



MiningMaven

# Greatland Gold: Developing the Paterson's next major gold project alongside leading resource player Newcrest Mining



# Introduction

In March 2019, Greatland Gold (LSE:GGP) signed a \$65m farm-in deal with major international gold firm Newcrest Mining (ASX:NCM) for its Havieron project in the Paterson area of Australia. Subsequent drilling has solidified Greatland's belief that Havieron holds the potential to host an extensive mineralised system. If correct, then this project could become a large, multi-commodity, bulk tonnage, underground mining operation.

Newcrest's work at Havieron to date has firmed up the asset's depth of mineralisation as well as extending its strike length both from the north to the south and from the east to the west. What's more, the potential for gold to continue into as-yet-untested areas remains open, presenting the opportunity for yet more upside at the prospective project. In this special report, we lay out the potentially significant, value-enhancing effect that Havieron could have on Greatland's market valuation to the benefit of the company's investors.

## Greatland Gold one-year price chart



### Market Data

EPIC	GGP
Current Mid Price	1.6p
52 Week High	2.5p
52 Week Low	1.1p
30MA Volume	24.7m
Market Cap	£55.7m
Shares in issue	2,5777m
Market	AIM



Source: LSE

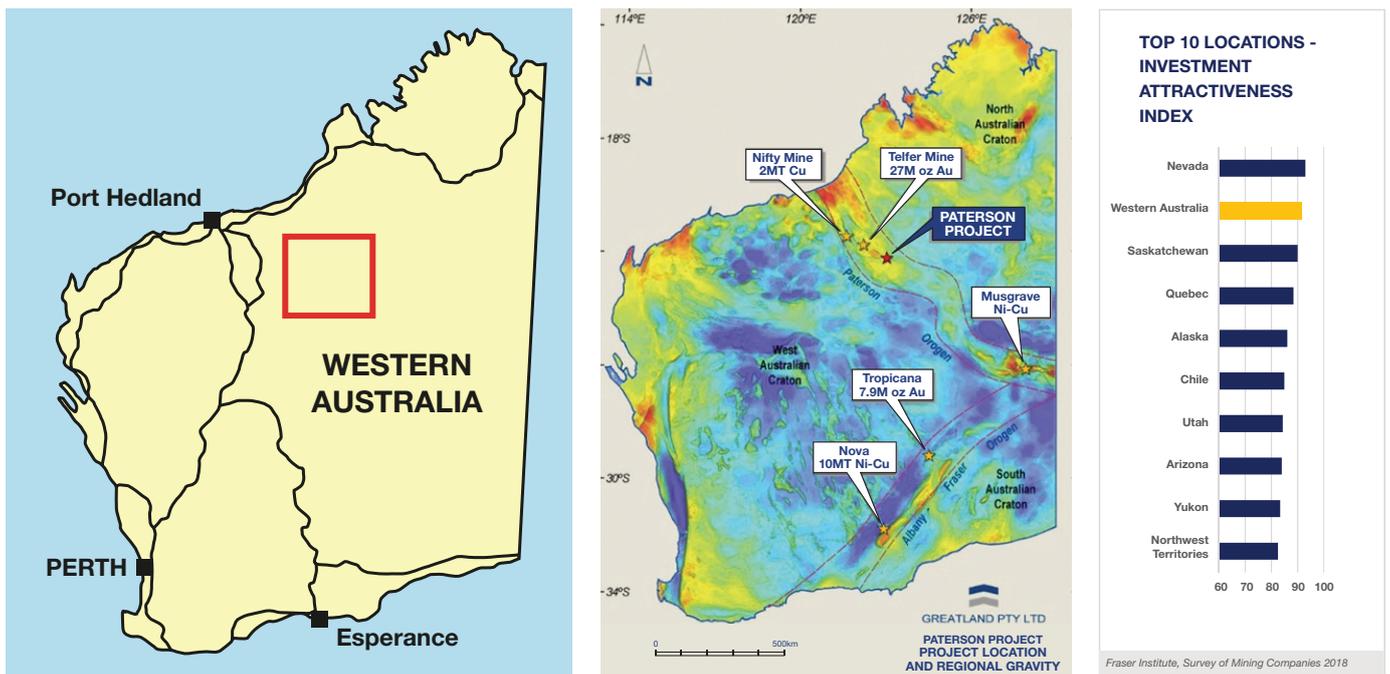
# The Paterson gold-rush

Based in the Paterson region of Western Australia, Havieron is a sizeable geophysical target, originally identified as a coincident magnetic and gravity anomaly covering around 1,000m by 1,000m.

Western Australia was ranked the second most attractive mining jurisdiction globally in a 2018 Fraser Institute survey of mining companies, beating the likes of Saskatchewan, Quebec, and Alaska. Meanwhile, Paterson is an established natural resources region in its own right, boasting plenty of infrastructure in spite of its remote location. This includes roads, formed tracks, and rail networks that branch out into the regional industrial hub of Port Hedland on the coast.

Paterson also hosts two of Australia’s biggest gold/copper mines – the Nifty copper sulphide mine owned by Metals X and the large-scale, low-grade Telfer copper-gold mine owned and operated by Newcrest. Telfer is based just 45km west of Havieron, where Newcrest uses its >20Mt processing capacity to produce up to 460koz of gold and 13kt of copper a year (based on 2019 guidance) at an all-in sustaining cost (AISC) of \$1,148/oz (as at Q3 2019).

**The Paterson region of Western Australia (left), Greatland’s landholdings within the Paterson region (middle), and Western Australia’s position in the Fraser Institute’s 2018 mining investment attractiveness index (right)**



Source: Greatland Gold



After two decades of minimal investment in the Paterson, miners have accelerated exploration activity in the Paterson recently after significant discoveries by the likes of Greatland and Rio Tinto showed that the area has been underexplored.

Notably, Rio Tinto has ramped up activity at its Winu project in Paterson's Yeneena Basin, after discovering copper-gold mineralisation in February 2019. This focus opens up the possibility that the asset could become the world-leading miner's next major copper development project.

This could attract more investment into Paterson. Meanwhile, more recent exploration has outlined several other deposits, including the Magnum and Calibre gold projects, and the Maroochydore copper opportunity.

Having acquired 100pc of Havieron in September 2016, Greatland is currently the only AIM-listed outfit with exposure to this Paterson gold-copper rush.

### The Telfer project's economic fundamentals

**NEWCREST'S  
100% OWNED  
TELFER GOLD  
MINE**

- Large-scale, low-grade mine
- Ore processing capacity in excess of 20Mt per annum

Location:	c.45km west of Havieron
Output:	Copper/gold concentrate & gold doré
FY18 Prod:	426koz Au, 16kt Cu
FY19 Prod Guidance:	400-460 koz Au, 13 kt Cu
Q319 AISC:	US\$1,148/oz

Source: Greatland Gold



## Building on early prospectivity

Before Greatland's acquisition, little exploration had been completed at Havieron. However, the work that was carried out indicated strong prospectivity. Indeed, in the 1990s and early 2000s, Newcrest drilled six holes at the opportunity, all of which intersected significant alteration. The organisation's initial efforts detected several high-grades zones across Havieron's geophysical target, including peak gold to 15.45g/t and copper to 2.5pc.

After analysing these figures, Greatland embarked upon a maiden drilling campaign at Havieron [between April and May 2018](#). The firm gathered numerous encouraging intercepts across upper and lower zones of mineralisation at the target, including 121m at 2.93g/t gold and 0.23pc copper.

### Sections of drill core from hole HAD005, drilled by Greatland



Source: Greatland Gold

Havieron's streak of prospectivity continued later in 2018 when Greatland completed a [second round of work](#). Once again, drilling encountered numerous high-grade intersections, including 128m at 7.4g/t gold and 0.54pc copper – described as 'world-class' by the company. It also established new peak grades at the site of 211.3g/t gold and 12.38pc copper and extended known mineralisation significantly across its upper and lower zones.

Critically, Greatland's efforts once again confirmed Havieron's potential for hosting an extensive mineralised system and becoming a large, multi-commodity, bulk tonnage, underground mining operation.

# Bringing in the major miners

It did not take long for Havieron’s increasing prospectivity to capture the interest of major mining companies, and in March 2019 Greatland revealed a farm-in agreement with its neighbour, Newcrest Mining. Newcrest, Australia’s leading gold producer and one of the world’s largest gold mining companies, can spend up to \$65m on Havieron’s exploration and development in exchange for a direct project interest of up to 70pc. However, the business will have to complete a series of exploration and development milestones over six years at the project to achieve this position.

Further, Newcrest – which will also act as Havieron’s manager throughout the farm-in period – has the option to purchase an additional 5pc project interest at fair market value after meeting all four farm-in milestones. This could take its total possible position to 75pc. The terms of the deal are as follows:

## Stage 1

Newcrest can complete this by spending \$10m on Havieron – inclusive of an obligatory minimum of \$5m – within 12 months of signing the initial farm-in agreement:

## Stage 2

If Newcrest spends a further \$10m on Havieron within 12 months of satisfying its Stage 1 commitment, it will earn a 40pc farm-in interest in the project;

## Stage 3

If Newcrest spends a further \$25m on Havieron and delivers a pre-feasibility study for a project within 24 months of satisfying its Stage 2 commitment, its farm-in interest will increase to 60pc; and

## Stage 4

If Newcrest carries out – or spends no less than \$20m towards – a feasibility study for a Havieron project within 24 months of satisfying its Stage 3 commitment, its farm-in interest will reach 70pc.

## HAVIERON – US\$65M FARM-IN AGREEMENT WITH NEWCREST

- Farm-in over 12 blocks within E45/4701 includes a series of exploration and development milestones
- Potential to fast track Havieron through to Feasibility Study and, subject to positive outcomes, into production and positive cash flow

- Newcrest has first right of refusal over the remainder of the Paterson project (Black Hills, Paterson Range East and remaining areas of Havieron licence)
- Subject to positive Feasibility Study, ore from Havieron will be toll processed at Telfer

- Newcrest expect to complete Phase 1 drill programme and meet minimum expenditure commitment in September
- Newcrest has commenced Phase 2 drill programme which includes plans for significant increase in step out and infill drilling

STAGE	MINIMUM COMMITMENT	STAGE 1 COMMITMENT	STAGE 2 COMMITMENT	STAGE 3 COMMITMENT	STAGE 4 COMMITMENT	(POST-STAGE)
TERMS	Newcrest must incur US\$5m in expenditure within 12 months of the Farm-in commencing	Newcrest incurs US\$10m in expenditure (inclusive of minimum commitment of US\$5m)	Newcrest incurs an additional US\$10 million in expenditure in relation to the Tenement Blocks	Newcrest incurs an additional US\$25 million in expenditure in relation to the Tenement Blocks and delivers a Pre-Feasibility Study for a project on the Tenement Blocks	Newcrest completes and delivers, or incurs no less than US\$20 million in expenditure toward the carrying out of, a Feasibility Study for a project on the Tenement Blocks	Newcrest must have met the milestones in the four stage Farm-in
OUTCOME	Proceed to stage 1	Proceed to stage 2	Earn 40% Farm-in interest and can proceed to stage 3	Earn an additional 20% Farm-in Interest and can proceed to stage 4	Earn an additional 10% Farm-in Interest and qualify for 5% additional option	Option to acquire an additional 5% interest at fair market value
TIMEFRAME		Within 12 months	Within 12 months (from Stage 1)	Within 24 months (from Stage 2)	Within 24 months (from Stage 3)	
EXPENSE (MIN)		US\$10M	US\$20M	US\$45M	US\$65M	
FARM-IN INTEREST	0%	0%	40%	50%	70%	70%

US\$5M MINIMUM COMMITMENT

US\$65M EXPENDITURE OVER 6 YEARS

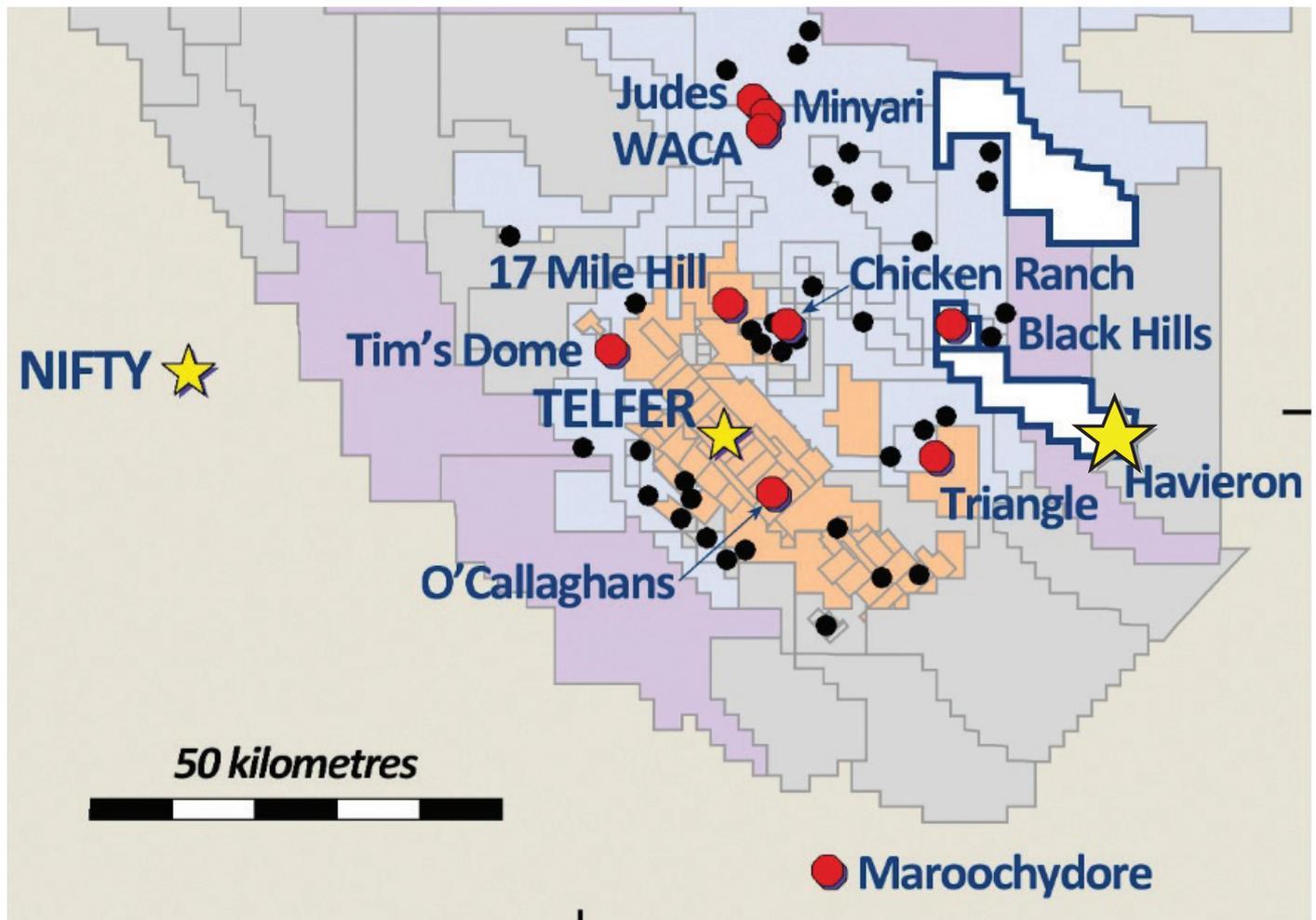
Source: Greatland Gold

The Newcrest deal presented Greatland with the chance to accelerate Haveron’s exploration development through to a completed feasibility study ahead of possible production and positive cash flow. It also offered the firm an opportunity to benefit from Newcrest’s resources and its experience as a developer and producer both around the world and specifically in the Paterson region.

Importantly, both Greatland and Newcrest’s ultimate aim is to make the most of Haveron’s proximity to Telfer once development at the former has completed. Indeed, subject to a positive feasibility study outcome, ore from the proposed Haveron joint venture will be trucked to Telfer and toll processed at its plant. This synergy means that no new processing plant or infrastructure will need to be built at Haveron, potentially reducing upfront capital costs, improving net present value, and cutting time to production and first cash flows.

Alongside these broader benefits, the tie-up could also offer some Newcrest-specific upside, with Haveron’s high-grade ore enhancing Telfer’s value by extending mine life and cutting production costs per ounce. Newcrest has highlighted this point several times since entering the Haveron farm-in agreement and beginning work on the assets (including [here](#), [here](#), and [here](#).) Newcrest’s need to expand mine life at Telfer- one of its most pivotal operations - by securing sources of high-grade ore is promising for Greatland as it ensures a priority position for Haveron in the major miner’s schedule.

### The location of Telfer in relation to Haveron



Source: Greatland Gold

# Getting straight to work

Newcrest got to work quickly after entering the Havieron farm-in deal with Greatland. The business embarked on a phase one, 10,000m drilling programme [in late May 2019](#) to define the extent of the project's gold mineralisation zone and test the depth of its mineralisation. As part of this, Newcrest also plans to search for additional zones of mineralised breccia – rock made up of broken mineral fragments – within the footprints of Havieron's associated magnetic anomaly.

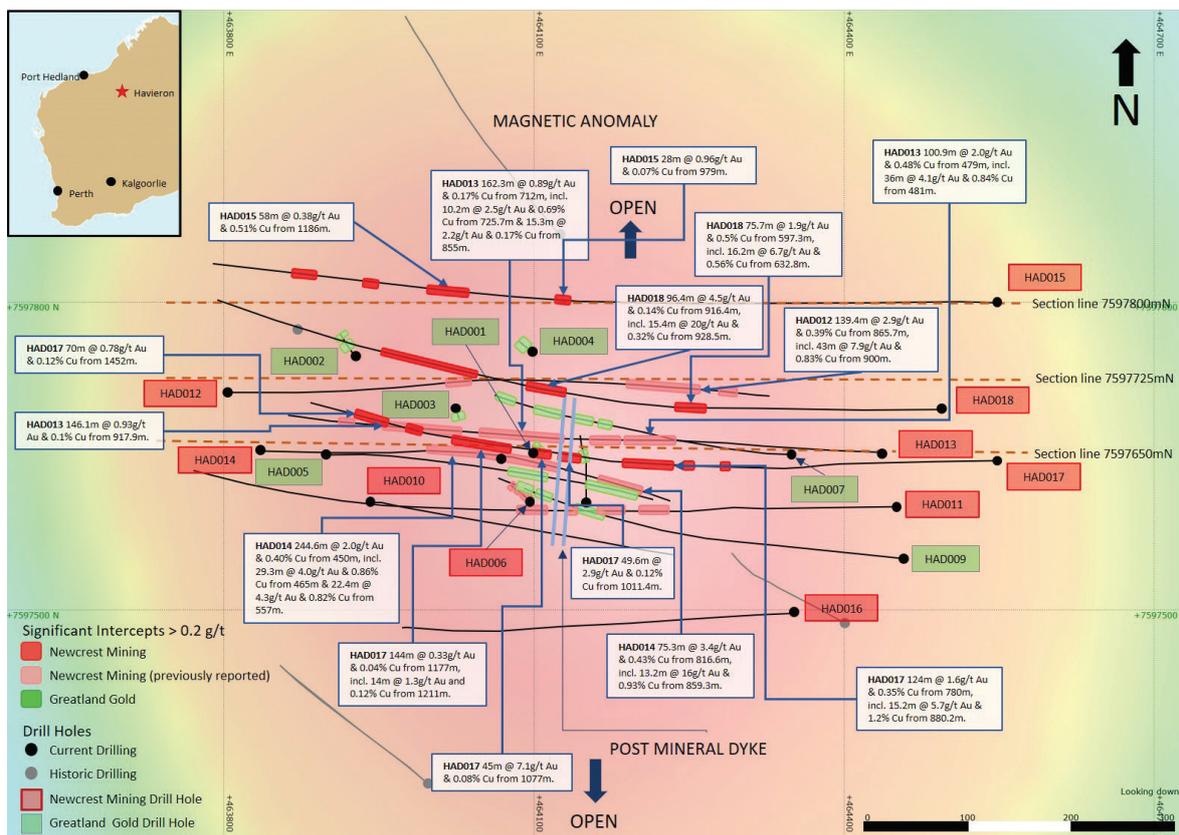
Greatland received Newcrest's first drilling results [in July 2019](#). The work confirmed high-grade gold-copper mineralisation at Havieron, as well as broadening mineralised extents defined by prior drilling and extending the depth of observed mineralisation. Of particular note was Newcrest's decision to extend Greatland's hole HAD006 from 838m to 1,216m, making it the deepest drill on the project at the time. What's more, the hole successfully identified high-grade mineralisation at depth, extending the depth over which mineralisation had been observed to more than 700m in vertical extent. Following this, [in September 2019](#), Newcrest revealed another set of impressive assay results after accelerating its pace of work by utilising four drill rigs instead of two.

Drill holes HAD012, HAD013, and HAD014 all intersected widths of mineralisation above 100m at better than 2g/t gold. What's more, these intersections all included higher-grade zones, including one interval of 43m at 7.9g/t gold and 0.83pc copper from 900m. Elsewhere, Newcrest's drilling established a new peak gold grade for the system of 324.9g/t gold, or, over 10oz of gold per tonne.

Newcrest's most recent drilling results came [in October 2019](#). According to Greatland, the firm has now defined up to four sub-vertical zones of higher-grade mineralisation within a larger mineralised envelope. What's more, Newcrest's latest round of results has also extended Havieron's mineralised envelope to the north and at depth. Indeed, mineralisation has now been observed over 950m of vertical extent, up from 700m.

Elsewhere, Greatland said that Newcrest has now met its \$5m minimum expenditure commitment ahead of schedule, and has begun its second phase of work at Havieron. Ongoing step-out and infill drilling will aim to firm up further the continuity and extent of high-grade mineralisation.

## Havieron drill hole location map



Source: Greatland Gold

## How big is Havieron?

Perhaps most importantly, Newcrest's work has extended Havieron's mineralisation to the north by an additional 200m, as well as extending it to the west and at-depth. Although Havieron's development is still in its early stages, this point could have significantly positive implications on the potential size of the project's resource.

As it stands, the consensus for Havieron's resource size is between 3Moz-4Moz of gold equivalent. Indeed, this minimum figure was quoted in a research note on Greatland and Havieron completed by broker Numis in August 2019. Broadly speaking, the reason for this assumption is that this tends to be the minimum deposit size at which a large miner like Newcrest would opt to farm-in.

At an assumed grade of 2g/t, this figure indicates that the Havieron deposit contains between 50Mts and 60Mts of mineralised material. However, there is an increasing bank of evidence to suggest that Havieron could, in fact, be significantly larger than this.

Firstly, 3D gravity and magnetic models [completed by Greatland](#) before the Newcrest farm-in indicated

the potential for mineralisation to extend from c.400m below surface to 1,200m across some 300m. Secondly, drilling has already confirmed that mineralisation has been observed over 950m of vertical extent and has extended the deposit to the north and west.

This is very encouraging, albeit at a relatively early stage in the exploration process. At this point shareholders will have to wait and see the results from drilling. Even so, it is quite possible that Havieron contains in excess of 100Mts of mineralised material. This would mean that the project could host a gold resource significantly in excess of 5Moz. However, relying on this figure now would be unreliable as it is impossible to predict exactly how the future resource might come together.

Regardless, Newcrest's ongoing commitment to further drilling is strongly suggestive of its ambitious attitude towards Havieron. Combined with what we know from Greatland's original surveying and the initial interpretation of results of intercepts encountered by Newcrest's drill campaign, there are plenty of indicators that Havieron could play host to a much larger gold deposit than the market currently assumes.



## Valuation potential

Haveiron's vast potential also carries broader positive implications for Greatland's market valuation. Key to this is the fact that, due to Australia's stability and its established mining code, companies with projects in the country typically trade at a considerable premium to peers with gold assets in other areas of the world. Indeed, according to a [September 2019 interview](#) with Jonathan Guy, director of mining research at Numis Securities, Australian gold equities were, at the time, trading at roughly 2-2.5 times their price to NAV ratio, a premium to global peers.

The following table demonstrates the value of a few of Australia's largest gold miners, in US dollar per resource terms:

NAME	TICKER	EXCHANGE	SHARE PRICE (15/10/2019)	TOTAL OZ IN RESOURCES	MARKET CAP	VALUATION PER RESOURCE OZ (A\$ & US\$)
Saracen Mineral Holdings	SAR	ASX	A\$3.34	9.2Moz (Sept 19 pres)	A\$2.7bn	A\$293.48 & US\$200.38
Evolution Mining	EVN	ASX	A\$4.4	14.7Moz (Sept 19 pres)	A\$8bn	A\$544.21 & US\$371.57
Ramelius Resources	RMS	ASX	A\$1.21	2.34Moz (Sept 19 pres)	A\$796m	A\$340.18 & US\$232.27

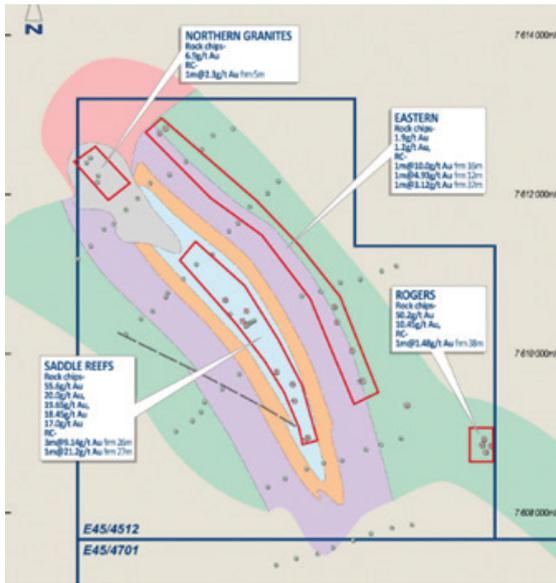
If Haveiron's resource came in at 3Moz and each ounce was valued at US\$200, the deposit's total value would be \$600m. Greatland's 30pc share (assuming for the moment that Newcrest takes a 70pc position in the project) would, in turn, be worth US\$180m (approximately £140m). This is a remarkable premium to the business's market cap, which, as at the time of writing (November 2019), sat at approximately £55.7m.

If we apply a more bullish scenario, in which Haveiron contains 5Moz of gold equivalent valued also at \$200/oz – then the deposit's total value would be \$1bn, and Greatland's share would total c.US\$300m (£230m). The upside potential here is clear.





## Black Hills prospect locations (left) and a Black Hills field sample showing gold in bedrock (right)

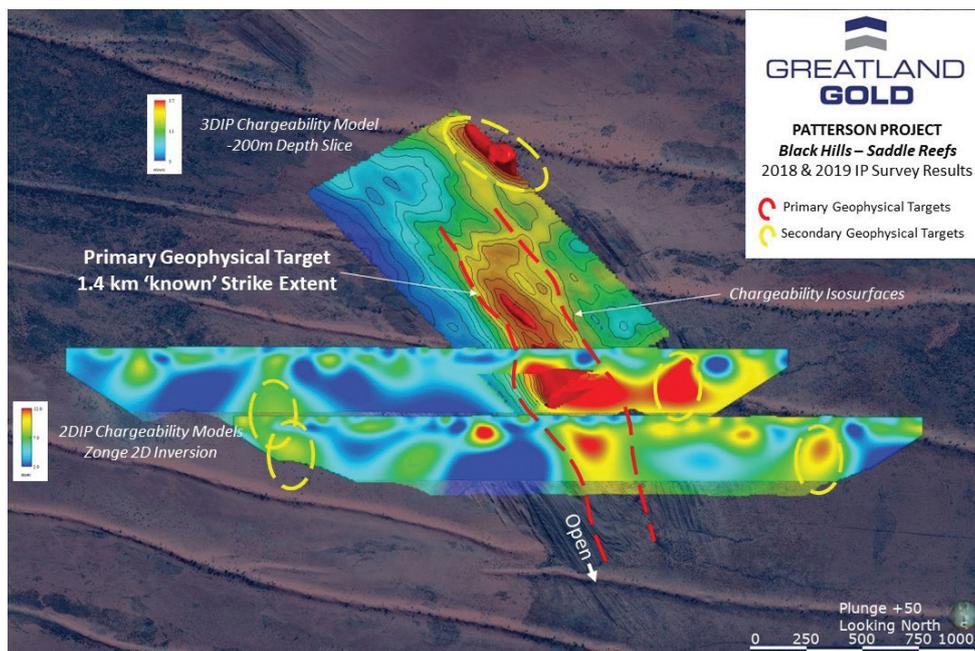


Source: Greatland Gold

Another opportunity is the Paterson Range East area, which is based around 25km north of Havieron and contains numerous high-priority targets identified through a detailed, low-level airborne magnetic survey. In addition, there is the 100% owned Scallywag prospect, which consists of several magnetic anomalies over a 6km by 4km area and is thought to have the potential to host gold, silver and copper mineralisation.

Using funds raised in a £4.2m placing, Greatland launched a suite of exploration work at Scallywag in August 2019, including new geophysical surveys, to follow up on encouraging early exploration results at the prospect. All of these targets boast the potential to replicate Havieron's initial success. With this in mind, the wider Paterson project could hold to the key to advancing Greatland's market value further in the future as Australian majors capitalise on their premium valuation by acquiring additional projects.

## Black Hills IP survey results



Source: Greatland Gold

## The Paterson story

At 1.6p, Greatland is currently valued at £55.7m. Over the coming months much will depend on the progress Newcrest makes at Havieron. So far, that company's commitment to the exploration JV has been strong, as it has hit its targeted expenditure thresholds to earn further into the project ahead of its expected schedule. With an ongoing drill campaign underway, a stream of news flow is expected here as we move into 2020.

Initial grades from intercepts at Havieron have so far been highly-encouraging, and there is an expectation that the asset should deliver at least 50Mt to 60Mt of mineralised material. If this target is met, it will mean the project is on course to deliver a 3Moz-4Moz resource of gold equivalent.

This would be transformational for Greatland. The firm retains 30pc in the Havieron JV and the value of its share could be worth in excess of \$180m, assuming a \$200/oz. in-ground valuation.

If drilling results at Havieron surpass these expectations, which is quite possible given what has already been discovered here, then Greatland could be propelled into an altogether higher league.

With the Havieron deposit currently open to the north and west, and considering that drilling has confirmed mineralisation as deep as 950m, Greatland's original survey models are so far playing out. Of course, there is still much work to do to prove up a resource here. However, given the pace at which Newcrest is currently working, the first half of 2020 holds a great deal of promise.

## INVESTMENT PROPOSITION



- Strategic licence position in the Paterson region of Western Australia
- Multiple potential tier-one opportunities present near-term investment upside
- Proven track record of operating innovative, cost-disciplined exploration programmes to unlock asset potential
- US\$65m Farm in Agreement with Newcrest at Havieron intended to maximise value for both parties:
  - Toll processing at Telfer to accelerate development and optimise costs for Greatland
  - High-grade feed could extend Telfer's life and lower production cost per ounce for Newcrest
- Experienced management team with in depth knowledge of local geology and jurisdictions
- Well capitalised to support and accelerate exploration activities in 2019 with approximately £6.4m cash in the bank as at August 2019

Source: Greatland Gold

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