

# 'That's Wilber': Doray's signature success

Doray's humble base of operations in Meekatharra has all the necessities to keep its ambitious exploration running seamlessly

**E**xploration is a fickle business," Doray Minerals Ltd managing director Allan Kelly told **Gold Mining Journal** on site at the company's flagship Andy Well project, 45km north of Meekatharra.

"Not only do you need to be in the right place at the right time with the right team, you need a great deal of good fortune as well. And having the right gold price certainly helps."

Kelly has had his share of frustrations in his 20 years as an exploration geochemist, much like the previous companies who have worked the ground in Western Australia's Murchison region.

However persistence, knowledge and good fortune have paid off for Kelly and the team at Doray, winners of the **Gold Min-**

**ing Journal** Explorer of the Year award.

When you look at the potted history of Andy Well (known as Meekatharra North in past incarnations), the discovery of the history-making Wilber Lode and the transformation of that exploration success into an early development project in fewer than two years make the find even more memorable.

Not bad for a company that had a rough start upon listing; Doray limped its way through its

IPO in 2010 \$1 million short, raising \$5 million and hitting the ASX at 20c before slumping to an all-time low of 15c.

Of course, this all changed after the maiden drill campaign in February 2010.

Doray's Wilber Lode at Andy Well gathered quite the reputation, sparked from results released a mere four weeks after the company debuted on the ASX.

Kicking off a seven-hole RC programme testing parallel tar-

get structures from previous exploration work, Doray unleashed on the market four holes with "spectacular" grades: 12m @ 21.4 g/t from 16m; 8m @ 62.5 g/t from 60m including a 4m block of 120.7 g/t; 9m @ 42.9 g/t from 45m; and 3m @ 5.2 g/t from 72m.

"When we first drilled Wilber, there was 5m of blind cover and then it basically got straight into the high-grade material," Kelly said.

Needless to say, the announcement surprised many and



The Andy Well resource is within 100m of the Great Northern Highway, with the south end of Wilber Lode now running under the road



With the RC rigs testing for parallel structures to Wilber, getting the angle spot on is key for the Doray geologists

impressed even the most sceptical analysts. The share price spiked from 22c to 76c on the back of the announcement, setting the upward trajectory for the company.

The maiden resource was dropped in February 2011 and at 311,000t @ 17.5 g/t for 174,000oz of gold, it has earned the reputation as one of Australia's highest-grade, undeveloped gold discoveries.

"As soon as that came in, we always knew it was going to be mined. The question was just how it would be done," Kelly said. "At such a high grade, different parties expressed interest to truck the ore. But that is an absolute worst case for us; when we did our metallurgical work, we knew it would be viable to process it ourselves."

Metallurgical work has shown that 85% of gold is recoverable by a simple gravity circuit, thanks to favourable geology of the quartz vein in Wilber.

The priority for the second half

of the year has been to drill hard to update the maiden resource; at the height of drilling, five rigs were on site to complete the resource upgrade, with 65,000m alone scheduled for Andy Well out of Doray's 130,000m budget. When the big drill push was completed, three rigs (one diamond, one RC and one aircore) remained on site to test for extensions to the north and south of the current Wilber Lode resource as well as to test a number of high-priority targets.

The rush to increase the Andy Well resource produced an early Christmas present for Doray. The resource has increased by 90% from February's maiden figure to now stand at 691,000t @ 14.8 g/t for 329,000oz of gold, combining Wilber and two associated quartz vein lodes. The Wilber Lode remains open, and has so far been defined to a depth of 480m below surface, with a strike of 600m.

Incorporating the oxide shear zone resource of 115,000t @ 0.7 g/t for 3,000oz, the total Andy



Although the blitz of drilling to upgrade the Andy Well resource is now over, three drill rigs remain on-site. The diamond rig is testing the southern extensions of the Wilber Lode resource here

Well resource sits at 806,000t @ 12.8 g/t for 332,000oz of gold.

As Kelly said, timing is everything in exploration, and the resource upgrade is no different, prepared just before Kelly took to the stage at Mines and Money in London in December.

"Our recent drilling campaigns

have continued to deliver a stream of high-grade gold intersections from Wilber over the last nine months. The substantially increased resource confirms the Wilber Lode as a very significant high-grade gold deposit and, more importantly, gives Doray the added confidence to push



Managing director Allan Kelly inspects the fresh core from the Wilber south extensions. "That's Wilber" is an oft-heard phrase, signalling that more exceptional grade quartz vein is being intercepted outside the current resource model

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Exploration has been almost non-stop since Doray listed in February 2010

ahead with our current development activities. We believe that further drilling has the potential to again increase this resource.”

Kelly said in October he knew Doray had a “really good buffer” against the gold price volatility that could wreak havoc on the

value and share price of gold juniors.

“We’re looking at lowest quartile cash costs per ounce, so even if the gold price dropped another couple of hundred dollars an ounce it wouldn’t make any difference to us. We are talk-

ing almost an ounce per tonne and at the current gold prices that is a really good margin.”

“Grade is king,” according to Kelly, and Wilber was always going to be mined, with development work now in full swing.

When **Gold Mining Journal**

was on site, Kelly met with the local shire council to discuss the finer details of the Doray camp, which is to be built on the old Meekatharra cricket ground, in between the town’s outdoor cinema and the hospital.

Doray looked at building the 60-person camp (which will expand to 100 in the future) out on site, but with local community support and amenities right on the company’s doorstep, it quickly became clear that building in the Meekatharra township was the right thing to do.

The production facility will be built on the Andy Well project, starting with a 150,000 tpa mill, processing the Wilber Lode ore via open pit first before heading underground in a southern direction to mine the deeper extensions of the resource. Exact locations of certain components of the plant – such as the location of tailings dams – are subject to change, as Doray needs to ensure it isn’t building infrastructure on a potential gold deposit.

Still to come is the outcome of mining lease applications, waste dump rehabilitation studies, aerial surveys and surface hydro-



Kelly with project manager Kevin Dockery on-site at Doray’s proposed 60-man camp in Meekatharra

ogy, geotechnical work for engineering studies, mine design and process plant design and modelling including a power station. Kelly said all the fine details will be locked into a BFS standard, on track to be delivered at the end of Q2 2012, after which time Doray will be able to push the button and start development.

A good sign for the region is that Doray is not the only company pushing for the area's revival.

"In the next 12 to 18 months, the Murchison region is expected to have six new producing mines," Kelly said, pointing out the Murchison's potential not just for exploration, but for revival of old brownfield operations as well.

Joining Doray in the Murchison revival are Ramelius Resources Ltd, which is bringing its Mt Magnet project (a revamp of the old Hill 50) back into production, and Reed Resources Ltd, with the \$28 million Meekatharra project picked up from the administrators in February 2011. Kentor Gold Ltd is scheduled to bring its Burnakura asset into production mid-2012, balancing similar commitments to get its Kyrgyz Republic gold-copper asset up and running. Last year's winner of the Gold Miner of the Year, Silver Lake Resources Ltd, will be online in January 2013 with the 100,000 ozpa Murchison project, and finally Silver Swan Group Ltd is still advancing its suite of projects around Meekatharra.

The story of how Andy Well came to into the Doray fold is the stuff of mining folklore. In 2009 Kelly had secured Doray's South Australian ground first and was finalising ground in the Murchison when he scored a ticket to Diggers and Dealers. At this time, he and technical director Heath Hellewell had just decided to float the assets in a new vehicle, so when Kelly walked into the Palace Hotel in Kalgoorlie on the first day of the conference and bumped into his old mate Scott Wilson, it was a stroke of good fortune for both parties. A deal to vend Andy Well into the up-and-coming Doray was reached over a handshake and a few beers.

While Andy Well has gathered the most attention so far, Doray has its share of blue sky potential in the Murchison. The nearest projects to Andy Well – Abbotts and Side Well – had recent drilling in October that returned "encouraging results". Drill programmes to follow up high-grade intercepts were being scheduled



Over 65,000m has been drilled at the Andy Well project alone this year

to start after the New Year break.

A bit further out, Doray has the Mingah, Tuckanarra, Cootharra, Webbs Patch/Black Tank Well, Lake Austin, Magnet North and Western Queen, all throughout the Murchison, plus a portfolio

erals in 1986. King Mining Corporation Ltd, Peko and Dominion all took their turn afterwards, but it was Western Mining Corporation in 1995 that rolled out extensive exploration and caught glimpses of what would later become the

pects and encountered decent drill intercepts, but never pursued them.

When the next owner – Australasian Gold Mines NL – began its RC programme, the first two holes drilled on Andy Well returned no results. If the programme hadn't been abandoned due to bad weather, Kelly said the third hole would have cut through the Wilber Lode, and Doray wouldn't be where it was today.

Thanks to 20 years of accumulated exploration, Doray inherited ultra-detailed, 50m line-space aeromagnetics, geological and regional mapping, lag and soil sampling, and a mix of RC, air-core and limited diamond core, and from this, determined where exploration should begin at Andy Well in 2010.

Sitting on \$13 million in cash and with a budget to explore and get Andy Well up to a BFS level, Kelly is extremely pleased with Doray's performance in its two-year life. And while the button will be pushed to mine Wilber, the tenure potential in the region is there for Doray to continue exploration, and just maybe make another big discovery in the Murchison.

– Luke Sizer

**“In the next 12 to 18 months, the Murchison region is expected to have six new producing mines”**

of South Australian assets in the Central Gawler gold province, which have taken a backseat position while Andy Well and the Murchison rise.

Before Doray had its turn, eight companies previously had a go on the Meekatharra North ground, beginning with BHP Min-

Wilber Lode.

WMC first pegged the ground back in the 1995, and in 1996 launched a 200m wide-spacing RC campaign, covering as much of the northern Meekatharra tenements as it could. WMC discovered mineralisation at the Wilber, Wendy, Sandra and Bernie pros-



Abundant in pyrite, the high-grade gold is actually locked inside the green lines in the quartz vein



# The little explorer who could

With low cash costs and the high-flying gold price, payback on Integra Mining's \$65 million Randalls project is on schedule

It is ironic that after a string of exploration successes that saw it in the top five of **Gold Mining Journal's** Explorer of the Year award on three occasions, Integra Mining Ltd should finally get its hands on the "Miner of the Year" trophy just one year into its production story.

Since geologist Chris Cairns took on the managing director role in 2003, Integra has, at various times, defied critics, frustrated investors and surprised sceptics.

As Cairns related at the Randalls opening ceremony in October 2010: "In 2004 the doyens of the industry said you couldn't find any decent deposits east of Kalgoorlie, then we found Salt Creek and now Majestic.

Then they questioned whether we could get enough ounces to make a mine, and we did. Then they questioned whether we could raise the money to fund the operation, and then we did."

The journey began in 2003 with Cairns – having been thrust into the managing director's chair just weeks after coming on board the then junior nickel explorer as exploration manager – quickly putting in place a deal to secure the Randalls project from Solomon Australia Ltd, in the process adding 280,000oz to the 430,000oz the company had at its nearby Aldiss project.

A series of scoping and feasibility studies followed but they only confirmed what Cairns and the management team always knew: if Integra was going to make it to producer status, it needed new discoveries in the region.

Under the leadership of exploration manager Greg Wilson that is exactly what the company did. In 2007 it announced a virgin discovery at Randalls, Salt Creek, which has since gone on to be the backbone of Integra's move

into production. The 4.63mt @ 2.71 g/t for 403,833oz open-pit resource handed Integra enough high-grade feed to kick-start operations.

However, for a junior gold miner, getting to production start-up is not even half the challenge; the WA Goldfields are littered with remnants of good exploration companies who failed to make the difficult transition to profitable miner. But Cairns, the Miner of the Year award now in his back pocket, is confident Integra is now out of the danger period.

"I think being voted for this award goes some way to putting paid to the old criticism about explorers not being able to run a mine," Cairns told **Gold Mining Journal**. "We have got through that critical phase of start-up quite cleanly within six months. Since then we have upgraded the plant (from 900,000 tpa to 1 mtpa) and have just received a study on another 50% upgrade."

The September quarterly figures point to the steady ramp-up of operations at Randall. The company produced 22,463oz at a cash cost of \$505/oz, achiev-

ing guidance in both production and costs. That followed on from a June quarter that saw 21,582oz produced at \$552/oz, again with-in guidance.

Cairns said one of the keys to the company's success was setting achievable targets and not over-promising to the market.

"Part of our success is setting realistic targets and then beating them. If you are realistic in stating your objectives it also gives your operations team a genuine chance of achieving goals rather than simply piling pressure on."

Mining at Salt Creek is in full swing and attention has now turned to development of the Maxwells open pit. It is this progress that has given Cairns confidence the company is in a position to overcome any of the teething problems so often associated with start-up operations.

"We came rapidly out of the commissioning phase. This (December) quarter we are aiming to hit guidance; there was a little hiccup with the crusher in October but we have overcome that now and we are on track. The mining fleet is only work-



Chris Cairns (managing director), Greg Wilson (exploration manager) and Peter Ironside (company secretary) on site at Randalls

ing in Salt Creek five days of the month. That is enough to build the stockpile for the mill and it means the other three weeks are spent on Maxwells. That gives us an inherent flexibility in our operations; we can concentrate on efficiencies rather than being tied to ensuring volume is reaching the mill."

With Maxwells set to be in production in the early part of the year, Integra is now contemplating the possibility of bringing the second plant expansion forward.

"If Maxwells outperforms in the way Salt Creek has we will look at that expansion sooner rather than later. Once complete, and with our underground resources in production, that will take us up to 150-170,000 ozpa."

The underground resources Cairns referred to are centred on the Santa and Cock-eyed Bob deposits. He said development of Cock-eyed Bob would start once approvals were received.

The period of expansion is further underlined by more regional exploration.

"The second half of this financial year will be the most active in

an exploration sense in the company's history; we have a \$23 million exploration budget for the year. We have already flagged a series of open pits we need to work on, including Lucky Bay and Fly Camp. One real driver is bringing the full underground potential to light. We are not getting any value in the market for that currently.

"The focus now is on how to optimise the true potential of this project."

The company will also revisit its Aldiss tenements where it has hopes of creating a second standalone operation.

Such ambitious growth plans need solid financial foundations to be built on and with cash flow increasing from Randalls, Integra is starting to free itself of financial obligations.

"Our remaining hedging commitments are 47,000oz, to be sold over the next five quarters. After the December quarter is complete we will have all the heavy hedging requirements completed and it drops off after that. By the end of the December quarter our debt will be \$16 mil-

lion, which means we will have retired two-thirds of the debt."

Clear of debt and the Randalls project pipeline seemingly in place, Cairns is now planning Integra's next phase.

"We recognise the company has an element of risk in that it is a one-mine play. We would like to diversify the revenue risk by bringing on another mine. The preferred route is through discovery and development because that is where shareholders see most value. We are already pushing ahead with the exploration programmes at Aldiss as we look to turn that into a standalone operation.

"The lower-risk, but more expensive, option is looking at merging with a company with a similar quality of assets and similar exploration upside, although they don't necessarily need to be of the same size."

Unlike some in the junior gold circles, Cairns is not usually wont to making such grand statements and his words are proof of the air of confidence surrounding the company. Not that he will let that turn into complacency.

"There has been a certain degree of serendipity in Integra getting to where we are, just as there has been for many of the new junior miners, with the gold price being so strong. We can never forget that."

The junior gold game can be a perilous one and Cairns well remembers how lucky, or unlucky, companies can be.

"There was a period of anxiety for us around 2006. We had raised \$5 million, we had done a lot of targeting and had six prospects to test. Salt Creek was the sixth of those and the discovery hole was the fifth in a five-hole programme. Before that we had had technical successes but we were beginning to think we would be testing the patience of shareholders if we didn't come up with something."

Now, with undoubted shareholder support, the company can make its own luck.

– Dominic Piper