

Loss is a win for St George

BHP Billiton Ltd's decision to withdraw from the East Laverton nickel project may prove to be a blessing in disguise for St George Mining Ltd.

The mining giant's subsidiary, BHP Billiton Nickel West Pty Ltd, was to earn up to 70% interest in the nickel rights on the property through a farm-in agreement with the Australian junior explorer, signed in April 2011, just five months after St George successfully raised \$4 million to list on the ASX.

However, BHP Billiton's decision to cease all nickel-related activity in Australia saw the company return all rights to Project Dragon on October 3 last year.

It came at a time when very few nickel-based miners and explorers, particularly at the junior end of the sector, were optimistic about the sustainability of operations as the price of the base metal remained in the doldrums.

Then, slowly but surely, some small but promising green shoots began to appear in the nickel market – largely thanks to the Indonesian nickel ban on exports – and the metal is now a hot commodity for investors.

All St George needs to do now, according to executive chairman John Prineas, is find some high-grade nickel within the 2,000sq km of ground it holds in the East Laverton region and the company is poised to reap the benefits of an upward trend in the cycle.

"It was a little bit disappointing at first to lose BHP, but we soon realised that this was a great opportunity for us," Prineas told **Paydirt**.

"BHP has done the ground work, they've proved up the potential of this ground, they've done a lot of drilling across the three ultramafic belts and to some extent left us with a bit of a blueprint for where to go and look next.

"We've got a quality project, we've got the BHP tick of approval as being highly prospective, so we should be able to do this on our own. It would have been very nice to have 30% free-carry in a BHP project, you'd never knock that back, but having 100% of a BHP-approved project is a pretty good result."

During the two-and-a-half years BHP Billiton worked on Project Dragon, the major completed more than 8,500m of RC drilling and tested seven nickel sulphide targets on the property.

Two of the drill holes identified disseminated nickel sulphides while another seven hit magmatic sulphides. St George recently completed a phase one drilling programme to follow up those targets on the prospective Stella Range ultramafic belt.

"We know for sure that belt is fertile for nickel sulphides because we've found nickel there and clearly the best place to search for more is near where you've already

found it," Prineas said.

"We're trying to find conductors which could represent massive nickel sulphide zones and all the conductors that we drilled were massive nickel sulphide zones, but there was no high-grade nickel, unfortunately."

St George has enlisted the technical services of respected geophysical consultants Newexco Services Pty Ltd to help the company find another large West Australian nickel province that could rival those held by Sirius Resources NL and Western Areas Ltd.

Newexco is credited with helping Sirius pinpoint the large Nova-Bollinger deposit in 2012 and making an important contribution to the discovery of Flying Fox for Western Areas early last decade.

Assays from the phase one drilling programme confirmed St George was targeting the right areas for nickel sulphide mineralisation and further targets will be worked into the phase two drilling programme, starting this month.

"The ultimate goal is to make a large nickel sulphide discovery and, as they say, once you make the first one, the next one is probably going to be much easier," Prineas said.

"Our friends at Newexco tell us it took them two years to find Flying Fox, so you just have to continue with your systematic exploration, be patient and eventually it will come.

"The real positive for us is all our drilling continues to confirm we have the right geology. Everyone believes there should be massive deposits out there so hopefully we hit a shallow discovery which can become economic quite quickly."



A high-grade nickel sulphide intersection is at the top of St George's priority list

Prineas was upbeat about the medium-term future of nickel, citing newcomers Duketon Mining Ltd's \$7 million IPO in early August as evidence the base metals market is heading in a positive direction.

St George itself raised \$1.175 million in May via a share placement, which Prineas said was oversubscribed "three times over". Couple this with another healthy R&D rebate in the coming weeks and the company will be well-funded to make that elusive discovery at East Laverton.

"The market seems to be doing well for us, the potential of our project has been confirmed and we've got fertile belts, so all we're missing is a really high-grade nickel sulphide intersection," Prineas said.

"Once we get that, I think everyone will be very excited for us and we'll have people knocking on our door like crazy. I know there are a lot of people sitting on the sidelines watching us, waiting for that one significant intersection to really put us on the map."

– Michael Washbourne



St George has picked up where BHP Billiton left off at the East Laverton nickel project