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## HD Timpetra takes stock of Saracen super buy

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LP Little-known Timpetra Resources sparked a minor stir at last year's Diggers & Dealers conference when it emerged with a substantial shareholding in Saracen Mineral Holdings, having spent \$4.8 million of its \$6 million available cash buying up shares.

At the time, the move on Saracen's register sparked merger talk, through links with KalNorth Gold Mines, then chaired by Lawrence Freedman.

<sup>TD</sup> Sydney investment company Iron Mountain was a substantial shareholder in Timpetra and had also been buying KalNorth shares. KalNorth's major shareholder, Hong Kong private equity firm Cross-Strait Common Development Fund, was also rumoured to have picked up about 3 per cent of Saracen.

That all came to nothing but Timpetra's decision to splash out on Saracen shares now looks like an excellent bit of business. At the time, Saracen, like most of WA's other gold producers, was struggling to get its costs under control and replan its mine expansions, dogged by poor market sentiment for gold producers.

Its shares hit a 12-month 10.5¢ low in July and Timpetra picked up its 30 million shareholding at an average price of 15.9¢.

Since then Saracen has got its operations back on track and last month made a well-received trip to the acquisition market to buy Norilsk Nickel's Thunderbox gold project for \$20 million, plus another \$20 million in deferred payments.

It upgraded financial year production guidance last month, forecasting production of between 125,000 ounces and 135,000oz at a cash cost of \$900/oz. It has protected itself from gold price falls by hedging 177,364oz at an average price of \$1631/oz.

Saracen is now trading at closer to 40¢, making Timpetra's holding worth about \$12 million. It also had \$1.1 million in the bank at the end of December. Not bad for a company with a market capitalisation of only \$7.5 million — and with both a non-executive director and its major shareholder buying Timpetra shares on market recently, the underlying value has not been missed by everyone.

Depending on its views of the future of WA's mid-tier gold miners, Timpetra could hang on for longer or cash out at some point, emerging from the sale well cashed up at a good time to be a buyer in a depressed market.

CO carkqd : Kalnorth Gold Mines Ltd | cenwes : Saracen Mineral Holdings Ltd | tpetrr : Timpetra Resources Ltd

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