

SITE VISIT

# New plan and new names at Davyhurst

## Ora Banda Mining aims to build firm foundation for long-term production

**Richard Roberts**

The mine names are the same, but the plan is different for Davyhurst 2021.

Siberia, Waihi, Sand King, Missouri, Callion, Riverina and Golden Eagle are all familiar to generally underwhelmed followers of the most recent episodes of the Davyhurst gold saga. The pits and portals are spread out over a decent chunk of prime Western Australia goldfields real estate – about 1,350 sq km with an estimated 200km of prospective Yilgarn greenstone sequences – between Kalgoorlie and Menzies, and beyond to Mount Ida.

The Davyhurst tenements have about a four million ounce known endowment, including 1.5Moz already produced. A 1.2 million tonnes per annum CIP plant commissioned in 1997 and currently undergoing refurbishment, is expected to be pouring gold again early next year.

David Quinlivan, managing director of Ora Banda Mining, nee the failed Eastern Goldfields, doesn't think Davyhurst has seen its best days – not by a long shot – and he's got a bunch of old, and new, investors who hope he's right.

Sure, any WA gold company boss should be reasonably confident about moving an asset into production at the moment. Davyhurst's struggles, though, have been spread out over decades. Reasons can be boiled down to too much optimism and short-termism; not enough planning and controlled spending, linked to inadequate funding.

A graduate of the Western Mining Corp school of rocks, with 30-plus years of experience managing projects, mines and companies, Quinlivan is a meticulous planner. Spend a day with him at site and you get the sense there isn't a relevant rock, or bag of carbon, or box of papers, or even air-conditioning unit that he hasn't assessed for its worth in the plan he and his team have drawn up to make the sum of Davyhurst's parts more valuable.

It's a different plan – in terms of longevity, risk mitigation, early spending focus – to the previous one that saw Eastern Goldfields meet a similar fate to its three predecessors.

Ora Banda has done drilling and modelling others haven't to support a "base case" for long-term (five years) production of more than 80,000oz a year, generating circa A\$70 million a year of free cash flow at a A\$2,550/oz gold price. That foundation – likely to be cemented with some hedging to lock in profits at higher gold prices – gives Ora Banda a decent shot at unlocking the deeper value it sees in Davyhurst.

The company raised A\$18.5 million at 18.5c last August then \$55 million at 23c shortly after lodging its definitive feasibility study at the end of June. The share price has doubled since the start of the year.

"I think the value case speaks for itself in that in the current environment there is a six-month window between now and getting back into production," Quinlivan says.

"We have onboard a DFS, we have the contracts in place, we're now looking at what we can do on the strategic hedging front to see if we can put some strategic hedging in at prices around today's level. The DFS was done at a \$2,100/oz price. We're now \$600/oz or thereabouts above that. So in terms of average production out of this thing of 80,000ozpa as per the DFS, we've got an extra \$48 million per annum of net cash coming into the business.

"So in AUD terms it's a near-term production scenario that's fully funded, and it's got a minimum of five years to run, in which time you're going to generate significant cash to carry forward the option value that sits within the exploration tenement portfolio.

"There is a central processing facility and within a 50km radius of that there is a huge amount of option value within the tenements. The base case involves mining these six deposits – five openpits plus the underground at Golden Eagle – and processing plant throughput at a fixed number. You might be able to gee it up [from 1.2 million tonnes per annum] to 1.25Mtpa, but notionally there is not going to be a 20% increase in throughput capacity.

So the way you increase the productivity of the plant is look at systematically increasing the grade profile through the plant. And that's where the option value of the exploration within these tenements comes in.

"It comes in from additional oxide tonnes that are cheaper to process, and it comes in higher grade replacing some of the lower-grade material incorporated in the base case DFS plan."

As well as resource conversion to reserves (460,000oz), and resource extensions (2.1Moz), Ora Banda's focused drilling between Siberia (Sand King and Missouri) in the south and Riverina in the north has started to add to a "district scale" picture Quinlivan views mostly, at this stage, through a matrix that scores targets on value metrics

related to the long-term mine planning.

And then there is the blue-sky lens.

Renowned geologist and 'target generator' (and 20-year WMC veteran) Jon Hronsky has already spent several months looking at all Ora Banda's data, and prospecting in the field, in particular examining what is known and not known about the Mulline trend, which has historic mining and Ora Banda resources on it, and the adjacent Riverina and Sunraysia trends containing resources and reserves that

will underpin Ora Banda's early-stage production.

"He's looking for anti-form, domal structures, and he's using the big regional architecture to work out where these domal structures might sit," says Andrew Czerw, Ora Banda's general manager resource development, who's spent more than six years with different Davyhurst owners.

"When he finds them, and they're not drill-tested, he elevates the [area].

"Historically one of the problems this project area has faced is everyone, because they're all mining companies, they only focus on the advanced projects and they're not filling the pipeline in relation to bringing on the grass roots stuff. We've made a conscious effort to do exactly that ... start working the full length of the pipeline rather than just the advanced targets.

"Hronsky flies at a very high level; we're down here in the detail kicking through the grass seeds.

"We've got so many targets ... so his work has been great for our technical guys and he's given us a bit of high-level direction to say, if you've got a target here and an equivalent target over here, you're going to have much higher chance of getting to an economic deposit if you're looking in this area.

"There is still a lot to do up in this northern end of the belt."

Ora Banda is refurbishing the main 170-person camp near the CIP plant at Davyhurst central, but is also putting in a new, smaller camp at Riverina, about 40km to the north.

Michael Kiernan-led Monarch Gold did most of the consolidation of the big Davyhurst tenement block more than a decade ago, but a key area linking Riverina and Riverina South – essentially joining what is likely to be one large pit – couldn't be accessed until recently. Ora Banda has wasted no time confirming continuity of the Riverina lodes ▶

**"We've made a conscious effort to ... start working the full length of the pipeline rather than just the advanced targets"**

► through drilling and isn't far away from posting a maiden JORC resource for British Lion a little further to the south. The area was mined in the early 1900s, but like most of the early workings – including the landmark Golden Pole (77,000oz from 78,000t mined) at Waihi – has seen little serious modern exploration.

Riverina makes most sense as the starting baseload feed source for Ora Banda, even given its modest 81,000oz initial reserve, because it's the cheapest bulk earthmoving option in front of the owner, the metallurgy is straightforward, and it opens the door to longer-term development (on resources of 3.7Mt at 2.7gpt) along strike and at depth on the Riverina main lodes. Ora Banda's reserve definition drilling has been focused in and around existing shallow workings on the Murchison and Reggie lodes, but it has also drilled through to the higher-grade main lodes, which supported historical underground mining.

The Riverina lodes – roughly north-south striking, sub-vertical and dipping steeply to the east – have been mapped over about 1.2km north-south, over a 'corridor' up to 320m wide, and to about 240m depth. Two primary, existing pits have a ridge between them that needs to come out as the Riverina openpit expands and, likely, extends to the south.

"This pit we'll mine down to about 120m vertical. There's pretty much ore from the surface, which means it's not a hugely significant pre-strip. We do pull some tonnes early to build a stockpile," says Czerw.

"Total material movement-wise we're talking about six million bank cubic metres out of this pit ... which is producing about 1.4Mt at 1.8g/t. This has the highest percentage of oxide trans – the weathering profile goes down to about 60-odd-metres – so about half the pit is oxide transition which obviously makes the mining a whole lot cheaper.

"Obviously when we're drilling holes down 120m, on the Murchison lode, we're only another 50-60m off the main lode, so a lot of those holes we have pushed through and they're in the underground resource [700,000t at 5.9gpt].

"The extensions to the south here are on [the] main lode, so there's some pretty good grade on that at depth, still. It is still open and still going, which is good. It plunges to the south [towards Riverina South and then British Lion], so we're happy to see that."

With more infill drilling at Riverina South, and higher confidence in existing resources, at a higher gold price than was used in the DFS planning, it's not hard to envisage a large, long-life surface mining operation developing at Riverina (including British Lion), complemented by underground production and potentially more openpit mining to the west along the Mulline line.

"When we first started drilling on the Murchison and Reggies lode we didn't see a lot of underground potential in it, but as we've drilled on we have got some smaller pods of ore that would be economic from an underground perspective, assuming the [overall] mass comes together," Czerw says.

"We have got a preliminary mine design on [the main lode underground resource]. That didn't make it into the DFS [because resource still sitting in inferred] ... but the intention is we'll continue to work that in the background and continue to develop the underground reserve, and when this pit finishes up there's a logical progression into underground mining here at Riverina.

"That's part of the logic behind setting up a camp and putting additional infrastructure up here as well.

"We plan on being here for a while."

Dewatering of existing underground headings at Golden Eagle, 2km from the Davyhurst plant, will also start soon to tap a grade sweetener and minimise capital spend to cash flow as Ora Banda looks to pay all of its restart bills while building its bank balance and putting itself in a stronger position to fund the projects it believes can 'future proof' this Davyhurst venture.

Narrow-vein longhole stoping is pegged to start in the December quarter to make at least 20,000t of ore available for the plant restart.

In the same regionally pervasive amphibolite unit that hosts a number of other Davyhurst gold deposits, Golden Eagle has seen

modest past openpit and underground production, and limited drilling down-plunge of the 150m-deep workings.

"It's fairly under-drilled once you go below that," says Czerw.

"We've got a drill programme designed that basically delineates the next 100m vertical of the mine. We just started cutting the drill drive in 2018 [for deeper drilling] – that was 30m long – when the show stopped.

"So it's got a nine-month reserve on it at the moment. If you include the inferred you've got about 18 months ... and then depending on how we go with this next 100m vertical that will determine the next phase of mine life."

Glimpses of the longer-term, deeper mining potential at Callion, Waihi and Siberia – evidenced at this stage by not-enough past drilling, and mining, including fairly well-documented and extensive rich pickings in the workings in and below the current Callion pit shell – can be seen in Ora Banda's DFS five-year mine plan. But a lot more drilling is needed to convert resources and records, and possibly rejig the plan.

Ora Banda reports suggest since Monarch's big tenement consolidation in 2007, "no coherent exploration effort" has occurred across the sprawling Davyhurst tenement package, including Mount Ida where Ora Banda will soon start a new phase of drilling after some early interesting drill and down-hole survey results.

With the equity funding recently closed, the company is in a position to continue its circa-\$5 million annual exploration spend while it completes the plant and camp refurbishment, and Riverina camp build. Also on the critical path to production is a new gas-fired power plant that is expected to lower operating costs and displace 30,000tpa of CO<sub>2</sub> emissions from the old diesel plant. A \$50-60 million surface mining contract (or maybe smaller ones) is close to being let.

Ora Banda will look to scale up its wider exploration focus as it maintains near-mine spend to optimise the plant-feed mix.

"Every prospect we have goes into our targeting matrix ... that generates a theoretical value on a range of [metrics] and determines where it fits into the overall picture," Quinlivan says.

"It's a big land package with a lot of targets, spread over a couple of hundred kilometres from north to south, and over 1350 sq km of ground essentially owned 100%. So, go and do justice to that before thinking about the next step.

"I think you'd like to get this process plant to be a 100,000ozpa producer, on a steady-state basis, by incrementally improving the quality of the feed.

"For us now it's just a case of keep the head down, get on with it, and focus on making this part of it work.

"Build the cash reserves up, and then get yourself in a position where you can properly go about the exploration activities on the properties you've got." ■

