

Study looks at Macraes underground mine options

23 January 2004 - GRD Macraes is carrying out a mining option study to determine some key details for its proposed underground mining of part of its large Frasers orebody at its east Otago gold mine.

Parent company GRD NL says in its report for the September quarter that the study will determine the optimal timing and point of entry (surface or pit bottom) from which to access the underground potential of the Frasers orebody.

The significant Macraes underground mining potential stems from the gently dipping, 20 metre-thick hanging wall orebody at Frasers containing over 2 g/t of gold that extends considerably beyond the economic limits of open pit mining.

The study, due for completion by the start of 2004, will provide information that will enable aligning the existing life of mine (open cut) pit designs and mining rates (and therefore equipment requirements) with the likely future of the Macraes mine.

Drilling results and geotechnical studies to date indicate two ore zones which combined could contain a resource of over 15 million tonnes at gold grades of over 2 g/t per tonne of which 60-70%, or approximately 10 million tonnes (600,000 oz), may be recoverable by underground mining methods.

The first ore zone, called panel 1, contains an estimated resource of approximately 6 million tonnes at 2.2 g/t and extends approximately 350 metres along strike and 450 metres down dip. Approximately half of this structure is included in the existing open pit reserves.

Panel 2, located a further 300 metres down dip, has been loosely defined by eight drill holes. The size and tenor of this mineralisation is similar to that in panel 1. However, significantly, panel 2 remains open at depth.

Exploration drilling is being conducted currently in panel 2, and is scheduled for completion in the first half of 2004. This may confirm the orebody extension to the life of the mine.

Two remnant lodes behind the east wall of the completed Innes Mills open pit have been identified as potential underground mining areas.

GRD says a strong operating performance during the third quarter has positioned GRD Macraes to achieve record annual gold sales exceeding 170,000 oz for the full 2003 year.

Gold sales during the third quarter totalled 50,219 ounces, at a cash cost of A\$339/oz. The average gold price received of A\$609/oz (average spot price A\$566/oz) generated a gross operating margin of A\$270/oz. The company says it expects to produce 50,000 oz in each of the first two quarters of 2004.

The newly commissioned oxide processing circuit has operated to expectations on gold recovery with further upside being pursued on throughput.

A long-term electricity supply agreement for the Macraes operation has been concluded and will provide protection against the extreme price levels experienced in recent winters.

Development of Golden Bar (south of Frasers) commenced in November and will present a source of high grade ore to 'sweeten' ore-feed from Frasers during 2004.

The Frasers orebody now constitutes approximately 80% of Macraes reserves.