

THE EASTERN FRONTIER OFFERS ELEPHANT COUNTRY

AND ST GEORGE MINING HAS
THE PORTFOLIO TO BAG ONE

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There may be many miners partaking in the elephant hunt around the world today, but how many of them truly know where to look, and more importantly, what action to take when they find one?

“FIRST THERE WAS Kalgoorlie, the oldest and most established mineral region in Western Australia, then about 20 years ago people stepped out into Laverton and found a lot of gold there. Now people are stepping out again to the east as the next frontier,” says John Prineas, executive chairman of Perth-headquartered St George Mining Limited (ASX: SGQ), the gold and nickel focused explorer.

“We knew our ground was highly prospective for nickel sulphide and gold, and thought it was real elephant country.”

April proved to be an excellent month for St George’s project, with a major mining company getting behind the company’s interest in the property and joining them in a farm-in agreement to explore for nickel. Evidently, if ever there was a sign that there was room for an elephant at the project, this mining super major’s presence is a strong indication.

Approaching elephants in East Laverton

Having headed up projects in financial and legal institutions in commodities trading, mining project and acquisitions finance for 25 years, Prineas decided to embark on private investment in the industry off the back of the sustaining commodities boom. A mutual friend put him in touch with Tim Hronsky, St George’s executive technical director, and the pair began looking for the right projects.

“The GFC came along, which scared everybody, but it actually ended up giving us an opportunity to buy projects as a lot of companies started to sell off projects to raise cash and reduce expenditure. We sourced the East Laverton Property in this way, buying some key tenements from another miner and then pegging ground around them. Overall, we acquired the package of tenements on quite favourable terms,” Prineas recalls.

“The Pine Creek Property, which we picked up from private prospectors, was also a great find for us. We weren’t really sure that the equity markets would be ready for an IPO, so we ended up holding our projects for a short while before listing the company. Then the market started falling into place, we listed and now we’re up and running.”

St George’s neighbours in East Laverton include AngloGold Ashanti Limited and Independence Group’s Tropicana joint venture (the largest gold discovery in Western Australia for the past 10 years and 90 kilometres away) and Gold Road Resources Limited (Yamarna Project) and International Gold Fields Limited (Plumridge Project) close by. The success these groups have had is encouraging for St George, as is the company’s own results which have recently allowed it to define new priority drill targets.

“We did a soil sampling program last year and those results filtered in early this year.

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They identified large gold systems, and we did infill closed-space sampling to further confirm those systems,” Prineas says.

“The results were very pleasing, confirming a large gold footprint, and they allowed us to focus on drill targets for when the field season starts this year. They have given us a lot of confidence that we’re in the right place and our strategy is correct.”

These results have allowed the company to form two high priority targets—Desert Dragon and Balmoral—and serve to validate the strategic focus on gold in the region. The company

believes that these targets could host million ounce deposits, and the drilling planned for August (with results to market in September-October) is highly anticipated.

Project Dragon

Knowing that the East Laverton property is highly prospective for gold and nickel, Prineas says, St George chose to focus more on gold due to the requirements in exploration for nickel by comparison.

“Nickel occurs in discreet deposits—particularly the kind we think is out there which is



multiple high grade deposits. They can be relatively tough to find and more expensive, so we have decided to concentrate on the gold, which we can do on our own efficiently," he says.

"The nickel exploration requires specialists and deep pockets, and a large mining house can go a long way to make sure that the potential of this kind of project is satisfied."

Project Dragon—the farm-in agreement announced by St George in its ASX Release dated 6 April 2011 'St George Mining Secure Nickel Exploration Deal'¹—begins with a two-year option whereby the major mining company will spend upwards of \$600,000 over the time in doing

exploration and assessing the ground. If they exercise the option and commit more capital, they can spend \$3 million over three years to earn a 51 per cent interest. Following on, they can increase that interest to 70 per cent by completing a Bankable Feasibility Study (BFS).

"It's a very exciting development, having the world's largest mining group out there searching in the area to see if it meets their criteria. It's very encouraging to know that they've got belief in that ground."

While St George focuses on gold, drilling its priority targets and doing some regional geo-chemistry work, Prineas says, the major mining

company will do its own field work to form geological expectations for the ground.

The right people, place and project

While work continues in East Laverton, at the company's second project, Pine Creek, 200 kilometres southeast of Darwin in the Northern Territory, St George will carry out drilling and soil sampling.

"We are very excited about commencing exploration at our Pine Creek project. It was originally explored by Homestake, when it was one of the largest mining companies in the world. They were exploring based on a model referencing their 50 million ounce deposit in South Dakota—so they were obviously looking for something large," Prineas says.

We're confident our own drilling will confirm the gold system there, and interestingly the area also has potential for rare earths and uranium. Territory Uranium has an adjoining tenement where they have confirmed a rare earths find, and the trend from their discovery goes straight into our ground too so we have reason to be confident that something is there."

Already, in its early days, Pine Creek presents a solid second tier focus after East Laverton, and as the company remains bullish on gold prices, both offer potential to become large scale future operations.

"We think that interest in gold, as currencies around the world get destabilised, will increase. We think that China and some emerging countries which are quite low in gold reserves will continue to be buyers of gold," Prineas says.

"That will continue pushing the gold price up, certainly putting a floor price. I think that any market pull back is really just a bit of profit taking and the underlying fundamentals are still very strong for a bullish gold price."

Armed with a team bursting with strong technical skills in mineral exploration and financing, in an area recognised for its capability to deliver the next big discovery, St George is off to a resoundingly strong start. As the company remains focused on maximising shareholder wealth through a major project discovery the team is braced to do extremely well. **IRJ**

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¹<http://www.stgm.com.au/attachments/download/60/20110406%20St%20George%20Mining%20Secure%20Nickel%20Exploration%20Deal.pdf>