

NEWS

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SONA RESOURCES HAS AMBITIOUS PLANS AND THE WHEREWITHAL TO ACHIEVE THEM

By Charles Wyatt

Last time we wrote about Canadian-listed Sona Resources back in December the shares were near a high at C\$1.60. Since then they have slipped back to C\$1.00. But that is purely because investors seem to think that the company is going through a black spot prior to development, during which it could be difficult to find news to announce that will raise the blood pressure. Juniors depend on maintaining a fair level of excitement to keep everyone interested, but Sona is rather more mature than its years suggest as it knows exactly where it is going and is pretty sure when it will get there too. In essence it has two mines – the Blackdome mine, which has a permitted plant, but limited potential for a massive uplift in resources and reserves; and the Elizabeth mine, which is a high grade project still very much under-explored but capable, reckons executive chairman Nick Ferris, of being a company maker. He also goes on to explain that the first results from underground drilling at Elizabeth will soon be received and the grades should grab the attention of investors.

Blackdome is contiguous to and due north of Elizabeth, and the two of them cover 33 kilometres in a north-south direction in British Columbia, about 250 kilometres north of Vancouver. The Blackdome mine has excellent infrastructure. There's road access to all underground portals and there is a well-maintained camp on the property which can accommodate exploration crews. Since acquiring the mine in 1995, Sona has carried out geotechnical surveys, exploration drilling and small-scale mining. On the property is a fully permitted and well-maintained flotation and gravity mill which has a current design capacity to process 200 tonnes per day. There's material for it to be going on with, too, though not a huge amount. The latest resource estimate gives Blackdome 144,500 tonnes at 11.29 grams per tonne, to give 52,600 ounces of gold in the indicated category and 90,600 tonnes at 8.79 grams per tonne gold for 25,900 ounces inferred.

Not that much to write home about but Nick Ferris reckons there is more to come in the extension to the Giant Vein which has hardly been touched. When combined with Elizabeth, however, it becomes a completely different proposition, and one which North American investors ignore at their peril. Elizabeth has good infrastructure, with several roads accessing the old mine workings and the areas where exploration is likely to take place, and there is a new 24 person camp to accommodate mining and exploration crews. Back in 2009 an initial resource estimate came up with 522,900 tonnes, grading an average of 12.3 grams per tonne gold and using a cut-off grade of five grams per tonne to give a total of 206,100 ounces of gold in the inferred category. The Sona team is now intent on boosting this estimate, and promoting inferred ounces to the measured and indicated categories.

In the meantime, however, a preliminary assessment has been carried out on a joint Blackdome /Elizabeth gold producing operation and on potential underground mining operations at both sites. The assessment envisaged an operation based around a 200 tonnes per day mill throughput at Blackdome running over an eight year life to recover 183,600 ounces of gold and 62,500 ounces of silver. This worked out at an annual rate of production of around 23,505 ounces of gold at an average cash cost of production of US\$686 per ounce using a gold price of US\$950 per ounce, and a silver price of US\$15 per ounce. Both these prices are very conservative compared with current prices, but it has to be borne in mind that inferred resources were used in these calculations, and resources do not qualify as reserves until they have demonstrated economic viability based on a feasibility or pre-feasibility study.

Nick Ferris confirms that a new underground portal was established on the Southwest Vein at Elizabeth at the 2,300 level towards the end of last year. An adit has been started and the plan is to drift along this vein for about 350 metres before driving an 80 metre raise into the mineralised zone to collect a 5,000 tonne bulk sample. Several drill bays will be developed and 4,500 metres of underground drilling completed on the vein. In addition, the existing underground drift on the Upper Adit will be extended to the north along the West Vein into what's called the Jewellery Box zone. The name makes clear that this is a bonanza grade area, with visible gold in the quartz veins. A raise will be completed through it. The work on the Southwest Vein should boost resources significantly and Nick Ferris intends to carry out 3D sampling and evaluation of the bonanza area to ensure that a complete understanding of the geology is gained.

The new resource estimate for Elizabeth will be announced in the autumn, and should take it a long way towards Nick's immediate target of one million ounces as it will also include the results from 2010 surface drilling and the planned underground drilling which will take place this year. A whole new picture then emerges of the way in which Sona will grow its production in the coming years. Nick Ferris reckons it will cost C\$21 million to get into production, but the money should be forthcoming as debt, because payback will take less than a year and the mill and recovery plant are already in place. What's more the cash flow from the initial 200 tonnes per day of ore transported from Elizabeth should allow for the mill to be expanded to a capacity of 300 tonnes per day. The additional ore will come from Blackdome, and this will take production up to 33,000 ounces per year.

This is not the end of Nick's ambitions by a long chalk. He sees Elizabeth as having resources of two million plus ounces, and then expects to expand the mill capacity to 600 tonnes per day with the addition of a carbon-in-pulp circuit to deal more efficiently with the sulphide ore which will initially be transported as concentrate to a smelter in the early stages of production. This would take production up to 70,000 ounces, and the mine life would be extended to around 25 years. Not a bad outlook, which confirms it's better to lift one's eyes to the hills than gaze at your toes.

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