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Barrick's PNG drilling produces low-cost gold

Infrastructure supporting the island's palm oil and logging industry is already pretty good

THE big north American gold producers, and our own Newcrest, have figured that investors will allow them to derive as much as 30 per cent of revenue from copper before removing the cherished gold premium that is applied to their shares.

That's good news for the truly big gold producers. With their annual gold production measured in 5, 6 or 7 million ounces, they face a continual struggle to replenish their reserve. But the 5, 10 or 15 million ounce gold deposits that would make their lives easier are few and far between.

Expand the search to copper/gold deposits and it is a different story. What's more, apply the copper revenues against the costs of the gold production, and you are in a situation where you get to report the production of low-cost gold.

That's where the biggest gold producer, Canada's Barrick Gold Corp, has found itself on New Britain Island, Papua New Guinea — much to the delight of ASX-listed Coppermoly (ASX: COY).

Earlier this year Barrick kicked off a drilling program at one of three wholly owned Coppermoly tenements on the island that are subject to a joint venture agreement under which Barrick would earn a 72 per cent interest by spending \$20 million.

Results from the first hole at the Nakru 1 prospect were reported by Coppermoly on July

12. It was a good start, with a 190.85 metre intersection grading 1.01 per cent copper and 0.36 grams of gold a tonne reported. In an upper enrichment zone in the hole, a 13.55 metre intersection grading 2.8 per cent copper and 0.23 g/tonne gold was returned. The copper-gold mineralisation correlates directly with a large geophysical anomaly now being tested with a second hole.

Unlike much of the big copper/gold deposits being uncovered by other explorers on the PNG mainland, Nakru will not have to jump over huge infrastructure shortcomings to get into production. Infrastructure supporting the island's palm oil and logging industry is pretty good, with Nakru itself a four-hour drive along logging tracks from the deepwater port at the provincial capital of Kimbe.

Coppermoly expects to be able to report results monthly from Barrick's exploration drilling (two rigs and possibly a third on the way). So there will be a good news flow from the company in the months ahead.

The stock closed on Friday at 13¢ a share for a market value of \$17.2 million. Garimpeiro can only imagine what the stock would be trading at if the Nakru results were reported for a project on Australian soil.

Canadian-listed New Guinea Gold Corp is the major Coppermoly shareholder with 17.1 per cent and another Canadian group, Vangold, holds about 14 per cent. Those blocks mean that should Barrick strike something special on New Britain, it would only have to make a couple of phone calls to take control of its junior partner.