

Greatland Gold PLC

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Greatland Gold's US\$65m joint venture deal is just the latest in an ongoing rush into the gold-bearing riches of Paterson

What do you get if you hit 275 metres grading 4.77 grams gold and 0.61% copper?

The answer is simple enough, as shown by Greatland Gold PLC (LON:GGP) this week: a US\$65m joint venture deal that could pay all expenses to feasibility, and which could lead to the development of a major producing mine.

WATCH: Greatland Gold in a 'tremendous position' as it signs US\$65m Havieron farm-in

The partner in question is Newcrest Mining LTD (ASX:NCM), Australia's largest gold producer and, as a participant in the Lihir mine in Indonesia, a major player in the international scene.

It's quite some leap for Greatland, shares of which are now touching five-year highs, to give it a market capitalisation of more than £50m.

But even with the share price leap, the value of Newcrest's potential spend still roughly commensurates with Greatland's entire capitalisation.

In short, it's a big deal for a small company, the type of which you don't see every day.

WATCH: Greatland Gold PLC the 'erstwhile minnow' now valued at more than £60m

At the heart of it is that 275-metre intercept and what it means.

First off, it's deep, running from depths of around 459 metres below surface. That means an expensive underground operation is inevitable, and one that's surely out of the price range of a junior miner like Greatland.

Nevertheless, the sheer quality of the intercept, its length and grade, meant that Greatland was unlikely to be short of suitors offer to provide assistance, and on attractive terms too. Indeed, such an outcome was already broadly priced into Greatland's shares, which, although they leapt on the day of the Newcrest announcement, didn't quite scale the former heights reached when the original news of the intercept came out.

But of course, there's more than one drill hit to this story.

WATCH: Greatland Gold's Havieron has potential to be multi-commodity project of 'significant scale'

There's a whole new gold district opening up in and around Greatland's Havieron project in Western Australia. Previous drilling by Greatland had already hit, what in the context of the later hit might now be called "encouraging", but which at the time looked attractive enough in their own right.

Price: 1.936p

Market Cap: £62.57M

1 Year Share Price Graph



March 2018 September 2018 March 2019

Share Information

Code: GGP

Listing: AIM

52 week High Low
2.52p 0.53p

Sector: General Mining - Gold

Website: www.greatlandgold.com

Company Synopsis:

The principal activity of Greatland Gold plc is to explore for and develop natural resources, with a focus on gold. The company was established in London during 2005 and admitted to AIM in July 2006.

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Drilling returned 121 metres of 2.93 grams per tonne in early 2018, and follow-up work in the summer delivered further hits of 21 metres at 3.78 grams per tonne and one metre at 5.9 grams per tonne.

So, it's not just a one-off hit that Newcrest is buying into, it's a solid work programme that could be about to yield up a major discovery.

And it's certainly in the right area for that. Greatland's land package at Havieron isn't held in isolation. All around, other gold miners are busy exploring what looks to be an emerging new district at Paterson, in Western Australia. Forty-five kilometres to the west lies Newcrest's own Telfer mine, and both Greatland and Newcrest have been quite explicit that if ore comes up out of the ground at Havieron it will be destined for processing at Telfer.

That's a significant distance to truck ore, but such arrangements are not particularly uncommon in the industry, and the overall savings on the construction of a new plant at Havieron could run to hundreds of millions of dollars.

Newcrest, as the most powerful player in the region, is thus making a US\$65m claim to what could be the next big mine in Paterson, and it knows exactly what it wants to do with it.

In that sense, it is at least one step ahead of its rivals in Paterson, of whom there are many. A staking rush has gradually gathered steam over the past 24 months or so, and has led the likes of Rio Tinto PLC (LON:RIO), Sipa Resources Limited (ASX:SRI), Fortescue, Antipa and Red Metal into the area.

Aside from Telfer, which is up and running, there are several advanced prospects in Paterson, particularly on ground held by Antipa, or in joint venture between Antipa and Rio, where the exploration spend is rumoured to run to extremely high levels.

But the addition of Havieron to the list shifts the centre of gravity at Paterson over to the south-east. The Greatland exploration blocks were previously thought to be on the edge of the prospective area, but no longer. Newcrest hasn't only joint ventured the block containing Greatland's 275-metre hit, it has also joint ventured 11 others held by Greatland, and obtained a right of first refusal over others.

This confirms Newcrest as a significant player in the ongoing development of the Paterson region, more than holding its own against larger rival Rio Tinto.

READ: Greatland Gold gains as Primorus Investments ups its holding in the gold explorer to around 1.1%
The likelihood now is that Newcrest drill rigs will mobilise rapidly at Havieron in an endeavour to replicate Greatland's own drilling success. That, in turn, is likely to lead to some interesting newsflow that already has Greatland shareholders salivating.

"This farm-in has, in my opinion, the potential to open up the entire Havieron region to commercial mining in a time frame and cost that stand-alone operations could never compete with," said Alastair Clayton, executive director of Primorus Investments PLC (LON:PRIM), which owns around 1.1% of Greatland's shares.

Clayton has been involved in the capital markets and mining finance for many years now, and he knows a good thing when he sees it.

Newcrest's chief development officer, Michael Nossal, would tend to agree.

"It is becoming more and more evident that the Paterson region is highly prospective for under-cover discoveries," he said.

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