Gold Newsletter

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ATW Gold

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It's not raining gold bars at ATW, at least not yet, but the company continues to pour gold during the commissioning of its Burnakura gold mine in Western Australia. Since starting up in early March, ATW has completed seven gold pours, producing more than 1,500 ounces of gold and small amounts of silver.

Crews, meanwhile, are upgrading and developing underground workings. The goal is to boost production from higher-grade stopes while continuing upgrades to the mill, all of which should enable ATW to produce about 1,800 ounces of gold in May. Importantly, the company expects Burnakura to be cash-flow positive in June and hit full stride in July at 3,000 ounces per month.

At the company's Gullewa gold project 300 kilometers south of Burnakura, the company has kicked off a 10,000-meter drilling program on the Deflector deposit. The program has two rigs operating 24 hours a day to confirm existing mineralization, upgrade inferred resources and test potential extensions.

This is the first time the Deflector deposit has been drilled since ATW compiled a comprehensive 3D model, work that highlighted compelling evidence for the prospect of expanding the deposit.

The original plan was to prepare an economic assessment of the Deflector deposit by mid-June. But since the principal focus of the drilling program is to upgrade the current inferred resource (843,000 equivalent ounces of gold after silver and base metal credits), the study will be postponed to an as yet undisclosed date.

ATW is aiming at three targets, with the primary one being the inferred resources below the Deflector central and west open pits. These have not been fully tested at depth, and the hope is that the drill program will upgrade and expand the current resource.

The second target is 900 meters of strike length located south of the main Deflector deposit. This area has been partially drill tested, but earlier drill holes did not bore into the deposit's southerly plunge. The third target is 1,800 meters of relatively untested strike length at the north end of Deflector. The attraction here is a gravity high coincident with known mineralization.

The problem is that all of this exploration has to be paid for. The good news is that, as a producing company, ATW has new, non-dilutive options for raising money. Thus, the company was able to complete a US$10 million financing by way of a gold loan.

According to the company, it has already received the first, $6 million tranche of the loan. A second tranche of $3 million will be received in 18 months, while a third tranche of $1 million will be forthcoming in 24 months, as long as ATW is not in default on its payments.

Those payments will consist of 36 monthly deliveries of 475 ounces of gold from production at the Burnakura Mine. In addition, the lender has been granted options, for 24 months, to buy an additional 475 ounces of gold per month at $1,000 per ounce.

A quick calculation shows that, at a gold price of $1,000/ounce, the lender will receive a little over $17 million over three years for its $10 million loan. Not a bad return on a secured loan, especially considering they will also get free optionality on any gold price over $1,000.

While the price seems steep, the gold loan does allow ATW to secure needed funds now without further share dilution, and still retain considerable upside from its scheduled production.

Graham Harris, ATW's chairman, made this very point with the release of the news. "The additional capital allows us to expand the plant capacity and increase gold production at Burnakura," he noted. "We will also be commencing an aggressive drill plan aimed at increasing Burnakura's current mine life. We trust that our current shareholders will appreciate the non-dilutive

(Continued...)

nature of this financing and the expected increase in cash flow that will result from anticipated increases in production."

While the cost of the gold loan seems a bit high to me, there's no denying that the money can be put to excellent use right now. And the end result will be rapidly growing gold production for the company in a rising gold-price environment.

In short, ATW is in the right place at the right time with the right projects. Thus, it remains a buy — but try to pick it up on price dips.

ATW Gold Corp.

Recent Share Price: ....C$0.73
Shares Outstanding: ....69.4 million
Market Cap: ....C$50.7 million
Shares Outstanding
Fully Diluted: ....106.2 million
Market Cap
Fully Diluted:..C$77.5 million

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