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Lihir Gold to write down mine value

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Lihir Gold Ltd says it will write down the value of its Ballarat mine by as much as \$A441 million following disappointing production at the Victorian operation.

Lihir has cut its full year production forecast for Ballarat to 20,000oz, down from an already revised 50,000oz, following mixed results from the central and southern zones in the March quarter.

The company is now working to gain access to larger than anticipated ore zones in the northern areas of the mine.

Longer-term annual production at Ballarat of between 80,000oz and 100,000oz depends on the success of drilling and development programs in the northern zone, the miner said.

The gold miner told the Australian stock exchange on Tuesday that it would book an impairment charge of between \$US250 million (\$A315.3 million) and \$US350 million (\$A441.5 million) to reduce the book value of the net operating assets at Ballarat from \$US457 million (\$A576.5 million) at December 31, 2008.

Ballarat was acquired by Lihir in 2007 for \$US350 million (\$A440.36 million) in an effort to diversify production away from its geologically unstable Papua New Guinea namesake mine.

The former Ballarat Goldfields Ltd operation has since risen in value.

Lihir's friendly \$1.1 billion takeover of Equigold NL last year gave it two of its top three producing assets, the Bonikro in mine in Cote d'Ivoire, west Africa.

This mine would largely offset poor performance at its Ballarat mine in Victoria, which produced 70,000oz in the five months to May 31, and the Mt Rawdon mine in south-east Queensland, which produced 44,000oz during the period.

The lion's share of its 510,000 oz total production in the period, 389,000oz, came from Lihir's flagship Lihir Island mine.

And while the miner appears to be on track to meet its promised, full year gold output target of between 1.04 Moz and 1.2 Moz, analysts say it could be planning further acquisitions to meet a long-term production goal of 1.5 million oz (Moz) a year.

The renewed guidance compares to Lihir's forecast in May of between 1Moz and 1.2Moz.

State One Stockbroking resource analyst Sam Berridge told AAP that Lihir would likely meet its 2009 production goal due to the outperformance of its Bonikro mine.

Mr Berridge said Lihir's plans to expand Bonikro through near-mine exploration could drive its long-term, 1.5Moz per annum production target.

Lihir managing director Arthur Hood announced the plan last month.

"They've produced more gold there (Bonikro) than they were expecting," Mr Berridge said.

"Longer term around Bonikro, they've been getting encouraging results to the south of the mine.

"So I think the potential for resource expansion and eventually reserve expansion there is quite high.

"The exploration upside for their west African projects will probably be an area that they will look to for continued growth, both organically by exploration and via acquisition."

Mr Berridge said west Africa-focused companies with low-cost mining proposals including Perseus Mining Ltd, Adamus Resources Ltd and Azumah Resources Ltd were possible targets.

Shares in Lihir inched one cent lower to \$2.91.