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De Grey: Hemi at full throttle



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Saturn: The next generation

Target the higher grade architecture. Drill leverage points under the resource pit shell. Improve the quality of the deposit. Expand the resource corridor. Each "tactic" on its own has the potential to deliver a significant uplift to the Apollo Hill gold project. As such, it is very easy to understand why the sum of those individual strategies is motivating Saturn Metals Ltd (ASX: STN).



The Saturn team, led by managing director Ian Bamborough, have been carefully and meticulously plotting the next phase of growth for Apollo Hill since bolstering the existing JORC resource to just shy of the 1 moz mark in late January.

Bamborough executes the role of chief tactician with the same level of energy and precision as a chess grandmaster or championship-winning football manager. It is an approach which has not only underpinned Saturn's success over the past 3.5 years, but has the company perfectly positioned for a genuine tilt at developing a new bulk mining operation in an established multi-million ounce gold province.

"The new resource we put out at the start of the year – 35.9mt @ 0.8 g/t gold for 944,000oz, using a cut-off grade of 0.4 g/t gold – was reported within an optimised pit shell and gave the market a pretty good look at the economics of the deposit," Bamborough said.

"It was the first time we constrained it within a pit shell and it provided our investors with some transparency on exactly where we're at, which I think was an important step for the company.

"Since that point we've employed a number of tactics across the asset to establish how we are going to build from here in terms of the size of the deposit, the exploration potential and the quality of the deposit. Any given event on its own will actually be quite powerful, but when we put them all together it is going to have a far greater impact."

Bamborough and the Saturn team have never shied away from the fact Apollo Hill is a low-grade resource, however, they are confident it will stack up as a big, bulk mining operation because of the geometry and the low stripping ratio offered by the deposit.

Almost 100,000m has been drilled into Apollo Hill – about 60km south-east of Leonora – since Saturn was spun out of Peel Mining Ltd via a successful \$7 million in March 2018. The company has spent its money wisely in that time, adding some 439,000oz to the resource base and converting 59% of the deposit to indicated status.

Saturn has also tapped the market at the right parts of the cycle, boosting its cash position to more than \$10 million (as at March 31) and welcomed a number of key long-term investors – including Wythenshawe and Associates – to the company's share register.

The focus has now turned towards the next resource update and employing the "tactics" to grow the deposit. The first cab off the rank in that strategy is more drilling to target the higher grade plunging shoots.

Since the resource update in January, Saturn has returned a number of high-grade intersections, including 12m @ 5.75 g/t gold from 2m (including 8m @ 8.83 g/t gold from 6m), 8m @ 4.28 g/t gold from 72m (including 4m @ 8.34 g/t gold from 72m) and 15m @ 2.09 g/t gold from 79m (including 7m @ 3.84 g/t gold).

"We have started to see a step change in the type of intersections we are pulling together and that's really because last year it was very much about expansion and this year it is essentially about putting the jigsaw puzzle together," Bamborough said.

"Those grades are not going to massively change the overall grade of the resource, but what it does allow us to do is to start leveraging and ticking away at the grade. Even a 0.01 g/t positive

grade change across a big tonnage deposit can mean a nice step in ounces."

Apollo Hill has always been characterised by very nuggety gold and for Bamborough it is one of the most nuggety orebodies he has ever across. This means that while the gold is in the ground, it is not evenly dispersed through the deposit and the probability of hitting the "sweet spots" can be proportional to the amount of drilling one undertakes.

Saturn recently completed an exercise in grade control drilling to demonstrate what happens when you increase the drill density over a deposit – and the results proved telling, returning the best intersection ever seen in the deposit's history – 54m @ 3.72 g/t gold from 43m, including 33m @ 5.80 g/t gold from 49m.

"The continuity of the mineralisation jumped through the roof and the stripping ratio improved significantly," Bamborough said.

"We saw a number of localised grade opportunities that we had previously missed as we dropped that drill spacing down and we also saw some controls on the mineralisation that we'd never seen at a wider spacing. Subject to a modelling exercise, I think it will equate to a lot more metal in any given cubic area of the deposit.

"From that one exercise I think we significantly de-risked the development opportunity for Apollo Hill and unleashed quite a lot of the hidden potential in the deposit."

Last year's exploration efforts also confirmed the deposit remains wide open at both ends. Thick, shallow and high-grade intersections continue to be returned from ongoing drilling, including recent step-out hits of 8m @ 9.47 g/t gold from 102m (including 3m @ 24.92 g/t gold from 102m), 19m @ 1.18 g/t gold from 26m (including 10m @ 2.01 g/t gold from 26m) and 23m @ 1.10 g/t gold from 130m.

"There's been a lovely shift in the intersections we've produced over the first half of this year," Bamborough said.

"We are starting to see some patters which we've never seen before and we think the opportunity to explore out/ laterally rather than down/at depth and keep our ounces in an accessible position in this big, simple, single pit theory is what's

going to drive the economies of scale and keep our unit mining costs low."

Saturn is also buoyed by metallurgical test work results which have indicated more than 60% recovery by gravity and greater than 92% gold recovery from conventional 300 micron grind.

"At the moment we are using regional cost structures, but I think Apollo Hill's cost structures, at least from the test work we've completed to date, look a lot better than that but I want the weight of evidence behind me so we have the confidence to use those in the resource going forward," Bamborough said.

"Standard regional gravity recovery is probably 30-35%. If Apollo Hill maintains this kind of 60% level, subject to the test work, that's a significant step in your cost structure. If we can really put stuff through the mill that may be of 175-180 micron grind rather than 90-125 micron grind, that's another significant cost saving. It's all about making Apollo Hill bigger and better."

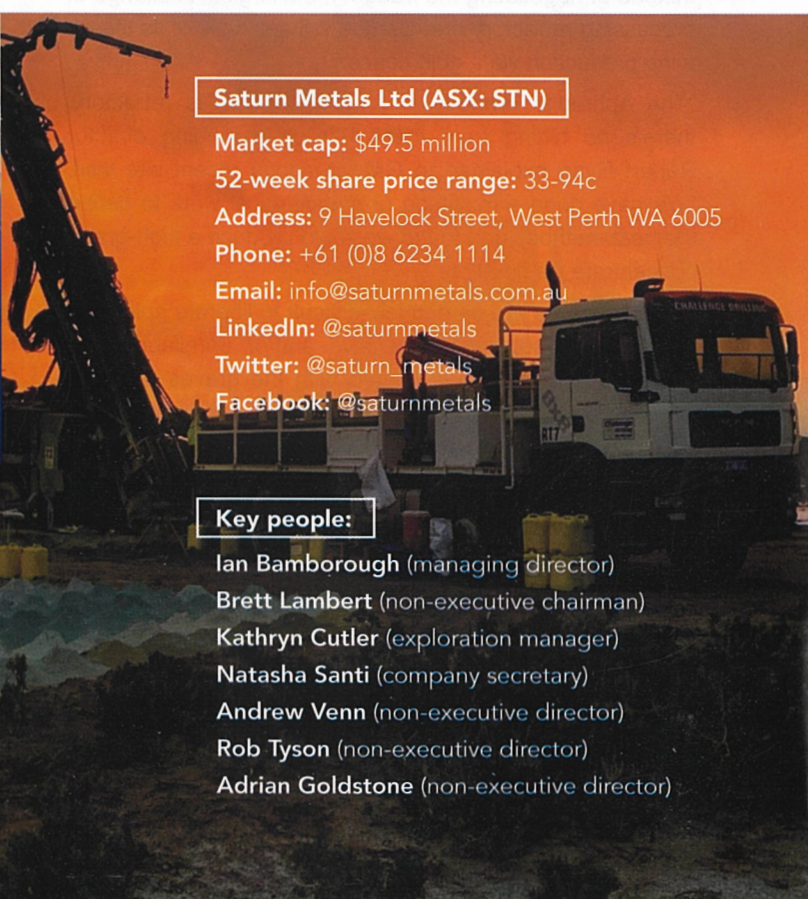
While the rigs continue to turn at Apollo Hill, Saturn has officially embarked on another exciting opportunity with the start of drilling at the West Wyalong JV project in New South Wales. The company has entered into an agreement to acquire 85% of the highly prospective tenement package in one of Australia's oldest but most forgotten goldfields via a \$2.1 million exploration spend over four years.

"This goldfield produced at 1 oz/t between 1894 and 1915 and it only stopped due to what we think was the loss of labour to World War I. The best year of production was 1911 where it produced just under 50,000oz at 3 oz/t," Bamborough said.

"We've digitised every one of the old workings we have the records for and have generated some very nice targets to follow up. We're only 42km from the Cowal gold mine so we think the opportunity there is tremendous."

If the sum of all "tactics" is the huge prize at the end of the tunnel for Saturn, Bamborough insisted his team must continue to be bold in order to gain maximum reward for their efforts.

"We have the budget and confidence in the work that we're doing," he said. "Now is the time to take those step-out chances and explore, particularly when the market is rewarding exploration success the way it is."



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