

The revival of the Victorian Goldfields

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The Morning Star operation.

The romantic tale of Victoria's resource rich landscape has entered into a new chapter, as junior and mid-tier companies explore the state's uncharted depths.

The Victorian Goldfields is a region synonymous with the heights of the Victorian gold rush in the 1850s and quite literally, a rich history of highly prospective gold deposits.

Victoria's gold activity has often flown under the radar, given the cyclical nature of the industry, but has recently been reinvigorated thanks to exceptional results coming from Kirkland Lake Gold's Fosterville mine near Bendigo.

The company produced a record 140,701 ounces of gold during the second quarter of this year, a whopping 82 per cent increase on the 77,462 ounces in the same period last year.

Fosterville's output has been boosted by skyrocketing grades in the site's Swan Zone and whispers of the results have spread far and wide.

A by-product of this has been an influx of junior and mid-tier gold miners exploring the depths of Victoria's Goldfields, bringing back an undeniable buzz to the state.

AuStar Gold is an emerging company with two operations in Victoria and the company's chairman Frank Terranova is noticeably excited about what he considers to be "one of the most prolific gold belts in history."

His justification for the resurgence of gold mining in Victoria is simple, "if you want to find gold, go where gold is found."

Historically, that's exactly what the juggernauts of the gold mining industry have done, capitalising on deposits near the surface often discovered by junior companies.

“Every prolific belt in the world is often started by juniors, the big guys come in and take the low hanging fruit, then it becomes a matter of economics and scalability,” Terranova says.

“Juniors can then get more bang for their buck as they are better at managing small and emerging assets once the majors leave.”

Terranova emphasises that if there is a new discovery, such as a replica of the Fosterville mine, it will undeniably lead to the reintroduction of majors to the region.

The process is cyclical, and these cycles can often take a long time and with junior companies, Terranova says its either “you grow or you go.”

What he means by this is, juniors must either grow organically through exploration or find capital.

AuStar has taken the exploration route, capturing an abundance of regional exploration ground, while focussing on its Rose of Denmark and Morning Star sites in Victoria.

Terranova says there are obstacles to accessing the world-renowned high-grade gold that often lies hundreds of metres below the surface.

“There won’t be a lot of new infrastructure built because of the geography and topography in Victoria, so those who have plants and infrastructure built are at a massive advantage,” he says.

“The topography in particular is quite steep and deposits are often in parts of vegetated area with forest meaning it takes a bit longer to ensure you’re doing things right.”

Naturally, as Terranova explains, “time is money, so the longer it takes, the more expensive it becomes.”

AuStar has a slight advantage over the pack of gold hungry juniors in Victoria, owning one of the only gravity plants in the area.

The company’s plans are to leverage this by creating sufficient inventory, while also growing its Rose of Denmark operations.

So profound has the renewed interest in the Victorian Goldfields been, that Kalamazoo Resources has raised capital to further its ground magnetic surveys across what it considers to be “high priority prospect areas.”



Drilling at the Pyramid Hill operation.

The goal of these surveys is to act as an early-stage or 'screen' of prospective areas for potential economic gold mineralisation.

Essentially, the process reduces the amount of ground disturbance and exploration drilling required to effectively explore prospective areas.

Kalamazoo chairman Luke Reinehr says the company is focussed on the Castlemaine Goldfields for these ground geophysical surveys, given the vicinity has been largely unexplored in this way for decades.

"There has been no ground geophysical surveys conducted within the Castlemaine Goldfields since the 1960s," he says.

"The early stage application of modern ground geophysical survey techniques to high potential gold prospects is a key feature of Kalamazoo's low impact exploration strategy."

Kalamazoo's excitement emanates from Kirkland Lake's dream run at Fosterville, which has the junior company optimistic about surrounding areas.

"The fact that the Fosterville area has been mined for many years, changed ownership several times, has a great orebody and has now been discovered at 800 metres plus depth, proves that there is more to be found," Reinehr says.

"With the Castlefield Goldfield for example, having historically produced five million ounces of alluvial gold, also proves that these high-grade gold deposits occur outside Fosterville."

Reinehr argues, however, that Victoria's high gold prospectivity has always been recognised given that its geology is 100 times richer than the global average.

"It is more of a case that for many years, it was considered Victoria was a difficult jurisdiction to explore in," he says.

"The extremely rich grades discovered at Fosterville have provided the incentive for junior explorers to operate in Victoria in a smarter way and with sensitivity to the environment and local communities."

The sentiment seems to be pervasive among junior miners, as Chalice Gold has also taken notice of the untapped potential of the state's goldfields.

Chalice chairman Alex Dorsch describes the resurrection of the region almost romantically, given what he calls a "checkered history."

"Historically it's been very prolific in terms of high-grade gold and wealth generation for the state, but in the last 30 years or so it's been a little bit unloved," he says.

"The catalyst for that change is the Fosterville gold mine, where Kirkland Lake are going from strength to strength – Victoria had dropped off the global radar when it really shouldn't have."

While Chalice is still in the pre-discovery phase of its Pyramid Hill project, which encompasses the company's Victoria operations, looking at the results from Fosterville has inspired them.

After looking at the Bendigo zone, Chalice quickly snatched up 5000 square kilometres of exploration land within a week, conducting a large scale program over two thirds of the region through geophysical and geochemical surveys.

The focus for the company has now become more confined to Pyramid Hill after selling its Canadian operations to Assisko in July.

Chalice spent \$12 million over two years on drilling in Canada, but has shifted its exploration focus to Victoria, while still keeping shares and royalties in its North American operations.

The result gave Chalice over \$30 million in working capital, including \$20 million in cash, putting them in good stead to ramp up exploration within the Victorian Goldfields.

A large focus has been drilling underneath the Murray basin, an area that is rich in gold deposits but difficult to explore given it lies nearly 70 metres below the surface.

“Victoria has a lot going for it and where we are drilling is very much virgin terrain, the holes we’ve drilled in the area are the first real test and to be the first to hit gold in the basement is understandably very exciting,” Dorsch says.

With more than 50 metres of cover on it, the prospect is unique given how uncommon untested greenfield discoveries are within the Victorian Goldfields region.

The context of this interest with Victoria coincides with strong activity within the Australian and regional gold market, as prices reach never before seen heights amid tighter government regulations.

As the gold price moved towards record highs, the Victorian Government introduced a 2.75 per cent royalty to gold miners, in line with all other Australian states in May.

Industry bodies such as the Minerals Council of Australia (MCA) questioned the government’s lack of consultation with the industry’s miners prior to announcing the plan.

“The Andrews Government has not consulted or listened to regional communities that rely on highly paid, high skilled jobs that mining delivers in Victoria,” MCA Victoria director James Sorahan says.

“A new 2.75 per cent gold tax would add to uncertain project approval and regulatory regimes and regulatory duplication and inconsistencies.”

Dorsch also expresses his disappointment at the lack of engagement with mining companies, despite the outcome not specifically affecting Chalice.

“It is pretty unfair, there was no consultation, no warning, the government had just released a road map to encourage more mineral exploration in the state, then to have a new royalty slapped on straight away is a bit of a contradiction” he says.

The royalty, while poorly received by miners, doesn’t look like it is capable of stopping the momentum of the gold market and a potential revival of the Victorian Goldfields.

But as seen in the past, to predict the future of the precious metal remains a challenging task.