

Clancy's forgotten country overflows with riches

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Who would have thought it, but Cobar, population 5194, in central western NSW, is turning out to be a hotspot for global miners, and wait for it, some small caps are turning into big beneficiaries.

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These miners are using modern exploration techniques such as gravity and electro-magnetic surveys to hunt for rich deposits of copper and the like in one of the oldest (but until recently most forgotten) mining areas in Australia.

The shares of YTC Resources have spiked almost 40 per cent in the past couple of weeks on an announcement that it has done a deal with the global commodities trading house Glencore, which basically means the Swiss giant will be funding two mines to the tune of \$158 million.

The spike might sound impressive but at 32¢, YTC's stock is less than half what it was in April last year.

But in the words of Bell Potter's mining analyst, Trent Allen, who also has a doctor of philosophy in geology, "this is as good a deal as the company could hope for".

Allen says there should be more big finds in the region as more money is invested in exploration, as it is "an area that hasn't properly been explored using geophysics".

Two big mines producing much needed royalties for the state's coffers will also make the Premier, Barry O'Farrell, happy.

The mines – Hera (named after the Greek goddess) and Nymagee (also home to Banjo Patterson's Clancy of the Overflow) – are forecast to produce 115,000 ounces of gold equivalent in metals, which at current prices, suggests a value of just under \$190 million – not bad for a company with a market cap of about \$80 million.

Glencore is funding the mines in return for a supply of base metals, in particular copper. YTC gets ownership of the mines, an off-take partner, and all the gold and silver it can lay its hands on.

The Swiss trading giant already owns the CSA mine in the Cobar region. This baby has a life of more than 140 years and a depth of more than 1.5 kilometres, which means the miners are probably sweating bricks down there at temperatures that would be verging on 60 degrees centigrade.

Another company operating in the region is Peel Exploration. Its stock has increased more than five-fold in the past four months after the company announced some big intercepts of copper at its Mallee Bull deposit.

Only last week it said it had hit a 69-metre zone at 4.01 per cent copper equivalent, which is at the high end of copper discoveries in Australia.

Peel has a market cap of just \$40 million but it has a major player in the Japanese metal producer Toho Zinc as a partner in its project. Toho's wholly owned subsidiary CBH Resources (a company which has been one of the biggest miners in the region) will increase its ownership in the project to 50 per cent through funding the exploration.

It's not all good news for the Cobar miners. One which bares its name, Cobar Consolidated, has plummeted about 40 per cent in the past few days. Basically the company's Wonawinta Silver Project isn't producing as much silver as expected. On top of this, it has borrowed about \$22 million from the Commonwealth Bank to build the project, which cost about \$30 million. It also sold forward a heap of silver to pay the capex. It seems a perfect storm.

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