

FairfaxDigital

NEWS | MYCAREER | DOMAIN | DRIVE | FINANCE | MOBILE | RSVP | EBAY

member centre | login | register



Austindo glitters as gold project gets closer

By Barry Fitzgerald

May 30, 2005



Golden opportunity. George Tahija is Austindo's largest shareholder and has a seat on the company's board.

It is shaping up as a big year for Melbourne-based explorer Austindo Resources with its single focus of becoming a miner of choice in Indonesia.

Austindo's Cibaliung gold/silver project in west Java looks as if it is finally going to get a move on. First production from the 70,000 ounce-a-year (gold equivalent) project at an average cost of less than \$US200 an ounce is possible next year.

That assumes completion of a project finance facility with ANZ and the bedding down of a smaller equity raising for the \$US37 million (\$A48 million) project.

While that work continues, Austindo has sweetened its overall appeal to the market in a number of moves. First up is the appointment of Mike Diemar as an adviser to the board. A 5.6 per cent Austindo shareholder, Diemar is best known for his time at Kingsgate Consolidated during its development of the Chatree goldmine in Thailand.

Then there was the group's exploration alliance with the mighty Anglo American for the type of monster copper/gold deposits that can be found in the wilds of Papua and West Irian Jaya (formerly collectively known as Irian Jaya).

Anglo is to sole-fund exploration expenditure and will have an initial 80 per cent interest in projects while Austindo will hold 20 per cent. The importance of Austindo's biggest shareholder - the Tahija family with 42.3 per cent - to making the whole thing happen is reflected in the condition in the Anglo deal that requires them to keep holding at least 20 per cent of the company.

Indonesia is no different to anywhere else in that it helps to be well connected. On that score, the Tahija family is second to none. The late Julius Tahija was a respected businessman, statesman and World War II hero. His son George sits on the Austindo board.

PERTH-based Austminex will also be tapping the market for equity funds soon to fund its push to become kingpin of Coolgardie following its \$5.5 million deal to buy the Herald Resources/Leviathan joint venture's treatment plant - replacement cost would approach \$30 million - and supporting ground position.

Austminex is expected to be looking for about \$8 million, which should see it through the next three years with its plan to become a 100,000 ounce-a-year producer from its Coolgardie interests, topped up with a higher-grade feed source from its The Mount project, 90 kilometres to the south.

Canadian mining interests share the vision, with Matador Exploration earmarking \$8 million over

three years for exploration/development work to earn a 50 per cent interest. Like Austminex, the Canadians like the fact that after a century of piecemeal ownership history, the Coolgardie field has finally been brought under the one umbrella. The potential for exploration success below the shallow focus of the past also excites them.

The local market also looks to be getting behind the Austminex game plan. The stock has been edging up recently, getting to 5.5 ¢ on Friday for a market capitalisation of \$13.5 million.

Its pre-production enterprise value per resource ounce basis (1.4 million ounces) of about \$10 an ounce compares with the industry average of more than \$50 an ounce.

EXPECT to learn a lot more in coming weeks about the potential for the old Flour Bluff old gas field, lurking beneath a shallow lagoon called Laguna Madre near Corpus Christi in Texas.

Three locally listed oil and gas explorers, Victoria Petroleum, Sun Resources and Aurora Oil & Gas will make sure of that given Flour Bluff offers all three a chance at establishing a meaningful cash-flow business in the US gas market. The latest well on deeper sections of Flour Bluff - shallower sections have produced more than 1 trillion cubic feet of gas since discovery in 1934 - has indicated the presence of 56 metres of potential gas pay zones.

What's more, the partners have good reason to believe that the gas zones have not been depleted by previous production from the field. The first well is already well advanced, with test work to determine likely production rates.

The partners aim to produce the established reserve base of more than 90 billion cubic feet of gas and chase some of the potential of about 295 billion cubic feet. If it works, don't expect all three to survive as independents.

[Get The Age home delivered for as little as \\$2.70 a week*](#)

Our Advertisers

[Home](#) > [Opinion](#) > [Barry Fitzgerald](#) > Article

Copyright © 2005. The Age Company Ltd.