

South African Refinery Loses Chunk of Gold the Size of a Microwave

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VANCOUVER, British Columbia, Aug. 11, 2014 (GLOBE NEWSWIRE) -- New Inventory software revealed that South Africa's Rand Refinery is missing 87,000 oz. of gold worth \$114 million at today's prices. The lost chunk is the size of a conventional microwave.

A small army of analysts is trying to figure out what that chunk of gold will be worth a year from now, or five years from now.

"I remember watching gold when it was \$35 an ounce and we thought if it ever hit \$100, the world would come to an end," former U.S. Representative Dr. Ron Paul told CNBC this week, "so yes, gold is going to keep creeping up."

Successful gold investing involves 'de-risking' – and one of the simplest strategies is to invest in a debt-free, unhedged gold producer that is profitable at current gold prices.

[Starcore](#) (SAM-TSX), a Canadian-based gold miner operating in Mexico, fits this profile.

"Our San Martin Mine in Mexico produces about 24,000 ounces of gold equivalent a year," stated Starcore President and CEO Robert Eadie in an exclusive interview with Financial Press. "The cash cost is \$840 an ounce. We own 100% of the project with no debt and about \$10 million in cash."

When Starcore bought the mine, it raised the money in the equity markets and with debt, so for 5 years gold production was hedged. But the company has been debt free for a year. The cash profits go right into the bank, allowing it to drill and expand without dilution.

"When Wheaton River was going through a merger with Goldcorp," stated Eadie, "it was determined the mine was too small for them so we picked it up for \$26 million, and it's been producing now for 7.5 years, and we expect it to produce for another 50-60 years."

Officially San Martin has a 7-year mine life, but Eadie points out that it has remained 7 years for the last 20 years.

"Starcore manufactures gold," stated Eadie, "That is our business model. As long as it is profitable for us to haul the rocks out, we'll keep doing it. Drilling a working mine is expensive and complicated. It isn't worth it spending that money. As long as the veins of gold continue, it's more cost effective to keep mining it, as the life-of-mine expands out in front of us."

An underground epithermal vein mine, San Martin has about 315 employees. It uses an innovative processing technology called 'dry tailings' – which means that 75-80% of the chemicals are recovered.

"If you look at our tailings stack you'll see plants, trees, cacti growing out of it," stated Eadie. "That is because the waste is benign. I got tired of explaining the tailings system so we dug plants into it to demonstrate how clean our technology is."

Starcore has many community programs in place including building a vegetable cooperative that will feed about 170 people a day.

"I understand that social responsibility is not a high priority for all investors," conceded Eadie. "But it is important to us. And it is good business. We have an established corporate track record which will be an advantage in the development of future acquisitions or expansions."

Starcore plans to spend a million dollars on a drill problem about 4 kilometers from the current producing gold mine. That's about 10% of the current cash-on-hand.

"Our property is 10 by 13 kilometers, which is about 12,900 hectares," stated Eadie. "There are no royalties. We know that there is a large epithermal gold system on our property but we don't know where the source is. With the banked profits from the San Martin mine, we can investigate and hopefully answer that question."

As well as being in a politically stable mining jurisdiction, the mine has excellent infrastructure. San Martinez (pop. 500) is directly adjacent and supplies labour. You can drive a brand new car right up to the mine and not get it dirty. The main road is only one kilometer away.

"The mine is hooked up to the national power grid of Mexico," stated Eadie. "It's basically a smart grid, so we gain operational efficiencies, for instance by doing maintenance between 6 p.m. and 10 p.m. We've got so much water that we trade it to the local farmers for access rights."

The mill runs 18 hours a day in three shifts - morning, afternoon and night. The current capacity of the mill is 850 tonnes a day. Starcore is considering increasing that to 1,200 tonnes per day, at a cost of about \$1.5 million.

"Starcore is profitable," stated Eadie. "We're production focused, we have a successful operating team, and we are deploying our cash reserves to increase efficiencies and expand operations."

Market Vectors Junior Gold Miners increased 25% in the last 60 days to \$42.87. According to Financial Post Data, there have been 41 Canadian mining deals in 2014 worth \$7.1-billion.

Starcore is currently trading at \$.16 with a market cap of \$22.9 million.

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