Plutonic prepares to welcome Star feed

by Michael Washbourne

Mining is under way at Tumblegum South

The first batch of mineralised ore from Star Minerals Ltd's Tumblegum South project is on track to be fed through the hungry Plutonic mill in mid-August.

Star officially made the transition to miner in early May when the maiden blast was completed at Tumblegum South, about 40km south of Meekatharra, under the tutelage of mining contractor MEGA Resources and its sister company Bain Global Resources. First mineralised material was extracted and stockpiled the following month.

Once a minimum 35,000t has been stockpiled on the ROM pad, Star will give Plutonic owner Catalyst Metals Ltd a minimum 30 days' notice the first batch of ore is ready for processing.

Star inked a toll treatment agreement with Catalyst in February to process 250,000t via Plutonic over a two-year period at what was quoted as "commercially competitive rates". Alongside the deal, Catalyst invested $1 million to become a 6.59% shareholder in Star, which in turn sold some of its non-core tenements in the West Bryah Basin to the established gold producer.

Based on the $3,800/oz gold price used in the updated scoping study published two years ago, Star is expected to generate almost $20 million free cash from the production of circa 16,000oz at Tumblegum South.

Star managing director Ashley Jones said near-term production was a surreal feeling for many long-serving company personnel, himself included.

"I hardly know the place, I almost couldn't find my way around the last time we were up there," he told **GMJ**.

"We used to take the backtrack in, but now there's a haulage track out to the main road. There's carparks, offices, ROM pads, a ringfence around the waste dump that you can't drive through anymore. It's quite wild how much everything has changed, it actually looks like a mine site."

Finalising a processing arrangement with Catalyst also satisfied one of the key conditions of Star's right-to-mine agreement with MEGA and Bain, together providing up to $20 million of working capital via mining, extraction and haulage services and receiving 50% of the profits from production.

Bain – the finance arm of MEGA – also holds an 8.65% stake in Star which has now joined the likes of Auric Mining Ltd and New Murchison Gold Ltd in developing stranded deposits and processing material through nearby plants.

"We're not the first but we got a bit of a head start because we had a resource ready to go, we had a mining licence already granted and we had the environmentals basically done," Jones said.

"You actually spend as much time on a big deposit as a small deposit – it's the same amount of effort to do a pit design – and we've mitigated any risk by doing the deal with MEGA instead of trying to raise $10 million or a number the same as our market cap to develop this.

"We've given away half the profit, but our shareholders are in exactly the same position [compared to funding it ourselves] and there's less risk for their returns at the end of the day."

Jones said the company planned to leverage its budding partnerships with MEGA, Bain and Catalyst to develop other stranded deposits once Tumblegum South is up and running.

"Our first priority has been to get this mine started but the focus will pretty quickly turn to what comes next," he said.

"We banked $3.75 million in cash and shares in February [via the various Catalyst deals] so we're well placed to go out and look. It is a mature market, but we think we've got the ability to use our partners to go and pursue something which fits our remit, which is take it through all the permitting and get it site-ready.

"In a perfect world, it would be nice to go from one to the next. We're running pretty hard on a lot of different opportunities – some we've missed out on, some are still there to pursue – but every week brings another opportunity."