

# FINANCIAL REVIEW

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HD	<b>Fifth Element secures May gold listing</b>
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**Chinese**-backed junior **gold** explorer Fifth Element Resources has succeeded in scraping together enough investors via **Hong Kong** to secure a local listing in May.

The early stage **gold** and **copper** explorer presents a highly speculative investment opportunity with no guarantee of returns. The prospectus touts the **mining** and finance industry experience of the board as a strength.

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Non-executive director Andrew Bryden Skinner who is described as an Australian tax accountant turned academic, was one of three former directors of the failed trustee **company** Commercial Nominees of Australia who was disqualified by the Australian Prudential Regulation Authority and banned for three years by the Australian Securities and Investments Commission from acting as a representative of a dealer or adviser back in 2003.

Mr Skinner is also a director of Dome **Gold** Mines, which floated in October, Augur Resources and Zamia Metals, which both listed in 2007, and unlisted junior Magma Mines.

Chairman Chi Ho William Lo is a **Hong-Kong** based, British-educated accountant and qualified chemical engineer. Mr Lo is also a director of NSW explorer Ridglands **Coal** and is a former chief executive of Sino Gas.

The offer, which opened on March 7, and was originally scheduled to close on April 2, was for up to 15.5 **million** shares at 20¢ apiece to raise up to \$5 **million**.

After a couple of short time extensions, the **company** finally succeeded in securing enough commitments to breach the minimum \$3.5 **million** needed to green-light the float on Friday.

"Fifth Element has secured about \$4 **million** from a selection of investors, mostly wealthy individuals based in **Hong Kong** and around Asia, as well as a few locals," Bryce Reynolds of sponsoring broker Veritas Securities said. Final listing date expected soon

Under the amended timetable the offer will now close this Thursday, April 17, the day that was originally slated for the float. The minimum contribution from investors is \$2000.

Confirmation of a final listing date is expected in the coming days. It is likely shares will commence normal trading in the first week of May.

Fifth Element owns a portfolio of four prospective **gold** and **copper** tenements in New South Wales. Fairholme and Pine Hill, are located near the town of Condobolin, while the Trangie project is situated near Narromine and Mendooran outside Gilgandra.

According to the prospectus, all four projects are located on remnants of, "Ordovician to earliest Silurian volcanic arc-related rocks that are prospective **copper** and **gold**".

Most of the money raised in the IPO will be used to pay for drilling and testing at the existing tenements. The strategy is to invest fairly evenly across the four projects with a view to adding to the value of the resources as recognised by the Joint **Ore** Reserves Committee.

Some of the fresh capital will fund new exploration, as the **company** has aspirations to acquire more projects in Australia and offshore. At the time of issuing the prospectus the explorer had a little over \$100,000 in the bank.

If a commercial resource is discovered, it is uncertain whether the **company** would raise more capital, thereby diluting the value of shares, to develop a mine or sell out to a bigger producer.

Either strategy could be made more difficult by a significant decline in the **gold** price or stubborn strength in the Australian dollar.

The capital structure poses risks to the interests of new investors. At listing, existing shareholders will control about 53 per cent of the **company**.

The **Chinese** owners have employed the Beresfield NSW arm of SRK Consulting to act as technical managers on its sites. The Australian **mining** consultants are affiliates of a large South African multinational network.

**Lead** corporate adviser on the deal is Breakaway **Mining** Services, a division of Breakaway Investment Group the Sydney-based private **equity** house that invests in junior resources companies .

How the shares perform on debut will likely be closely watched by those considering investing in rival **China Mining**, another **Chinese** backed Australian **gold** explorer that is still in the process of taking a second-tilt at a local listing after having to shelve plans for a February float due to a lack of interest and a bearish outlook for **gold** prices.

**CO** dmexld : Dome Gold Mines Ltd | ffthlr : Fifth Element Resources Ltd. | zamiag : Zamia Metals Ltd.

**IN** i22472 : Precious Metals | i211 : Metal Ore Mining | i22 : Primary Metals | i224 : Non-ferrous Metals | ibasicm : Basic Materials/Resources | imet : Mining/Quarrying | i2112 : Gold Ore/Silver Ore Mining

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