

Musgrave to move to 100% of Cue

MUSGRAVE Minerals has exercised its pre-emptive right over Silver Lake Resources' 20% stake in the Cue project in Western Australia.

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Silver Lake agreed to sell the stake last month to Westgold Resources for A\$1.5 million, subject to Musgrave not electing to buy it.

Musgrave had 30 days from June 23 to make a decision, and unsurprisingly, has chosen to pay the \$1.5 million cash to move to 100% of the project.

It comes after the company announced a combined resource of 352,000 ounces of gold on Friday for the Lena and Break of Day deposits at Cue.

Musgrave managing director Rob Waugh said the company saw considerable value in moving to 100% ownership.

“Drilling is set to resume at Break of Day in early August to extend the high-grade gold mineralisation outlined to date,” he said.

Musgrave is considering development scenarios for a proposed Lena open pit and Break of Day underground, either as a standalone operation or via toll treatment.

While Westgold missed out on acquiring the Cue stake, there is a chance it may still get to be involved in the project.

Its newly acquired Tuckabianna plant is 40km away, while its operating Bluebird mill is 90km from Cue.

“What is apparent is that Musgrave now has a significant mineral resource within close proximity to existing operating gold plants which are hungry for feed,” Patersons Securities analyst Simon Tonkin said.

“We see the potential for the project’s rapid development through a toll treatment or profit sharing arrangement with a nearby producer. This would likely mean minimal capital for the project’s development.”

Musgrave is well-funded to complete the acquisition, having \$4.1 million at the end of May.

Shares in Musgrave jumped by 12.3% to 9.1c, and have risen by more than 31% over the past two weeks.