

# Champagne flows, but optimism kept on ice

The mood was cheerful despite a sense of unease

SARAH-JANE TASKER  
MATT CHAMBERS

THERE were deals done and there was talk of digging, but the mood at the 20th Diggers & Dealers mining forum was not as bubbly as the champagne being poured at the numerous social events in Kalgoorlie-Boulder this week.

The annual conference, at the home of Australia's largest open-pit goldmine, in Western Australia's Goldfields region, kicked off with a gold deal, but that positive sentiment didn't ripple through the remainder of the conference, with the recent market carnage and falling commodity prices the main talking points among the 2400 delegates.

Mincor Resources managing director David Moore said that, while he would describe the mood at Diggers as cheerful, there was a sense of unease.

"Low commodity prices and the high Australian dollar are a double whammy for miners," he said on the sidelines of the event.

"The low commodity prices have really gone through to the market and junior exploration companies cannot raise money at the moment. It is really tough if you're a junior explorer.

"We are just in one of those phases in the market where you cannot raise money.

"We are already seeing a lot of stress in some companies — those

with falling share prices and high debt levels, whose margins are being squeezed and they have debt to service.

"Those companies are scrambling hard to shore up their positions."

Moore, who was attending his 13th Diggers & Dealers, said while the downturn appeared to be similar to previous cycles, it was difficult to know if it would turn out to be worse because it was impossible to predict the future.

"Is this the end of the mining boom or is it a pause?" he said.

"When you look across Europe there are plenty of things to worry about. Exploration companies without any income will start to hunker down and stop drilling holes because it is too damaging for them to spend the money.

"If this goes on for a few years, then exploration in Australia and globally will soften dramatically and the only companies doing it will be the actual producing companies that can afford to fund it."

Moore said that, despite the carnage for juniors, those that had money in the bank and were focused on keeping costs down and production high, needed to judiciously continue to spend

money on future growth. "You can't just cut back on everything," he said. "We will continue to focus on exploration and will monitor that."

Marengo Mining managing director Les Emery agreed it was tough for those raising money, adding that it was a "year of survivors". He said: "I feel sorry for the juniors who can't even raise \$1 million."

The difficulty in raising money was the likely driver for the scrip-based approach to the two global deals announced during the annual mining talkfest.

The dealing at this year's conference began before conference chairman Barry Eldridge's opening speech, with Integra Mining announcing a friendly \$426m scrip takeover of Silver Lake Resources.

Two days later, Endeavour Mining, which is listed in both Australia and Toronto, said it had agreed to take over Canada's Avion Gold in a \$389m (\$372m) scrip deal.

Driving the consolidation is a mix of factors weighing on share prices, providing cheap prices for acquirers at the same time as a dearth of funding options makes it difficult for smaller miners to develop projects alone.

Adding to the value equation for buying gold projects at the moment, goldminer share prices have not reflected the gold price gains in recent years as investors buy exchange-traded funds for exposure to the gold price.

Evolution Mining's Jake Klein flagged a coming increase in Australian mining mergers as investors demanded bigger companies

that spread their risk across more assets.

He said a "new breed" of mid-tier Australian goldminers with a market value of between \$3 billion and \$7bn were likely to be created and compete for investor funds with similar-sized global miners.

Klein said Evolution, the \$1.1bn miner formed when his Conquest Mining merged with Catalpa Resources, would continue to take part in consolidation and would be among the new breed.

AngloGold Ashanti boss Mark Cutfani was the only big global goldmining chief to take the podium this year. He too flagged more consolidation among the smaller end of the market.

"The market out there is tough in terms of financing, so there's lots of opportunities (for acquisitions)," said the Illawarra-born Cutfani, who used to run the Kalgoorlie Super Pit mine.

One junior that just missed out on releasing drill results to capitalise on the buzz of the conference was Aphrodite Gold, which is drilling near Kalgoorlie at its namesake project.

Aphrodite yesterday released some healthy drill results from the project, arresting a recent slide in its share price.

Its shares finished 37 per cent higher at 5.2c yesterday after doubling earlier in the day.

PMI Gold chairman Peter Buck was more optimistic than some of his peers.

Buck said he believed that if the market took a more positive approach, it could override the negative sentiment.