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Wed 20/03/2013

Head start for Hera

Brooke Showers, 13 March 2013



YTC Resources CEO Rimas Kairaitis kicks some rocks at Hera in New South Wales.

JUST as the goddess, Hera is one of the most powerful women in ancient Greek mythology, Hera the orebody is the powerhouse among YTC Resources' assets.

Last week, YTC shareholders approved the \$A158 million funding package from Glencore International in order to develop the Hera gold and base metal project and the Nymagee copper project in the Cobar Basin of New South Wales. Under the transaction terms, Glencore will subscribe for 9.4 million YTC shares at 31.4c per share and provide YTC with \$155 million in funding.



Following completion of the placement, Glencore will hold a 9.9% stake in YTC.

Additionally, Glencore has an off-take agreement to buy 100% of all copper, lead and zinc produced by YTC at the two sites.

The finance allows YTC to complete development at both projects, and as full-scale construction begins imminently, Hera already has a head start.

Site access roads, construction of the box cut and around 150m of decline development has already been completed.

"We started our decline ahead of our funding coming through, in anticipation of it being approved," YTC managing director Rimas Kairaitis told **HighGrade** from Hong Kong where he was presenting at Mines and Money.

"There was an existing permit in place, so we took the opportunity to start it and get a three month head start.

"The decline is the critical path – it's the longest lead time item to ore development [production], so we saw that as a huge advantage getting that moving as soon as possible."

Hera contains gold-lead-zinc-silver and is expected to produce an average of 50,000 ounces gold equivalent per annum over an initial mine life of 7.3 years. Operating costs are forecast to be \$395/oz after lead-zinc credits.

The key to YTC's low cost operating model is the result of two main factors.

"The grade of the deposit is pretty strong and the metallurgy is really nice so we get nice recoveries from our lead, zinc and gold," Kairaitis said. "We're very lucky here at Hera – it's a very nice ore body."

YTC plans to use a gravity circuit to deliver 50% of the gold straight to gold bars, followed by a flotation circuit to extract the lead and zinc. Lead and zinc concentrate will then be leached to remove any remaining gold.

Construction of the Hera mill commences next month and first production is slated for the third quarter of 2014.

YTC has appointed mining contractor Pybar for the underground work at Hera and Coffey Mining for the geotechnical work.

Just as conventional processing can help ease cost pressures, so can multi-commodity exposure. When YTC bought Hera in 2009, it was searching for projects with a natural combination of industrial metals and precious metals in a single orebody.

"That provides a bit of hedging naturally on the basis that if industrial activity is globally strong then revenue might lift, and your gold revenue might drop back a bit, and the reverse is true," Kairaitis said.

While extracting all metals is critical for the success of this mining model, another upside for YTC is having a coarsely grained orebody overall.

"Coarse grain gold lends itself to gravity and gravity is very quick and very inexpensive – it's a lovely way to win gold if you can do it," Kairaitis said.

"The fact that you've got an industrial metal hedging orebody is an advantage and a higher percentage of gold that you can push through by gravity is an advantage for us at the front end."

When Nymagee comes on stream, YTC will also benefit from adding copper to its portfolio.

"Hera works really nicely as a stand-alone operation, but when you double the size of Hera, by adding Nymagee on for a very limited capital requirement, it really starts to be an exciting business case," Kairaitis said.

"The combined operation is where we want to get to as quickly as we can."

The strategy is to truck ore from Nymagee to the Hera plant and use flotation to produce a copper concentrate.

"Our plan at the moment is to bolt on the extra bits of kit we require at the Hera plant to accommodate second ore flow from Nymagee," Kairaitis said. "We are doing a lot of planning now in our final plant design to make sure the front end of the plant can accommodate two ore streams."

The company's highest priority is to push the Nymagee feasibility study along as quickly as possible this year. With funding secured for the feasibility and construction, YTC sits in an envious position to fast track Nymagee development, once all the permits and plans are in place.

In the interim, YTC is not actively pursuing any more acquisitions, however as far as exploration goes, it's targeting potential ore zones to the north and south of Hera.

"In terms of expansion, we think the exploration portfolio we have around these two projects are as good as anywhere that we are going to get," Kairaitis said.

It's too early to determine how the nearby prospects will extend the mine life, however Kairaitis is hopeful the mines will follow the precedents other Cobar orebodies have set.

"The projects in the Cobar district tend to grow and grow," he said.

"Two of the mines up at Cobar started mining in 1870 and they're still going as modern operations."

With Nymagee and Hera showing the same geology and mineral systems as the historic sites nearby, Kairaitis envisages they will follow suit.

YTC's market capitalisation this week was about \$A69 million, with its share price around 28c and a strong upward trajectory expected from here if broker consensus forecasts are any sort of guide.

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