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Barrick's PNG drilling produces low-cost gold

BARRY FITZGERALD

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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

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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.

TALKING about infrastructure shortcomings, Garimpeiro continues to marvel at the fancy market capitalisations for a horde of Pilbara iron ore hopefuls.

Their stranded deposits remain just that, with little or no near-term prospect for breakthrough access regimes to rail lines to get their planned production to port, let alone access to spare port capacity.

But look beyond the Pilbara and you will come across iron hopefuls that do not face the same infrastructure constraints. Western Plains Resources (ASX: WPG) and Pluton Resources (ASX: PLV) are examples.

WPG recently announced a binding access agreement to Port Pirie for its Peculiar Knob iron ore project in South Australia. The agreement with the privately owned Flinders Ports means it is pretty much all systems go for Peculiar Knob, a planned 3-4 million tonne "starter" project for WPG in SA.

Peculiar Knob is no different to many of the proposed Pilbara projects in that it sits a long way from port - about 620 kilometres. But all it needs to do is build a 90-kilometre haul road to the existing open-access central Australian rail line. It's a setup about which the Pilbara hopefuls can only dream, and agitate.

WPG closed at 73¢ a share on Friday. Broker to the company, Veritas Securities, issued a research note after the port deal which had a price target on the stock of \$1.46 a share (80 per cent of its valuation).

Pluton does not need a rail line at all. Its Irvine Island iron ore project offshore in the Kimberley virtually juts out into the ocean. The project, said to be the closest Aussie iron ore deposit to Asian markets, is based on the same iron ore mineralisation being mined on the nearby Cockatoo(Cliffs) and Koolan islands (Mount Gibson Mining).



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Like those two, the plan is to load Irvine Island iron ore directly on to ships using shiploaders.

Studies on a \$350 million development suggest total cash costs of loaded iron ore (including royalties) of about \$37 a tonne. That compares with the landed price of high-grade iron ore in China of about \$US130 (\$A145) a tonne. Pluton has some work to do before it can think about the short payback period and long life the project would enjoy. Among other things, it needs to secure Aboriginal approvals to mine. It closed on Friday at 39¢ a share for a market capitalisation of about \$60 million.