THE AUSTRALIAN

SE Wealth

HD **Mutiny creates a new order**

BY Barry Fitzgerald
WC 1,150 words
PD 26 August 2014
SN The Australian
SC AUSTLN
ED Australian
PG 24
LA English
CY © 2014 News Limited. All rights reserved.

LP

The goldminer represents a clean slate for investors

Mutiny **Gold** (MYG) THE Western world **gold** industry is making some real headway in reducing all-in costs in the face of weaker **gold** prices.

TD

The industry became so used to the 12-year bull run in **gold** prices that controlling costs was an afterthought — until the **gold** price was smashed last year, that is. Cost-cutting is the new mantra.

On estimates by Citi analysts, “only’’ 40 per cent of global **gold** production is now burning cash. The good news in that is that the cash-burn rate was 70 per in December last year.

There are several tricks at the disposal of goldminers to rein in costs — the prioritising of higher grade ores, cutting capital, exploration and corporate costs and, heaven forbid, taking pay cuts.

There is going to be a longer-term impact to all that, and it is not nice. But the mass move by the industry to get its costs in order raises another question.

What if the industry could start again, a clean-sheet approach, as it where? It is a bit of dreaming, except when it comes to those that are only now planning a move into production.

A little thing called Mutiny **Gold** is a case in point. It owns the Deflector **gold**-**copper** project 160km east of Geraldton in Western Australia.

More to the point is that it had gained a new management team, headed up by the highly rated Tony James, formerly of Avoca/Alacer and Northern Star fame.

Deflector needed a fresh set of eyes too, given the thing has gone through a dozen owners or so over the years and the region’s broader reputation has suffered from past metallurgical stuff-ups.

Under James, the metallurgical misadventures of the past will not be occurring. But neater than that is his revised development planning for what is a handy reserve (not resource) at Deflector of 1.78 **million** tonnes grading 5.6 grams of **gold** a tonne and 0.9 per cent **copper**.

Instead of **mining** a big chunk of WA to get the stuff out, the new plan is for a significantly reduced starter pit that will reduce open-cut volumes by 80 per cent while also enabling quicker access to the rich underground lodes.

Mine life is pulled back from 6.2 years to 5.9 years under the new plan but the net present value is enhanced, and there is a reduction in all-in costs from $801 an ounce to $723 an ounce.

Mutiny still has to overcome the capex hurdle, with the new approach to cost a forecast $67.6 **million**, up from $62m for the bigger open-cut plan.

© 2018 Factiva, Inc. All rights reserved.

But the implied robust economics of the thing — and the upside from regional life extending discoveries — has most tipping that a 60-40 debt-to-**equity** funding package should not be too difficult in this low interest rate world.

Mutiny was trading yesterday at 3.3c for a market capitalisation of some $22.4m. Patersons analyst Rob Brierley has had a look at Mutiny's "buried treasure'' potential and has set a share price target of 7c.

Western Areas (WSA) NICKEL producer Western Areas was being well supported yesterday on the strength of its better-than-expected June year profit of $25.5m, and the resultant bump-up in its dividend.

The result reflected the benefit of the nickel price surge in the second (June) half in response to Indonesia actually following through with its longstanding threat to ban exports of unprocessed laterite nickel **ore**, choking supplies to **China**'s nickel pig **iron** industry.

All very interesting. But not as interesting as a move by WSA executive director David Southam at yesterday's investor conference call on the profit to put a firewall around the group's market rating while BHP Billiton decides what to do with its Nickel West business.

There have been suggestions by the … err …. the press … that BHP could close Nickel West, even though BHP chief executive Andrew Mackenzie said last week that the sales process for part or all of the business was continuing.

WSA supplies Nickel West with nickel concentrates, so some would have it that a closure rather than a **sale** would have to be negative for WSA.

Far from it, Southam said yesterday. "We've seen press around closure. People forget that if that were to happen — and I think the likelihood of that is minute — you would probably see the nickel price go up a couple of bucks a pound because it would take so much product out of market.'' Southam said that besides, selling concentrate is not a problem, as the 25 interested parties from here there and everywhere that have lined up for the re-tender of its other supply contract to **China**'s Jinchuan attests.

Southam didn't say so but a more likely scenario is that BHP finds a buyer for Nickel West who then has to set about securing concentrates supplies for the long term, putting even greater strategic appeal on WSA's existing BHP contract (expires 2017) and the one with Jinchuan (expires this December).

Energia Minerals (EMX) FURTHER evidence emerged yesterday of green shoots sprouting in the capital-starved junior resources sector.

It came courtesy of an $8m raising with some heavy-hitter support for Energia Minerals, with the funds to be used to fast-track the assessment and possible development of its Gorno zinc project in northern Italy.

Energia has been best known for its **uranium** interests but with prices for the nuclear fuel in the doldrums, and zinc prices taking off, Gorno is now the key focus.

The hard-to-please Euroz is to place $6m of Energia stock with its clients at 2.5c a share and there will be an underwritten $2m entitlement issue to shareholders at the same price.

The fundraising also represents a bit of recycling of **iron ore** profits in to zinc, the price of which has shot 15 per cent higher this year on looming supply shortages caused by notable closures here and overseas.

The recycling reference is because Alexander Burns, who is supporting the capital raising for Gorno, is best known as being the managing director of **iron ore** group Sphere Minerals when it was taken over by Xstrata for $514m in November 2010.

Gorno represents a near-term development opportunity. It was mined by Italian giant ENI up until the mid-1980s, when the government told ENI to focus on its **energy** interests, which it has done rather well.Gorno has historical production of some 6 **million** tonnes at an average grade of 14.5 per cent combined zinc and **lead**. Last week Beer & Co analyst Pieter Bruinstroop came up with a risked valuation of Energia of 14.3c a share.

CO bkhlp : BHP Billiton Ltd | bltplc : BHP Billiton PLC

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

 © 2018 Factiva, Inc. All rights reserved.

NS ccat : Corporate/Industrial News

RE austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania

PUB News Ltd.

AN Document AUSTLN0020140825ea8q0005a

 © 2018 Factiva, Inc. All rights reserved.