Peel's problem to be envied

SPINIFEX

Stuart McKinnon

Ian Bamborough, who will head Saturn Metals, and Rob Tyson. Picture Mogens Johansen

It's a problem most explorers would love to have.

But how does a small-cap resources company with limited financial and human resources juggle two flagship projects that deserve equal focus and attention.

When Peel Mining was presented with the conundrum, it opted for a spin-out.

After listing in 2007, Peel Mining acquired the Apollo Hill gold project, 60km south-east of Leonora, planning for it to be its flagship asset.

But when the Rob Tyson-led explorer discovered the Mallee Bull polymetallic deposit in 2011 on its sole tenement in central New South Wales, the focus switched to the Cobar Basin.

"We've spent about $4 million on three or four drill programs at Apollo Hill over the past seven years, but it was always playing second fiddle to Cobar," Mr Tyson said.

"We could never do it justice and that's when the decision was made about 18 months ago to spin it out and give it it's own life."

This month, Peel hired former Newmont Mining senior geologist Ian Bamborough to head up the new entity to be named Saturn Metals ahead of a $7 million initial public offering with an expected listing date in March.

Mr Bamborough said he accepted the job after looking at the historic data from Apollo Hill and recognising it as a proper, large-scale gold system, albeit of low grade.

The project has had about 10 owners since its discovery in 1986.

Peel acquired it in an all-scrip deal from Hampton Hill Mining, an ASX-listed company controlled by Josh Pitt, the enigmatic geologist and prospector renowned for discovering the Golden Grove polymetallic deposit in the WA's Mid West.

Apollo Hill is a 1000sqkm land package that lies in the heart of the Eastern Goldfields surrounded by the likes of St Barbara's Gwalia mine and Saracen Mineral Holdings' Carosue Dam project.

Mr Bamborough's priorities will be further exploration at Apollo Hill to upgrade the existing 505,000oz resource, lifting the deposit's grade profile and targeting its high-grade plunging shoots.

With Saturn targeting Apollo, Peel will be free to focus on its Southern Nights-Wagga Tank discovery in NSW, which has been generating considerable investor interest in recent months.

Peel shares touched a record 78¢ on Thursday on the back of more stunning drill results from Southern Nights this week.

The best intercept was 46m at 17.01 per cent zinc, 9.57 per cent lead, 272g/t silver and 1.22g/t gold.

Adding froth to the bubble is lurking shareholder and resurgent gold miner St Barbara, which amassed a 16 per cent stake in Peel late last year.

Managing director Bob Vassie menacingly told shareholders at St Barbara's annual meeting in November that the company had no intention of being a passive shareholder.

Peel's biggest shareholder and long-time supporter Hampton Hill Mining lifted its stake to 19.3 per cent this week.

Mr Pitt obviously likes what he sees at Southern Nights.

Peel will keep the rigs rolling there for the next two to three months in a bid to shore up its find.

Mr Tyson says Southern Nights-Wagga Tank could be the most important zinc-rich base metals discovery in Australia in a long time.

"As a geologist, it's just got that smell about it," he said.