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On Friday's Close

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Gibb River makes Edjudina Gold Discovery

This week we will again avoid commenting on the macro-markets and the larger trends, as the US Presidential election dominates expectations and uncertainties ... along with the virus, of course. There is plenty of commentary from other sources if this is what you want. We are focusing on specifics of company news flow. The first one is an interesting gold discovery in WA.

Gibb River Diamonds strikes gold in WA

I have kept a roving eye on Gibb River Diamonds (GIB) over the years, first seeing it as a phosphate company, then as a diamond company and most recently as a gold explorer. The announcement last week of a gold discovery at Edjudina, about 25 km east of Saracen's Porphyry Gold Mine, looks perfectly timed to appeal to investors in this market.

Low entry cost deal

It was only in July 2020, that GIB acquired a six month option over the property, paying \$110,000. That option can be exercised on the payment of \$330,000 cash and 5.5 million shares plus 5.5 million options with a strike price of 9¢, giving it 100% of the project. You can assume there is no doubt that the option will be exercised. The vendor is Nexus Minerals (NXM).

Historical gold production but limited modern success

The licence is located on the Edjudina Trend about 150 km east of Kalgoorlie, which has supported a number of gold mining ventures over the years, mostly from 1897 to 1921. Records show that 29,920 tonnes were treated for the recovery of 39,476 oz.

Modern exploration has been limited to companies such as Australian Anglo American Ltd, United Nickel Exploration, Cambrian Exploration, Pancontinental and Nexus. For whatever reason these companies didn't find anything worthwhile pursuing. One of the obstacles to exploration that Gibb River mentioned was the overlying calcrete layer of 1-1.5m thickness, that is so hard that back in the 1980s the explorers could trench it.

I seem to recall there was another company in the area in the mid-1980s called Paget Gold, managed by Roger Stroud, that had high grade gold in boudinage-type mineralisation (Gibb refers to them as "kidney reefs") within calcrete rocks at surface, but that company didn't get very far. It was very difficult to drill these and resource calculation was always going to be a challenge with this narrow type of deposit.

Gibb's recent success provides a new perspective

The drill results announced by Gibb last week provide a completely new perspective with intercepts like 36m at 3.97 gpt from 4m, 18m at 3.10 gpt from 18m, 24m at 1.44 gpt from surface and 8m at 2.91 gpt, to quote the first four holes in the release. Rather than waste time talking about

the high grade kidney reefs, Gibb has gone for mineralisation that shows both good grade and width in the oxide zone down to depths of 50m. A total of 66 aircore holes were drilled for 2,755m. We will need to see more drilling and RC holes to get a better understanding of the geology (which is thought to be replacement-style mineralisation), but for a first pass program this is very encouraging. There is something like 13 km of strike to be assessed but in the immediate future the Neta and Gawler targets seems to offer the best opportunity. Neta is open to the north, south and at depth. Gawler has a target strike length of 700m associated with extensive shallow historic workings.

Instant market reaction

The market was quick to react to the announcement with the shares jumping from 4.7¢ to a high of 23.5¢, settling back to 13.5¢ at the time of writing. At this price the market capitalisation is \$27m. Funding continues to be tight with there being \$683,000 in the kitty at 30/6/20, and an SPP at 5¢ subsequently raising another \$600,000. So, we should expect another raising in the near term to take advantage of the renewed enthusiasm for the stock.

Diamond Portfolio still on the books

While the excitement is all about the gold, Gibb still has its diamond assets in the Kimberley, being at Ellendale and Blina. These are pre-loved assets that could have merit in the future, but the market isn't placing much value on them just now.

This is a company worth keeping a close eye on.

Implications of Gibb's discovery for PAK

Seeing the proximity to the the Gibbs discovery to the east of the Porphyry Gold Mine immediately caused a rush of constrained enthusiasm to my mind, given that Pacific American has recently announced a deal immediately to the north of the same mine. The geology on the PAK ground will be tied in to the very important Keith Kilkenny Shear Zone that runs roughly N-S, whereas the Neta discovery of by Gibb is in the more discrete Edjudina trend to the east. There is nothing to suggest that they are connected geologically, but nevertheless, you can conclude that the region still has new orebodies just waiting to be discovered. PAK is in the right place with ground that has definitely been under-explored by previous owners. We look forward to the drilling in the New Year.

Disclosure: Interest associated with the author own shares in Pacific American and has received corporate fees.