



Integra Mining Ltd

Integra Mining Ltd: sets up to become Australia's lowest cost, highest grade open pit gold producer

By Andrew McCrea

Integra Mining Ltd. (ASX: IGR) is a West Australian explorer that will transition to substantial gold producer status in September from its Randall's Gold Project. IGR operations are based east of Kalgoorlie, within one of the world's premier gold belts. The June Quarterly confirmed that a fast paced, aggressive growth phase is now in full swing. IGR has already sold forward 91,952 ounces of gold at A\$1,359.00 per ounce and forecasts production of 90,000 ounces in its first year for a projected initial operating profit of \$75 million.

The feasibility study that was completed last year estimated a net pre-tax, after capital costs, operating profit of \$128 million in the first four years "Phase One" of a ten year operational plan. This included all capital costs of \$64 million to mine and sell 320,000 ounces of gold, including 75,000 ounces in the first year. This study produced an internal rate of return of 71%, but this rate may be exceeded as IGR has already announced an increase in projected production to 90,000 ounces for the initial year.

IGR with a JORC resource of 1.8 million ounces boasts an extremely low enterprise value of about \$75 per ounce of gold when compared with its peers, Avoca (ASX: AVO) at \$150, Dominion (ASX: DOM) at \$275, and Ramelius (ASX: RMS) at \$550 per ounce. IGR will produce gold at an estimated average diluted mining grade of 3.1 grams per tonne, making it one of the highest grade open pit mines in Australia. Very low cash costs of A\$574 per ounce will place it amongst the most profitable of its peer group. These salient facts will not be missed by other players and regional neighbours, including AVO, who recently purchased local gold producer Dioro Exploration.

IGR is already in early planning for production upgrades from 90,000 to 140,000 and 250,000 ounces per year. Like its much larger neighbour AVO, IGR has control of major strategic tenements of 2,200 square kilometres over three major fault lines that run from north to south through the Eastern Goldfields and are believed to be major control systems over the distribution of gold within the fields. These tenements are known as Mount Monger, Randall's and Aldiss and they pick up multiple strike lines as long as 80 kilometres running north to south along the Aldiss, Cowarna and Bare Hill Faults. They also stretch out in an easterly direction for about 100 kilometres between Mount Monger and Karonie Siding along the Trans-

Date: August 2010

Price: A\$0.35

Market Cap: A\$264.2M

1 Year Share Price Graph



Share Information

Code: IGR

Listing: ASX

52 week	High	Low
	A\$0.40	A\$0.22

Sector: Materials

Website: www.integramining.com.au

Company Synopsis:

Since listing on the Australian Stock Exchange in 2001, Integra Mining (ASX: IGR) has steadily built up its mineral portfolio through a series of acquisitions, joint ventures and strategic alliances – predominantly in the Eastern Goldfields region of Western Australia, where it controls a consolidated tenement package of approximately 2,200 square kilometres.

The Company's flagship Aldiss-Randalls Gold Project, located 50-100km east of Kalgoorlie, has a consolidated gold resource of 20 million tonnes grading 2.7 g/t gold for 1.8 million contained ounces. Integra is undertaking detailed Scoping and Feasibility Studies on the Aldiss-Randalls Project during 2008, in parallel with an aggressive \$16 million exploration program which is targeting further increases in its gold resource base to between 2 and 2.2 million ounces.

The currently identified resource base is expected to underpin a production profile of 120,000 ounces per annum over a five year mine life, with any additional resources delineated during 2008 expected to enhance this position.

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Australia Railway. The multiple deposit development potential points to a very bullish future for the company.

Production should hit an annualised rate of 100,000 ounces by June, 2012 from Maxwell's open pit, high grade underground ore from Santa and Cock-eyed Bob, supplemented with the medium grade stockpile from Salt Creek. A further process plant upgrade is planned for the end of 2012, which should see production increase further to a rate of 140,000 ounces. Drilling continues at Santa and Cock-eyed Bob. Santa is located 5 kilometres north of Maxwell's and has a strike length of 1.8 kilometres, containing multiple targets. Drilling has identified extensive shallow mineralisation down to 50 meters and deeper intersections at 400 meters. Cock-eyed Bob carries an indicated and inferred resource of 443,870 tonnes at 5.91 grams per tonne for 84,277 ounces.

The Maxwell open pit is located about 15 kilometres east of Salt Creek and carries extremely high grades for a JORC resource of 410,000 ounces at 5.2 grams per tonne to an open pit depth of 150 meters. A drill program to a depth of 400 meters was recently completed and targeted a conceptual resource of between 3.7 – 6.4 million tonnes, containing 580,000 – 1,300,000 ounces below the pit. Potential underground gold production to 60 meters below the pit identifies a recovery of 120,000 ounces at a grade of 5.5 grams per tonne at a "all in" recovery cost of A\$750 per ounce. A twin decline to access this underground ore will cost \$9 million to open up an estimated \$174 million in revenues at very shallow depths. The decline can then be extended to deeper gold resources, which have been identified by drilling down to 404 meters, intersecting 2.2 meters at 9.86 grams per tonne. A full suite of assay results, resource definition and feasibility studies for underground mining should follow over the coming months.

A large drilling target has also been identified at Majestic, located 22 kilometres north of Salt Creek, which was identified by aircore reconnaissance drilling over an area measuring roughly 2.5 kilometres in length and 1 kilometre in width. IGR says that current drilling is indicating a large mineralised system of significant size, with good gold grades down to 150 meters with potential for an open pit mine. Bottle roll tests confirm that the ore is suitable for processing through the Salt Creek plant.

The Aldiss project, which is about 60 kilometres east of Salt Creek, hosts a JORC resource of 500,000 ounces contained within an 80 kilometres long greenstone belt that is relatively unexplored. Studies are underway to develop drilling targets that could provide the ore to push production to 250,000 ounces per year in the medium term.

In summary, IGR will have significant impending gold production and adding to the spice, could also be a potential takeover target, given regional consolidation in the goldfields. Throw in the upside from the removal of the overhang of shares and its all systems are go for IGR.

Based on the forgoing, plus NPV and IRR growth and EV/Ounce comparative valuations and an exploration upside model, could see an IGR valuation of >\$0.74 within 12-18 months.

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