

The Age

Business

There's more than gold in them thar hills

Barry FitzGerald
November 22, 2010

PALLADIUM'S price strength is having a nice rub-off on the economics of Platina Resources' (ASX: PGM) Skaergaad gold/palladium deposit on the east coast of Greenland.

Skaergaad has been looking OK as a gold project based on a 5.8-million-gold-ounce resource in a zone of mineralisation that comes along with smaller counts of platinum and palladium.

Up until recently, the real shame was that Skaergaad's 6.4-million-ounce palladium resource, sitting 30 metres below the gold resource in another sheet-like reef structure, was not going to be worth mining.

Advertisement: Story continues below

But that has all changed with palladium prices taking off in the last 12 months, soaring from \$US353 an ounce to more than \$US700 an ounce in response to supply fears. There are doubts that Russia has much left in its secret stockpile and the world's biggest producer, South Africa, continues to struggle with power shortages and labour unrest.

All that is occurring against a backdrop of strong demand. Palladium's main use is in cleaning up car emissions in catalytic convertors. So it is kind of neat then that a place called Greenland has the potential to become a producer of the stuff.

China, now the world's biggest car market, underpins the strong demand. The idea that China's love affair with the car would grind to a halt in a post-GFC world has proven to be nonsense. A car is after all the modern definition of freedom, whether Beijing likes it or not.

Platina last week hinted that it might now look to include the palladium zone at Skaergaad in a new scoping study expected to be completed in the first quarter of next year.

There is also some hope that drilling could find that the bit of Greenland that sits between the gold and palladium zones at Skaergaad is not as barren as thought. Should that prove the case, Skaergaad looks like becoming one interesting project. Certainly interesting enough for Platina to head off to the Canadian market for a listing on the Toronto exchange in 2011.

Platina last traded at 38¢ a share for a market capitalisation of \$38 million (fully diluted). Apart from Skaergaad, it owns the Munni Munni project in Western Australia, which has been around for years, and the exciting Owendale exploration project in central New South Wales.

IT'S ALMOST that time of year when Garimpeiro will list a dozen or so stocks, across the range of commodities, to watch in 2011. He is making an early call on the copper stock. It is the Chinese-backed Orange-based gold/copper group YTC Resources (ASX: YTC).

Thanks to the muscle that comes with Chinese backing, YTC got off to a flying start as a listed company by acquiring the advanced Hera gold project in NSW's Cobar district in June 2009. The 560,000-ounce-gold equivalent deposit (it gives gold values to the silver, lead, zinc and copper that come along with the 4.1-grams-of-gold-a-tonne dirt) has the makings as a 50,000-gold-ounce equivalent producer that would yield an annual operating surplus of more than \$30 million.

That's a nice start for a company with a market capitalisation of about \$53 million. But it is the big-time copper potential of the group's Nymagee copper project 4.5 kilometres away that has the punters excited.

Early high-grade hits from exploration beneath historic workings have raised hopes that YTC could be on to something special, with comparisons to long-time producers in the region that over the years have delivered more than 1.5 million tonnes of copper.

It's too early for any of that, but we'll know soon if Nymagee is something special thanks to a \$4.8 million exploration program that will also probe for extensions at Hera.

ARGONAUT Resources (ASX: ARE) is about due to come out of its trading halt to confirm it has pulled in \$8-million-plus from investors at 10¢ a share to help fund one of the more aggressive programs you'll see from an explorer of its size in the next

12 months.

The expected 10¢ pricing of the raising means the shares were priced to go all right, given Argonaut last traded at 14.5¢ for a market cap of \$24 million, against which it will be holding more than \$15 million cash.

The big push follows a couple of quiet years while the group dealt with fraudulent misappropriation of funds from 2002-2008. The offender is now doing time and most of the missing \$2.8 million has been recouped.

Ahead of that issue, Argonaut had a good following on the strength of its gold and gold/copper exploration interests in Laos. Those interests will get a move along with a planned drilling program at the Ban Bak gold prospect between January and April.

But the real reason for some excitement of late is its joint venture with Straits Resources at the (Lake) Torrens exploration project in South Australia where the hunt is on for an Olympic Dam/Prominent Hill-style orebody.

Straits is earning a 70 per cent interest in Torrens and said in September that it was "arguably the best untested gravity anomaly" in the state. Three holes drilled by the joint venture in 2007-08 confirmed the right sort of rocks were present.

There have been delays since because of Aboriginal/environmental clearance requirements. That's pretty much all done, allowing the partners to drill a minimum of seven deep holes (up to 1200 metres) for a proper test. It will be a program worth watching.

Funds from the equity raising are also earmarked for a drilling program that starts next month across prospects at the the group's Alford project on SA's Yorke Peninsula. It's in the area where Rex Minerals is rewriting the guide to big copper deposits.

And if all that isn't enough, Argonaut has joined the coal boom, subscribing \$4 million in a pre-float investment for a 39 per cent stake in Blackwood Coal. That group is due to release a maiden coal resource estimate next month.