

WORLD GOLD



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Denver Gold Group Roundup – This prestigious investment event attracts all the top producers, but often the final day of this 3-day information festival can be a little bland with the majors giving company profile presentations that are long on rhetoric and strategic intentions, but short on real hard facts about how growth will be achieved. However, this year, with an emphasis on organic growth, producers were in a position to share details of their plans. 4

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GYMPIE GOLD



**NEW BENDIGO
GOLD PROJECT**



Gold is Money

...and it is now equity...and of course it has always been jewellery – an adornment as well as a store of wealth.

More has been written over the centuries about the role and importance of gold than any other metal. For most of man's existence it has served as money, but this role was compromised in the early 1970s and fiat currency, and in particular the US dollar, has reigned supreme for the past few years as a money substitute.

Now the weakening of the dollar and a sustained rally in the gold price that has all the makings of a bull market at last, have prompted investors to take a fresh look at gold and the opportunities it presents as an investment asset class.

The gold industry (in the widest sense) is assisting, as of course it should, by developing new user-friendly products and providing a willing recipient for cash that wants to take advantage of the upside leverage potential offered by gold and gold company shares. The latter is predicated on a rising gold price and the former should help achieve that.

It's all about performance. Gold for so long was written off as an investment. It does not provide a return in the form of dividends (in fact the holder incurs costs) and had shown no capital growth for almost two decades. Now a whole generation of preconditioned gold bears suddenly realise that it can go up as well as down and there are moves afoot to give gold more utility.

GoldMoney is a concept and company that is attempting to bring gold back into mainstream money circles by enabling the transfer of gold ownership electronically, making it easy and convenient. Gold can not only be bought and sold but used as an irreversible payment.

Speaking to *World Gold* recently, chief executive James Turk explained the concept.

"We are giving that bar of gold utility by enabling it to circulate as currency in an online environment and do things with our currency that you cannot do with existing national currencies. That non-national currency aspect of it basically restores gold to its rightful place in the centre of the international monetary system", he maintained.*

Canadian producer IAMGOLD, is a shareholder in GoldMoney, and the two are investigating ways for the producer to pay its dividends in gold. IAMGOLD is one of two gold producers (the other is Goldcorp) who have been holding gold on their balance sheets as an alternative to cash.

The most significant development this year in gold investment was the launch, in May, of a gold equity by Gold Bullion Ltd in Australia with the backing of the World Gold Council (WGC). The WGC is currently trying to launch its own product in the US. The Gold Bullion Security is effectively a gold share equal to 1/10th of an ounce of allocated physical gold. The security trades on the Australian Stock Exchange under the symbol "GOLD". The Perth Mint recently launched a similar product. The Perth Mint Gold Quoted Product (PMG) is backed by 1/100th of an ounce of gold held at the Mint and like its competing product trades on the ASX, under the symbol "ZAUWBA".

Leaving aside the relative merits of the two products, they both make it simple and easy to buy and trade gold. That has to be positive. James Turk agrees. *"The move towards securities is important because the more you can link gold into the existing infrastructure the better it will be for the gold industry because it makes it easier for people to buy gold",* he said.

At a lunchtime panel discussion on the ETF, as the gold securities are referred to as in the US, John Hathaway, manager director of Tocqueville Asset Management, reacted very positively towards the

new products, believing that they will attract two classes of investors who are not active in the gold market today.

"The first", he declared, *"and probably the most important participant would be pension funds, who might want a 1-2% exposure to physical metal but without the complexities of owning shares."*

So gold is money. And now it is equity.

But although it is right to work on gold investment because the potential impact on the price could far outweigh the actual physical offtake, the industry should not neglect its main market, that of jewellery fabrication.

Jewellery promotion has stalled. The WGC has shifted its focus back to investment. A group of producers, with a steering committee led by AngloGold and Barrick announced with great fanfare in 2001 at the Denver Gold Group meeting that the Jewellery Marketing Initiative was underway. They called for full industry support but several powerful North American intermediaries refused to support (i.e. pay for) any initiative that included hedgers who, they argued, were responsible for pushing the price down.

The initiative seems to have lost its way perhaps because it lost its main promoter, the energetic Simon Ford when Credit Suisse First Boston withdrew from the bullion market.

Although most senior gold companies state a belief in the need to add value to their basic product with downstream processing, few are actually doing anything about it. AngloGold continues to sponsor and promote new designers in gold jewellery. Harmony has its own bars and its "Lord of the Rings" collection.

But it is a small Australian producer who is showing the way by capitalising on its good fortune in having nuggety veins by turning these into high value jewellery pieces. Gympie Gold's gemstone gold is described in more detail on page 13. Gympie Gold managing director Harry Adams admits that the business is small at the moment (A\$2 million/yr) but believes it has huge potential.

"From the mine through to the customer we have quite a strong business position there with high barriers to entry for potential competition. It's small at the moment", he admitted, *"but high value-added".*

In the last six months Gympie has taken the value added concept a stage further by refining its gold from the mine and then alloying the 18 ct gold to the same specification as the gold in the ground (85% gold and 14% silver with a bit of galena) This metal is now being used to house Gympie gemstones. *"We are the first gold miner to hallmark his gold and gemstone in one piece,"* Mr Adams declared*.

These are exciting times in gold with innovators working hard to challenge accepted wisdom and normal practices. Such visionaries will always have their detractors until the mechanics are understood and the business infrastructure is firmly established. They should not be deterred from installing gold as money, equity and jewellery.

* See www.worldgold.net for full interview.

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In the year to end June 2003 the mine produced 377,539 oz at a low cash cost of A\$85/oz.

Cadia East is part of the extensive Cadia East/Far East mineralised system and, as presently defined, occupies the shallower western part of this system. Widely-spaced core drilling will be conducted to investigate the area between Cadia East and Cadia Far East, which is potentially accessible by open pit. In addition, closely-spaced RC percussion drilling will investigate a potentially higher value "starter" pit volume at Cadia East.

Newcrest reports that drilling at Ridgeway Deeps has resulted in encouraging results indicates the system is open to 500 m below the existing crusher level (800 m below surface) and further drilling this year will concentrate on the deeper section between 1,100 m and 1,500 m below surface.

A major focus of discovery drilling will be Junction/Forest Reefs joint venture area to the immediate east of the company's Cadia tenements, which covers the obvious southeasterly extension of the Cadia mineralised corridor.

Also in NSW, Barrick Gold is developing one of its new breed of major gold projects at Cowal. The US\$180 million project had already been advanced by its previous owners, (Homestake Mining by way of North Ltd and Rio Tinto Ltd), although progress was slow as there were problems in obtaining requisite consent and approvals from regulatory bodies.

The project has recently reached two important milestones with the signing of a Native Title agreement in May and the granting of a mining lease in June this year.

The optimisation study is now being finalized partly to mitigate the recent increase in the Australian dollar, which has negatively impacted the economic returns of the project. Barrick investor relations manager David Tucker, talking to World Gold in Perth in August, said that development consent of emergency management plans (EMPs) by NSW authorities should be completed this month, with a final board decision on go ahead scheduled for the end of the year.

Production is expected by mid-2005 at rate of 270,000 oz/ly at an average cash cost of US\$170/oz.

The mine has reserves of 75.9 Mst at a grade of 0.037 oz/st for 2.8 Moz of gold contained.

Alkane Exploration Ltd has a small gold mine at Peak Hill, which is in the process of being wound down, although some heap leaching will continue for the next couple of years. The company is not considering the development of the refractory gold deposit that underlies the oxides and the town of Peak.

Alkane has, however, received encouraging drill results at its Wyoming prospect, part of the Tomingley gold project, some 12 km from the Peak Hill mine. Drilling has concentrated on the porphyry mineralisation and on the higher grade "376" structure to complete a pre-feasibility study, which is due at any time.

In the first half of 2003, Canadian-listed **Wheaton River Minerals Ltd** purchased the Peak gold mine from Rio Tinto. The mine, which produced 31,600 oz of gold in the first half of 2003 at a cash cost of US\$240/oz, has an expected life of 5 years.

Gateway Mining NL has agreed to joint venture its Cowra project to **Straits Resources**, which has the option to earn a 70% interest by spending a total of A\$2.0 million on exploration over 4 years. Cowra is located in the prospective Lachlan Fold Belt of NSW and Gateway's exploration has focused on the 28 km² Kiola copper-gold region.

Queensland

Queensland is home to Newmont Mining's Pajingo mine as well as hosting the historic Gympie goldfield, which is now being more widely explored.

It also boasts the recently-depleted Kidston and Mt Leyshon mines as well as copper mines at Osborne, Selwyn and Ernest Henry.

The high-grade Pajingo underground mine is one of Newmont's lowest cost operations. The mine was discovered by Battle Mountain Gold in 1983 and operated as a joint venture by Normandy after 1991. The operation became 100% owned by Newmont in February 2002.

An open pit operation commenced at Vera in 1996, with the underground Nancy and Vera ore bodies reached via two declines in 1997. The highly mechanised mine sold 296,400 equity ounces in 2002 at total cash costs of US\$95/oz.

Gold sales in 2003 are projected to total 325,000 oz at total cash costs of US\$135/oz.

At the end of 2002, the mine had reserves of 2.7 Mst at a grade of 0.360 oz/st for contained gold of 960,000 oz.

In southeast Queensland, in the historic Gympie goldfield, the eponymous **Gympie Gold Ltd**, at present a junior gold and coal producer, is seeking to reestablish the goldfield by discovering a major mineral system.

Gympie is currently producing around 55,000 oz/y of gold at a grade of 7.6 g/t and total cash costs of US\$212/oz from the adjacent Monkland and Lewis mines.

Gympie has identified three distinct types of mineralisation. Feeder channels, like the Inglewood Lode – a sub-vertical sheet of continuous mineralisation extending over a known strike length of 2.5 km and to a depth of 1.0 km.

Stockworks are zones of multiple close-spaced gold-quartz veins in black shale rocks. They can be massive orebodies up to 80 m wide and each stockwork zone can contain 30,000 to 300,000 oz of gold at grades from 5g/t to 15g/t.

Gympie Vein orebodies formed where mineralised veins pass through "productive beds" which are carbonaceous sedimentary rocks. Gympie Veins were mined by the old-timers and are relied on for high-grade ore and rare occurrences of Gympie Gold® Gemstone.

The longer term strategic plan is to use the infrastructure and cashflow from the existing mine to investigate fully the Gympie goldfield, with a goal of finding a multi-million ounce deposit analogous to the system in the current mine area. To this end Gympie initiated a A\$25 million, three-year exploration programme in 2002.

In December 2002 Gympie's exploration discovered the South Inglewood prospect located two to four km south of the current mine. South Inglewood is an uplifted repetition of the Inglewood-Stockwork-Gympie Vein ore system and has the required geology, scale and strength of mineralisation.

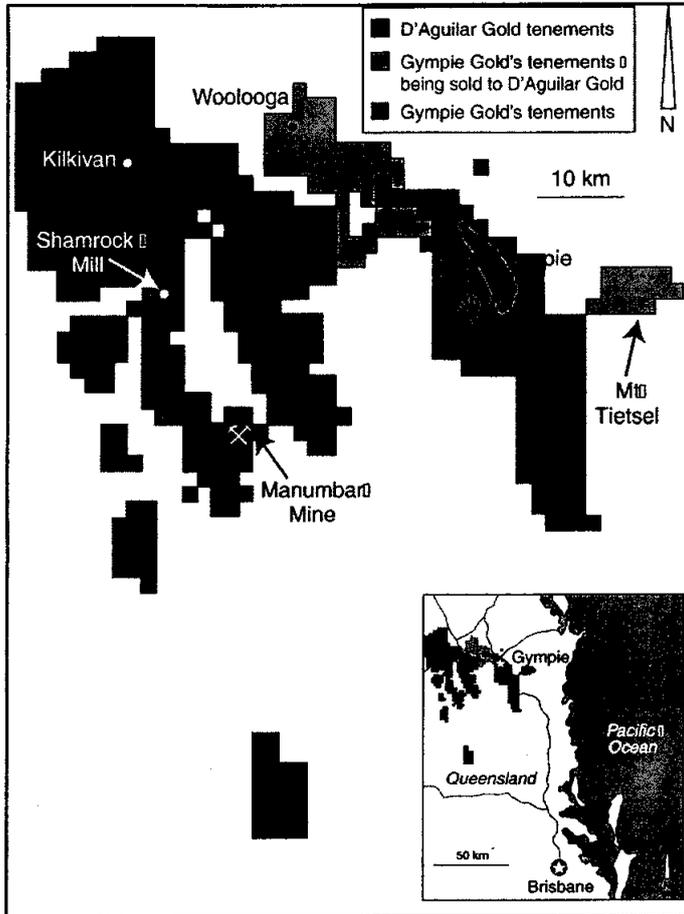
After a 6-month hiatus, following operational problems with Gympie's coal operations, exploration drilling of the Gympie Goldfield re-commenced in August 2003. Gympie Gold's tenements now cover a recently recognised, potential 11 mile extension to the Goldfield's strike length.

To explore regionally the porphyry type rocks to the west of Gympie, the company has joined up with 25%-owned **D'Aguiar Gold Ltd**, which raised A\$4 million when it listed on the ASX in August this year.

Gympie is a unique company not just because it has two high value



mineral streams (gold and metallurgical coal) but also because it is one of the few gold companies in the world that has a downstream, value-added business.



The vein mineralisation referred to above often gives rise to extremely high grade occurrences with visible gold predominant in quartz veins. These "Jewellery Shops" are exploited by Gympie to produce, through proprietary technology, a gemstone known as Gympie gold-in-quartz. Gemstone quality ore from the mine is sent to New Mexico where it undergoes processing and setting and is then sold under the Gympie Gold® Gemstone trademark through upmarket retail outlets in the US. Gympie has a strategic alliance with Kabana Inc, a large US jewellery manufacturer and leading inlay specialist. (see www.worldgold.net for an interview with Gympie managing director Harry Adams on his jewellery business).

One of the major development projects in Queensland is the Cracow gold project, owned in joint venture by **Newcrest Mining** (70%) and **Sedimentary Holdings Ltd** (30%).

Construction agreements were signed in September on the A\$48 million Klondyke project. First gold production is expected in December 2004. The mine will treat 1.5 Mt of ore to produce 680,000 oz of gold over a seven-year period at an estimated average cash operating cost of A\$220/oz.

Production will be focussed on the Crown and Royal Shoots with mechanised mining via decline access and construction of this decline will commence immediately.

Exploration is continuing on a further 5 mineralised zones and additional targets that have the potential to extend the mine life of the operation. The joint venture has allocated A\$4.3 million to this

exploration program in the 2003/04 year.

Ashburton Minerals Ltd, is in the process of raising A\$4.5 million for the acquisition of the Drummond Basin gold assets from a subsidiary of Placer Dome Ltd, which includes total gold resources of around 400,000 oz at Wirralie, a 1.5 Mt/y CIP/CIL treatment plant and associated infrastructure, and 3,600 sq km of tenements prospective for epithermal gold mineralisation. Ashburton is looking to increase the sulphide resource below the oxides.

In south-east Queensland, Perth-based producer, **Equigold NL** has operated the 100%-owned Mt Rawden mine since early 2001. The 1999 feasibility study suggested a 10-year project life recovering 718,000 oz of gold and 2.1 Moz of silver.

In the financial year ended June 30, the mine produced 81,000 oz at an average cash cost of approximately US\$196/oz.

As at June 30, 2002, the latest figures available, reserves at Mt Rawden totalled 41.5 Mt at an average grade of 0.98 g/t for 1.3 Moz of gold contained. Resources (all categories) amounted to 2.1 Moz.

Recent drilling results indicate that the Mt. Rawdon deposit is likely to extend at depth at similar grades and widths to the current levels. A staged drill-out to allow definition and estimation of the resource extension at depth is likely to commence in the December 2003 quarter.

At the Charters Towers project, centered on an historic mining region, drilling by **Glengarry Resources Ltd** has intersected high grade gold mineralisation at the Southern Cross prospect hosted by quartz veining in an east-west structure. The company has also defined a resource of 120,000 oz at the Great Britain deposit.

Elsewhere in Queensland, Glengarry has detected metallic anomalies in the Big Mag/Tag area adjacent to Kidston and at Dolly Pot close to the Cannington silver/lead/zinc mine.

Strategic Minerals Corp NL is in joint venture with Barrick Gold at the epithermal Woolgar gold project. Exploration by Strategic Minerals led to the discovery of the Explorer main vein structure and identified a 400 m long high grade shallow core extending to the south east. Further deep drilling is required to assess the overall potential of the Explorer main vein.

More recently the company discovered new high grade mineralisation at shallow depth at Explorer South and Finn prospects in previously un-drilled areas and a new phase of RC drilling at these areas is being planned.

As part of its earn in, Barrick is nearing completion of an IP survey covering 3sq km at Explorer / Finn prospects and plans a 3,000 m RC / diamond drill programme in October 2003.

Universal Resources Ltd and **Bolnisi Gold NL** are involved together in two joint ventures at the Roseby copper project, north-west of Cloncurry in northwest Queensland. The Feasibility Joint Venture (Bolnisi 50% and earning up to 70%), contains seven oxide copper deposits with an inferred resource totalling 62.3 Mt at a grade of 0.75% copper. The Exploration Joint Venture (Universal 50% and earning up to 70%), incorporates a number of exploration targets, including two significant deposits of copper-gold mineralisation. Drilling at the Exploration Joint Venture at the Little Eva, Horseshoe Flat and Lady Clayre prospects was completed in May 2003, leading to an initial Inferred Resource estimate for the Lady Clayre deposit of: 3.6 Mt at 1.19% Cu and 0.55 g/t gold. Total resources are now estimated at 123,600 t of copper and 94,400 oz of gold contained.

Finally, **Xstrata** (formerly MIM Holdings) operates the Sarsfield mine at Ravenswood.

A Gem of a Business

World Gold interview with Harry Adams, chief executive of Gympie Gold.

Preface

In southeast Queensland, in the historic Gympie goldfield, eponymous gold producer Gympie Gold Ltd, is seeking to re-establish the goldfield by discovering a major mineral system.

Gympie is a unique company not just because it has two high value mineral streams (gold and metallurgical coal) but also because it is one of the few gold companies in the world that has a downstream, value-added business.

The vein mineralisation encountered at its small Queensland gold mine often gives rise to extremely high grade occurrences with visible gold predominant in quartz veins. These “Jewellery Shops” are exploited by Gympie to produce, through proprietary technology, a gemstone known as Gympie gold-in-quartz. Gemstone quality ore from the mine is sent to New Mexico where it undergoes processing and setting and is then sold under the Gympie Gold® Gemstone trademark through upmarket retail outlets in the US. Gympie has forged a strategic alliance with Kabana Inc, a large US jewellery manufacturer and leading inlay specialist.

In this interview, conducted in late September in Denver, Gympie Gold chief executive Harry Adams explains how the gemstone business came about and how it contributes to the business.

World Gold: Explain how the value-added gemstone business fits into your overall business plan.

Gympie Gold: The history of the Gympie goldfield tells you that there is going to be a lot of that sort of material found, although we can't predict where the style of mineralisation that will yield gemstone is to be found. The harder we hit the goldfield the more of that material we will find. Even though we are in the early days of opening up the goldfield that's turned out to be the case so far.

We have proven already that we can establish a defensible business model by controlling that material from the mine face through to the customer. We have quite a strong business position there with high barriers to entry for potential competition. It is not just the exploration side, it's the processing side, which is proprietary, and also the marketing side, which most gold miners are unfamiliar with or lack the desire and expertise to make a fist of.

So having recognised that there will be a lot of that material found in due course, and that we have created a good business model, the only question remains is it worth attacking.

Even though it's only very small at this stage, the margins in the business are good as it is high value-added; the actual gold content of the stone itself being a fraction of the sales value.

I see it potentially as a vastly bigger business than the gold operation. And it's really just a function of balancing the ebb and flow of whether supply is retarding the marketing or marketing is retarding supply. Today we're holding back potential customers because we don't have supply.

It's going to be a huge business one day. But I don't know when. It's taken us 4-5 years to get to this point but I think we done the hardest bit already.

World Gold: Is there any merit in looking at going a step further and actually branding your gold?

Gympie Gold: We have started down that path already. The first thing we did was learn how to recover and prepare the gemstone for jewellers. The second thing we focussed on was to make inroads into the high end of the jewellery market; not the small jewellers but the large manufacturing jewellers in North America, in particular, which is the largest gemset jewellery market in the world.

We've now done that even though we have just scratched the surface in terms of our efforts. We ran an advertising campaign for one year and stopped it because there was no need to go any further just yet.

In the last six months what Gympie has done is take the metal from the mine, refine it separately and then alloy 18 ct gold to the same spec as the gold (85% gold and 14% silver with a bit of galena) we get in our stone.

We alloy metal now for our jewellery out of our gold and silver with a slight tint in it to replicate Mother Nature's gold as closely as possible.

The gemstone is now being housed in a line of jewellery that's made from Gympie's metal. And we now hallmark the Gympie Gold Collection jewellery with our metal and our gemstone. So we have actually trademarked Gympie Gold in Europe, Asia and North America.

It sounds grandiose, but we are the first gold miner to hallmark his gold and gemstone in one piece, but the numbers are still small. Today we are selling just under A\$2 million per year but I have no doubt that we would have done doubled that if we had the material to sell. And it started from zero a couple of years ago.

World Gold: You work with a US company called Kabana. Is this an arms' length relationship or a joint venture basis?

Gympie Gold: It took Kabana a couple of years to be convinced that they should get involved. They had seen material like this from another mine, but they considered it too much trouble and too expensive to get involved in that business. Eventually we convinced them to dip their toe in the water, and between Gympie Gold and Kabana we have developed the business on a risk adverse basis.

We take material from the mine and send it to Kabana for processing and preparation for jewellery. Then when it is sold to other jewellery manufacturers as a gemstone, or when it is purchased by Kabana itself and used in its own jewellery line, only at that moment will Gympie Gold crystallize a revenue for its gold so that Kabana is not out of pocket.

What happens at that point is that out of the sales dollar that's generated, Gympie Gold gets the first slice to make sure that the mining side is looked after and then we put all other costs (processing, sales) into the bucket together and we split that net surplus 50:50. The relationship is both risk adverse and measured and focused, so neither party really has anything to lose other than time and distraction. Both parties are quite keen to nurture it as a new business that potentially could become a very large business.

Kabana are recognised in North America, in particular, as an inlay specialist with their innovative design and competitive and aggressive marketing, and they are the

largest users in North America of Australian opals. This gemstone of ours actually goes in the same channels and distribution outlets and is marketed in the same way as opals, because every piece is unique, just like an opal. It comes from Australia and is inlaid just like an opal.

The reason Kabana works well with us is that they had an experience base founded on design, inlay, innovation and opal that was directly transferable.

There is also a trusting relationship because there is a strong connection between the principal of Kabana and Gympie Gold. [World Gold note: Gympie Gold's Harry Adams and Kabana owner Stavros Eleftheriou are Greek cousins]