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PURE SPECULATION

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in that cause.

Last week, Newmont reported its second-quarter result, which included a \$US460 million (\$536 million) charge for getting rid of the last hedging commitments, and Barrick took a \$US66 million hit for the same reason.

So it was interesting to note some of last week's gold announcements here.

Lion Selection Group claimed it had cost \$9.4 million to close out its forward sales program covering 63,000oz from its 30 per cent share of the gold produced at the Cracow mine in Queensland.

Norton Gold Fields reported it had entered an 80,000oz hedge at \$860/oz for production from the Paddington mine it is buying from Barrick, and **Allied Gold** was pleased with its minimum \$US700/oz hedging deal over 170,000oz from Simberi in PNG.

Lion took its action because Cracow is the second lowest cost producer in Australia at \$350/oz. That's more than a \$400/oz upside for spot, so why keep the price that provided only a \$300/oz margin?

Norton and Allied did it because it was part of the financing package involved (the lenders want some insurance in case the gold price falters). Norton is also initially going to be a high-cost producer at more than \$600/oz.

That's the point. When you are a high-cost miner, hedging is quite a good idea. With the present gold price of about

Digging deep: Newcrest Mining's Telfer gold mine

\$780/oz, you would have very little left after cash costs of more than \$600 plus interest and administration costs added on.

Eyre set to gauge market

THE \$10 million IPO for **Eyre Energy**, the uranium spin-off from **Adelaide Resources**, opens on Wednesday.

It will be an interesting gauge as to whether the market is having second thoughts about floats after last week's market turmoil, promising more carnage as the sub-prime monster continues its progress through the US financial system.

The float is fully underwritten by brokers Lands Kirwan Tong, and the news on Friday was that it was full-steam ahead.

With that confidence and the priority entitlement, which will bring a huge swag of Adelaide Resources shareholders to the Eyre party, the \$10 million float will make it.

That's probably a good sum in view of our comments last week about too many of the uranium floats having asked for just \$3 million or \$4 million, which may not be enough to keep their balls rolling, meaning they have to go back to the market for more.

Eyre has appeal because of its Gawler Craton exploration partnership with Quasar Resources, owned by the North American crowd that runs the Beverley uranium mine in South Australia.

Spooked by growing gaps

HOWEVER, whether there will be any big stag profits to be had when Eyre lists remains to be seen.

Anyone poking around on Friday among the junior explorers would have noted all the signs of nervousness after the week's big fall. There were growing gaps between buy and sell bids (10.5c/13c was one random example, 2.8c/3.3c another) and buyers were making themselves scarce.

It was also getting harder to quit big positions: one junior was showing hordes of sellers but only three buyers wanting, in total, 101,000 of a stock moving at 17c. One that caught our eye was a uranium play: big sell orders, a handful of buyers wanting just 106,100 shares in total. And the gap? Sellers wanting 32c, buyers offering 28c.

So far, this buying retreat seems to be confined to a limited number of bottom-enders, but Friday's Wall Street drop could spread the contagion to other explorers.

Peak Hill back in business

THE Peak Hill gold mine near Meekatharra was originally owned by Grants Patch Mining (66.6 per cent) and North Broken Hill's exploration arm Geopeko.

Grants Patch was then taken over by Forsyth, which was subsequently

swallowed by Plutonic Resources, which then fell to Homestake Mining before that US miner succumbed to Barrick Gold.

North Broken Hill became North, and then part of **Rio Tinto**.

Low gold prices forced the mine to close in 1997, during the Homestake and North joint ownership, and Barrick and Rio have never been interested in reopening the mine because it's just too small.

Barrick and Rio decided recently to sell the operation and **Montezuma Mining Co** put in a \$1 million bid, as much as it could afford, never thinking for a moment it would succeed.

No one was more surprised than the Montezuma team when Barrick and Rio accepted, Montezuma believing it was the cash-on-the-nail offer that won it for it and that the two majors just wanted to get rid of Peak Hill.

The mine produced 920,000oz during its operation and there is a Joint Ore Reserves Committee resource of 184,000oz apart from some low-grade stockpiles.

Montezuma chairman Denis O'Meara believes it can drill down 500m and find some serious high-grade ore that would justify going underground, an enthusiasm not shared by investors who marked the stock down sharply.