



The Speculator

By David Haselhurst
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PORTFOLIO POINT: Now George Soros has focused attention on PNG miners, investors should consider Coppermoly.

In the wake of last year's stockmarket meltdown, shares in Marengo Mining crashed to as low as 4¢, but since then faith has been restored in its large copper-molybdenum-gold prospecting project in Papua New Guinea and the shares recovered to a peak this year of 24¢.

That was achieved after a placement was made in August to North American investors raising \$16.3 million. Among them were two vehicles linked to George Soros – Quantum Partners and the Sentient Group (see [*Copper feels a Soros lift*](#)).

The North American raising involved 172 million shares, issued in Canadian dollars at the equivalent of 9.5¢. At the same time, a similar placement in Australia of 57.5 million shares raised a further \$5.4 million.

That took Marengo Mining's issued capital to 498 million shares, which, at this week's price of 19¢ gives the company a market capitalisation of \$94.6 million, and following the recent issues it has \$24 million in cash.

Apart from the Soros connection, Marengo's claim to fame is based on its Yandera copper-molybdenum-gold project in the Madang province of Papua New Guinea, within a 1900 square kilometre exploration licence area located 95 kilometres south-west of the northern seaport and provincial capital of Madang.

The company has confirmed a definitive feasibility study is under way, scheduled for completion by December 2010. It is based on an indicated resource of 314 million tonnes, grading 0.48% copper equivalent and an inferred (or lesser defined) resource of 352 million tonnes of 0.43% copper equivalent.

This is planned as the foundation for an open-pit mine, initially processing 25 million tonnes of ore a year with potential to double that in the long term.

nThe Speculator portfolio, as at September 22, 2009

Company	ASX	No of shares	Bought	Purchase price	Current price	Current value
Robust Resources	ROL	25,000	13/02/09	\$0.155 avge	\$0.730	\$18,250
Quickstep Holdings	QHL	20,000	16/03/09	\$0.165	\$0.320	\$6,400
Cortona Resources	CRC	20,000	14/04/09	\$0.150	\$0.185	\$3,700
A1 Minerals	AAM	43,077	12/05/09	\$0.135	\$0.230	\$9,908
Gage Roads Brewing	GRB	40,000	26/05/09	\$0.050	\$0.063	\$2,520

Image Resources	IMA	12,000	02/06/09	\$0.645	\$0.675	\$8,100
Blue Energy	BUL	20,000	09/06/09	\$0.215 avge	\$0.300	\$6,000
Scotgold Resources	SGZ	20,000	22/06/09	\$0.100	\$0.185	\$3,700
Viralytics (ops)	VLAO	100,000	03/07/09	\$0.010	\$0.011	\$1,100
Hillgrove Resources	HGO	20,000	28/07/09	\$0.235	\$0.320	\$6,400
Emmerson Resources	ERM	20,000	04/08/09	\$0.190	\$0.380	\$7,600
Golden Gate Petroleum	GGP	53,330	25/08/09	\$0.042 avge	\$0.047	\$2,507
Emu Nickel	EMU	30,000	08/09/09	\$0.145	\$0.210	\$6,300
Hill End Gold	HEG	20,000	15/09/09	\$0.230	\$0.260	\$5,200
Coppermoly	COY	40,000	22/09/09	\$0.065	\$0.066	\$2,640
Golden Gate Petroleum	GGPO	6,665	30/09/09	\$0.000	\$0.000	\$0

Total value of portfolio	\$90,324
Plus cash at bank	\$14,248
Total	\$104,572

Portfolio change since January 2, 2009 (started with \$40,000)	+161.43%
All Ordinaries change since January 2, 2009 (then 3655.7)	+27.78%

Current value based on last sale September 22, 2009

What about Coppermoly?

Further east, on the PNG island of New Britain, Coppermoly has declared a 200 million tonne inferred resource of 0.47% copper equivalent at its 90%-owned Simuku project.

According to managing-director and geophysicist Peter Swiridiuk, that resource is within just one-third of the so-far-identified copper system within its areas. It includes a higher grade proportion of 80 million tonnes of 0.6% copper equivalent (with a base grade of 0.44% copper and the rest made up of molybdenum, gold and silver).

Coppermoly has on issue 92.7 million shares, which have traded over 12 months up from a low of 1.5¢ to a recent high of 8.5¢ and this week at 6.5¢, giving the company's issued shares a market capitalisation of just \$6.15 million with remaining cash of \$1.02 million. That was boosted by the addition of \$535,137 earlier this month through a one-for-two rights issue at 5¢ to shareholders plus a free option exercisable at 7¢ by December 31, 2011.

Quite obviously, the company is going to need to raise more cash to further its ambitions or take in a joint venture partner with deep pockets. As managing-director Swiridiuk said on August 27: "Given it's such a large project, we are having joint venture discussions and site visits with quite a number of larger companies which, if the right deal comes along, that may be a more attractive way to help us achieve the objective of bringing this project to a stage of feasibility."

It's instructive to note a few pluses and minuses between the projects. Both have virtually the same grade, with Marengo more advanced with three times the resource, while Coppermoly has so far drill-tested only a third of its copper-resource targets.

Marengo's Yandera project is 95 kilometres from its nearest port, in mountainous country up to 1700 metres above sea level. Crews are flown in and out by helicopter. By contrast, Coppermoly is within 20 kilometres of its sea port, with a made road and terrain that's just 300–500 metres above sea level.

Given those factors, and if we strip cash holdings out of each company's market capitalisation, it seems anomalous that Marengo is valued at 14 times Coppermoly. We'll take a punt on Coppermoly in the expectation that a possible joint venture with a bigger company will attract more attention to its shares.

Robust takes a run

Our PNG gold hopeful jumps on new drill intercept. Gold prospector Robust Resources on Tuesday announced a 52 metre intersection of gold-silver mineralisation from its latest diamond drill hole on Indonesia's Romang Island's Lakuwahi caldera project, 500 kilometres north-west of Darwin.

It was the widest gold-silver zone yet identified since launching the drilling campaign 10 months ago. The core yielded 52 metres between a depth of 3–55 metres of 1.57 g/t gold equivalent (1.12g/t gold and 27g/t silver), including from 3–21 metres, 18 metres at 2.13g/t.

Robust shares jumped to a Tuesday high of 78¢ after jumping 8¢ on Monday to close that day at 73¢.

Golden Gate issue taken up

This week we also exercised our rights to the Golden Gate Petroleum rights issue with the new shares and options likely to be listed next week.

This week

Bought

400,000 Coppermoly (COY) at 6.5¢ – \$2620 (including brokerage)

Exercised rights

13,330 Golden Gate Petroleum (GGP) at 3.5¢ = \$467
6665 Golden Gate Petroleum options (GGPO)
exercisable at 8¢ by August 31, 2012 – free.



David Haselhurst writes a monthly column for Money magazine.