

## MARKETS

# Lihir expects to hit paydirt on old gold rush site



### Float Watch

[www.wise-owl.com](http://www.wise-owl.com)

**Company:** Ballarat South Gold Ltd  
**Proposed ASX code:** BGO  
**Proposed listing date:** November 14  
**Shares on offer:** 25 million  
**Issue price:** 20c  
**Recommendation:** None

BALLARAT South Gold Ltd will inherit two exploration licences and one mining licence near Ballarat in Victoria.

The licences are at the southern end of the Ballarat East Reef gold system.

The northern end of this historic field is now 75 per cent owned by Lihir Gold and hosts a proven resource of 3.3mt at 9.5g/t gold.

The field's previous owner, Ballarat Goldfields Ltd, struggled with high costs and a low gold price and was subsequently acquired by Lihir in late 2006 for \$338 million.

Lihir has since spent \$54 million on infrastructure and development during the past financial year, and aims to recommence production by the end of 2008.

Lihir Gold is forecasting initial production of 40,000 ounces a year. So can subscribers to Ballarat South Gold expect a similar prize?

Sven Restel, analyst at Wise-owl.com, says: "There is known gold mineralisation in the area that Ballarat South Gold will be operating in.

"The extent of the resource is unknown and the company aims to drill within close proximity to old shafts, determining how much gold is available, and the depth of the possible mineralisation."

Within two years of listing, the company is looking to establish a resource of not less than 100,000 ounces of gold.

A high gold price will be essential to bring any resource into production.

The gold price reached over \$US1000/oz earlier in the year but has since retreated back towards \$US800/oz.

Explaining Gold's recent pull-back, Restel says: "The shine has come off gold lately as it is negatively correlated to the US dollar, which has been strengthening.

"While interest rates in the US appear to be at the bottom of their cycle, the rest of the developed world, especially the Eurozone, is at the peak of their interest rate cycle."

