings, seems to have been thrust towards the surface, making it a tempting target.

"What we've been doing at Gympie has already been a large exploration play, underpinned by a small mine," Adams said.

"I think we always expected to be looking at deep targets, about one kilometre down, but over the last six months we've been able to find areas

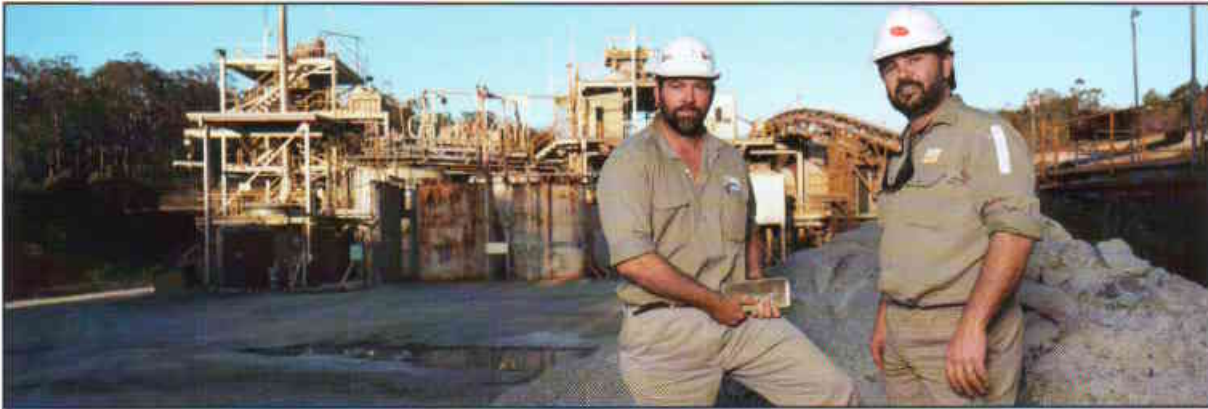
where we can look at more shallow depths, and on the same well-known structures to the north and now to the south."

To the south the mineralisation comes to within tens of metres of the surface and, without outcropping, it seems to have been overlooked.

About 300m to the south of where Gympie is working is faulting which has uplifted the structure.

"We're now looking at tackling South Inglewood from the bottom of the existing infrastructure, and picking it up that way. At the same time we're looking to follow up the hits we've found at the top. We'll look to tackle this on two fronts," Adams said.

So, while the company will make a loss this year, Adams sees the clouds retreating and a return to blue skies.



◀ Surface operations manager Rob Williams (left) and metallurgist Dino Bertoldi.



◀ The Southland Coal washing, storage and dispatch facilities.



◀ Exploration drilling in the Southern Gympie Goldfield.