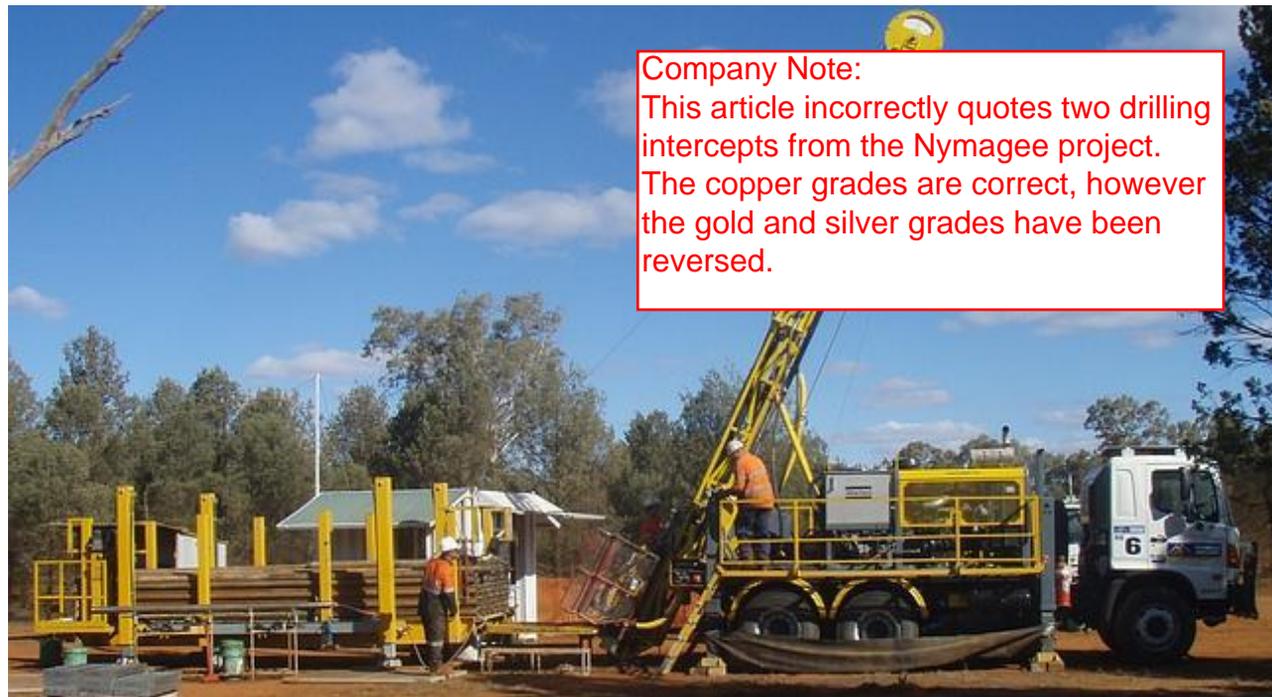


YTC's Nymagee proves a game-changer

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Company Note:

This article incorrectly quotes two drilling intercepts from the Nymagee project. The copper grades are correct, however the gold and silver grades have been reversed.

Hera today, much more tomorrow . . . YTC has committed \$4.6 million to an aggressive drilling program at Nymagee and Hera over the next six months.

Luke Forrestal

In September, YTC Resources was putting the finishing touches on a definitive feasibility study on its Hera polymetallic project, near Cobar in NSW.

While small, it looked like a decent earner based on its average grade of around 8 grams per tonne of gold equivalent.

Then the company drilled the first two holes at its Nymagee project, 4 kilometres to the north, and everything changed.

The holes returned intercepts of 8.9 metres grading 7.2 per cent copper, 24 grams per tonne gold and 0.16 grams per tonne silver and 7 metres grading 8.3 per cent, 46 grams per tonne of gold and 0.32 grams per tonne of silver.

"Those first couple of holes were quite spectacular and immediately made us take a breath and say 'what have we got here, this looks like a pretty serious copper mine, and it needs to be integrated with Hera'," YTC chief executive Rimas Kairaitis says.

"Rather than wrap the DFS around what is a modest, good margin mine, it now actually looks like a much bigger story."

In October, YTC completed a \$10 million capital raising through Perth broking house Hartleys, and has committed \$4.6 million to an aggressive drilling program at Nymagee and Hera over the next six months.

The results will be incorporated into an expanded definitive feasibility study.

"Between now and when we actually deliver the project, we have the opportunity to add all this stuff into the story," Kairaitis, a qualified geologist, says. "We don't quite know what it's going to look like, but it's going to look really nice."

Hera's current resource is 2.18 million tonnes grading 4 grams per tonne gold, 15.6 grams per tonne silver, 2.8 per cent lead, 3.9 per cent zinc and 0.2 per cent copper for 560,710 ounces of gold equivalent.



CEO Rimas Kairaitis: 'It's going to look really nice.'

In the first definitive feasibility study, YTC was looking at an operation processing 350,000 tonnes a year to produce around 50,000 ounces of gold equivalent.

Capital cost estimates were modest at \$60 million, while forecast operating margins were \$98 a tonne.

"That's the robust foundation that we have to work with," Kairaitis says. "It looks good on its own. It should generate around \$30 million free cash a year when it's running."

But it is the prospect that Nymagee could grow to resemble one of Cobar's great mines that has him salivating.

"It's starting to show what Cobar deposits should do and that's just unfolding for you," he says.

"The deepest drilling in the whole Nymagee system has returned grades of 4.5 per cent copper and that's what's sort of pointing us to the typical Cobar story."

If there is one mine in the district that Kairaitis thinks – or rather, hopes – Nymagee might bear some resemblance, it is Glencore's CSA mine.

CSA lies 90 kilometres along strike from Nymagee and has been producing on and off for the past 120 to 130 years.

Despite that long history, it still contains a resource of 12 million tonnes grading 5 per cent copper and is the highest grade copper mine in Australia.

"Geologically the setting is the same, the geological features and alterations are really similar," Kairaitis says.

He admits that if Nymagee grows to even a third the size of CSA, he will be a very happy man.

YTC expects to deliver the final mining case – an expanded operation at Hera and a maiden resource for Nymagee – in June.

"The Nymagee stuff probably won't be at definitive stage. It will probably just be at pre-feasibility stage," Kairaitis says. "But it will just help so much with financing."

The company acquired Hera and an 80 per cent interest in Nymagee for \$12 million from zinc miner CBH Resources in June 2009.

CBH picked up Hera in its \$60 million takeover of Triako Resources in 2006, but found itself in trouble with the onset of the global financial crisis and needed to sell assets.

Kairaitis believes YTC got a bargain.

The Australian Financial Review

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