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HD **Gunson back on the radar**

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Mike Collings and Torrens have given it a new lease of life

Gunson Resources (GUN) A FRESH set of eyes has added a much-needed second string to Gunson Resources' bow.

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The second string is the **company**'s Mount Gunson **copper** project in South Australia which, funnily enough, is why Gunson is called Gunson. But the project has been going nowhere for a long time, due to metallurgical issues.

While Mount Gunson was parked on the bench, Gunson became better known for its Coburn mineral sands project in Western Australia, which is limbo land at the moment.

But Mount Gunson is back on the radar in a big way — for a **company** with a 2.2c share price and $6.4 **million** market capitalisation anyway — thanks to Mike Collings and his partners at the privately owned Torrens **Mining**, an outfit that could well list one day.

Collings, both an engineer and geologist, has been knocking about the industry for 40 years and with his mates at Torrens, he enjoys scouring the industry looking for hidden value.

He reckons that he has found a gem within Gunson at its namesake Mount Gunson project, specifically its MG14 and Windabout **copper**-cobalt-silver deposits, about 40km south of Woomera.

Gunson needs a new focus just at the moment, too, as while its Coburn mineral sands project is dressed up and ready to go, financing the development at a time when zircon prices aren't being helpful is understandably tough, which is why it is seeking a partner with deeper pockets to pick up the running.

Back at MG14/Windabout, Torrens is earning a 51 per cent **stake** by sole funding all tests and studies needed to confirm that the metals locked up in fine-grained black shale seams can in fact be extracted profitably.

Conventional flotation metal recovery doesn't do the job on the black shales, but the Torrens boys, drawing on collective industry memories stretching back decades, reckon a sodium cyanide leaching process will do the trick.

As cyanide is expensive stuff, a processing route that recaptures and re-uses the stuff is a must. Working off flowsheets developed in the US in the 1960s, benchtop laboratory work by the Torrens/Gunson partnership has shown some real promise.

Copper recoveries of 80-85 per cent and cyanide regeneration of more than 80 per cent have been achieved, prompting the decision to now move to the pre-feasibility study stage, meaning likely capital costs and operating costs can be worked up.

The results leave the 54-68 per cent copper recoveries from a 2010 test program using conventional sulphide flotation in the shade. It's early days and the eventual outcome is uncertain.

But it is certainly worth a short given MG14/Windabout are known to contain more than 200,000 tonnes of copper, plus valuable amounts of cobalt.

An eventual development producing some 10,000 tonnes of copper and 450 tonnes of high-value cobalt annually would be the ultimate aim. That sort of potential means that it can be said that in the case of Gunson, its Coburn mineral sands project comes for free in its current share price. Two (projects) for the price of one as it were.

Doray Minerals (DRM) APART from its mid-July run to $US1340 an ounce, it has to be said that gold is looking fairly friendless at current levels of $US1282 an ounce, due mainly to Chinese buying cooling, and the strength of the US dollar.

Still, up or down, movement can make for opportunities, particularly where some other negative factors are at play and a gold stock becomes oversold.

Doray Minerals, which began production at its high-grade Andy Well operation in WA's northern Murchison region in August last year, is a case in point.

While gold's lacklustre performance has cast a shadow over all gold stocks, Doray has been doubly punished for dilution issues at Andy Well.

Since its quarterly report showing grades of less than 9 grams of gold a tonne in the June quarter — the market had got used to double-digit grades — the stock has tumbled 25 per cent lower to the 62.5c on offer yesterday.

Dilution is always an issue when it comes to the underground mining of narrow, high-grade veins. It is an issue that will come and go, and in the case of Andy Well, it hasn't stopped it enjoying positive reconciliation of (profitable) production to reserve expectations.

Duncan Hughes at GMP Securities has come back from a visit to the operation and reckons head grades are likely to remain at about 9g a tonne, which means cash costs of more than $700 an ounce, as Doray itself has forecast for the 2015 financial year.

But with 45 per cent of its production hedged at an estimated $1530 an ounce, healthy margins are also the order of the day. So much so that GMP's target price on the stock of 86c a share should be of interest to traders in gold stocks.

And as always with Doray, the potential for additional exploration success to add to its relatively short mine life, and ratchet up valuations, remains on the cards.

Universal Coal (UNV) THERE has been chatter out of South Africa that ASX-listed Universal Coal has received some serious backing for its growth ambitions in the country, one that is relying more than ever on coal to overcome its power supply issues.

The chatter was that the German-traded coal investment group IchorCoal is about to pump about $24m in to Universal through both ordinary and preferred share placements at big premiums to the group's share price of 12.5c.

On that sort of scale, IchorCoal would end up owning about 18 per cent of the ordinary shares, and eventually as much as 30 per cent on the preferred shares being converted, all of which shareholders get to vote on.

The cash injection would allow Universal to complete the $17m acquisition of the New Clydesdale coal (NCC) operation from SA's Exxaro. NCC adjoins Universal's Roodekop project, with NCC's infrastructure base allowing for an accelerated development of Roodekop.

More to the point is that following the successful start-up of its Kangala coalmine, the acceleration of NCC/Roodekop as Universal's second SA operation means it is on its way to becoming a producer of some 4.6 million tonnes of coal annually, from which sales would come in at about 3.5 million tonnes.It is a growth story that no junior in this market can match.

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