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Back to basics for Terrain

Kristie Batten
Thursday, 8 March 2012

JUST over a year ago, Terrain Minerals was on the verge of becoming a small-scale gold producer but some hiccups along the way, as well as a lack of funds, ended those plans. Today the company has a new managing director and the cash it needs to advance its two key projects in Western Australia's Goldfields.

The company was planning to mine its Celtic pit near Leonora, with expected production of 6000 ounces of gold.

A toll treatment deal had been signed with Gold Fields to process the ore through the Agnew plant and Terrain had secured \$A1.5 million in funding via a convertible note with Hong Kong's Zulu Capital.



Drilling at Black Cat

However, a pit wall failure and delays in dewatering the pit quickly diminished Terrain's funds, leaving it in debt and contemplating divestment.

In May, geologist and mining engineer Alan Coles took over as MD and the company has since overcome its previous issues.

Terrain signed a deal with private company SR Mining in August last year to sell the broader Bundarra project, which contained Celtic, in a deal worth \$8 million.

Shareholders overwhelmingly approved the deal in October, which saw Terrain receive an upfront cash payment of \$1.3 million.

The company will receive a further cash payment of \$700,000 in October and is in the enviable position of being guaranteed income of at least \$600,000 per year for 10 years.

If SR begins production, which is the intention later this year, the quarterly payment will be 1 gram of refined gold bullion for each ounce of refined gold bullion produced from the assets, capped at \$6 million.

The deal allowed Terrain to repay the convertible note and the company is debt-free.

The company then raised \$2.3 million in December in a rights issue underwritten by Patersons Securities.

The bank balance will be further boosted by \$900,000 after Terrain signed a deal with Ramelius Resources in January to sell the Coogee gold deposit near Kambalda, after an earlier deal to sell it for \$750,000 to an unlisted company fell through.

The deals have put Terrain in a strong cash position for 2012 and the company is fully funded to carry out its exploration plans this year.

Reverse circulation drilling at the Black Cat joint venture project near Leonora began last week to test the Craig Extended 1km-long soil anomaly.

The 1800m program will drill 15 holes with five rows of three holes 200m apart.

"If this looks good we'll do a follow-up program of deeper holes," Coles told *MiningNews.net* at Black Cat yesterday.

Craig is one of four soil anomalies at Black Cat but Coles said Craig was the longest and easiest to identify.

The target is near old workings but no previous drilling has been undertaken in the area.

Assays aren't expected for 6-8 weeks but Coles was pleased with how the drilling was progressing.

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"The geology has done exactly what we thought it would," he said.

The Katalina anomaly sits on another fault but the other two anomalies are flatter with no visual contact.

"There's something happening on the contact zone – but we're not quite sure what," Coles said.

Terrain owns 60% of Black Cat and is earning 75% from St Barbara by spending \$750,000.

The company can take the interest up to 90% by spending a further \$750,000, after which St Barbara can contribute or revert to a royalty.

St Barbara owns a mill just 70km away at its Leonora operations, which is underutilised.

"As a JV partner, they're good to have," Coles said.

"I suspect if we find enough ounces they'll buy us out."

The real focus for Terrain is the Aztec Dome nickel project at Kambalda, where it will spend \$1.3 million this year.

Coles has high hopes for the project and the company recently completed two deep drillholes in an attempt to prove the geological sequence is similar to the nearby Kambalda Dome.

The two diamond holes, drilled to a depth of 1km, cost \$300,000 each and downhole electromagnetic surveys will be the next work completed.

Results are also expected within 6-8 weeks.

Meanwhile, the company will look at divesting or farming out the Dodgers Well gold project near Leonora over the coming months.

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