

# Barry FitzGerald: Salt lake sitter Musgrave can't hide from the market forever

Columnists

Barry FitzGerald

Musgrave Minerals looks set to finish off the year with a bit of a flourish thanks to excitement around its Lake Austin North gold discovery beneath salt lake sediments at its Cue project in Western Australia's Murchison province.

Readers will remember Garimpeiro had a look at Musgrave (ASX:MGV) in March, saying that while the explorer already had 440,000 oz of high-grade resource under its belt, the hope was that an exploration program covering a 10km corridor of "hidden" salt lake targets to the north could be a game-changer.

It was, even if Musgrave continues to fly under the radar with its 8.9c share price and \$29 million market capitalisation, caught as it is in the general market doldrums despite the continuing historically high local gold price of \$1,675 oz and the upside from Lake Austin North.

The breakthrough for Musgrave came in August when it announced a "discovery" hole at the A-zone at Lake Austin North, 3km north of the known high-grade Break of Day gold resource (200,000 oz at 7.15 g/t to a depth of 250m).

The discovery hole returned 36m of 3.6g/t gold beneath 50m of salt lake sediments, including 20m at 6.1g/t within a broad interval of 84m at 1.7g/t.

It was followed up more recently by a drill hole 100m to the south which returned an impressive 94m at 2.4g/t, including 52m at 4.1g/t. The hole finished in mineralisation at the depth capacity of the drilling rig.

## **Talk of a 1m oz-plus**

Musgrave has since launched itself in to a diamond hole drilling program to delineate the extent of the mineralisation which remains open in all directions.

First results are expected by the market in coming weeks. Should they live up to what was encountered in the earlier (and less definitive) reverse circulation drilling, Musgrave could expect something of a celebration in its share price.

While Musgrave has said the diamond drilling will “delineate this very large and well mineralised new gold system” it obviously is not in a position to say just how big it could be. Besides, there are also a host of other salt lake targets to be drilled.

Market chatter is not so constrained, with some reckoning that Lake Austin North has the makings of a 1m oz-plus discovery. It is way too early to be pinning numbers on the discovery but there is no doubt Musgrave is one to watch as the latest drill results are rolled out.

### **Show me the money**

Musgrave has \$4m on hand to fund the salt lake exploration push, most of which came from a \$3.36m placement to nearby gold producer Westgold (WGX). The placement was followed up with a non-binding term sheet between the companies under which a mining and profit sharing agreement might be reached.

Importantly, the term sheet does not include Musgrave’s salt lake ground which it holds on a 100 per cent basis. It covers the southern assets at Cue where most of the Musgrave’s existing 440,000 oz in resources is held.

Westgold’s interest is sourcing high-grade feed for its Tuckabianna mill 40km to the north-west while for Musgrave it represents a potential revenue source to fund on-going exploration on the salt lake without having to dilute shareholders.

Talks with Westgold on the profit-sharing deal are continuing, so it is not locked away just yet. Given the potential for Lake Austin North to grow in to something sizable, there could well be a temptation for Musgrave to maintain 100 per cent ownership of the southern assets to bolster a stand-alone development at Cue.

Having said that, Westgold now has a 14.7 per cent strategic stake in the company which it could well use as a springboard for a takeover bid should Musgrave decide to go down the solo development pathway.

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