



# Gold miners wrestle strong \$A

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WESTERN Australia's gold producers continue to suffer at the hands of a strengthening Australian dollar, with more job losses revealed across the sector last week.

The Australian dollar was trading up to US94.4 cents last week, its highest point in about eight months.

The strong currency means producers are receiving less revenue for their gold.

Azure Capital director Matthew Weaver said the continuing high Australian currency was hurting gold producers.

"The stubbornness of the Aussie dollar is a real talking point among miners because conventional logic has always been that as commodity prices fall, the Aussie dollar would fall, and that has not been the case," Mr Weaver told *Business News*.

The price of gold is far from its record high when it traded as high as \$1,776 per ounce in September 2011.

Argonaut managing director Eddie Rigg said gold producers' margins were being squeezed.

"Everyone expected the Aussie dollar to be lower than where it is at 94 cents – it's been stubborn. Everyone was predicting sub 90 cents – 85 to 90 cents – but it hasn't dropped down there," he said.

The stronger Australian dollar has offset much of the recent gains in the US dollar spot gold price, which has increased 9 per cent since January 1.

This is compared with the Australian dollar spot gold price, which

has increased just 3.5 per cent in the same period and was last week trading at about \$1,400/oz.

The cost pressures have led some operators to consider savings options, with South Africa's

Gold Fields last week announcing it would cut more than 50 jobs from its St Ives mine near Kamalinda as part of a review of its operations.

Many gold producers have sought to cut costs and focus on mining high-grade ore since the price of the precious metal began to fall from its record highs.

Hartleys head of corporate finance Grey Egerton-Warburton said the gold sector had been through a tough period.

He pointed to examples such as Silver Lake Resources, which shut its Murchison gold mine in February, just one year after opening the operation.

"To have only just started a mine and then have to shut it as the gold price falls is both expensive and disheartening," Mr Egerton-Warburton said.

The lower gold price has also led many gold producers to divest assets, including Barrick Gold and Alacer Gold Corporation, which will change the pecking order of WA's top 10 gold companies (see graphic).

Other companies, such as Regis Resources, Focus Minerals and St Barbara, have battled operational issues over the past year that will reduce their annual output.

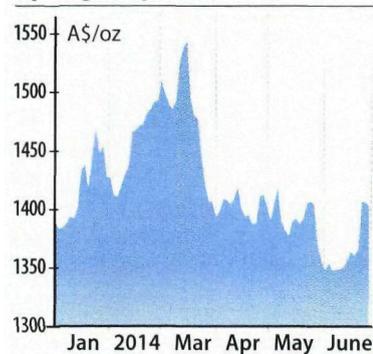
However some smaller companies have seized the opportunity and bought assets from larger companies, including Northern Star Resources, which expects to increase production to 600,000oz

by 2015 following a string of acquisitions.

Mr Weaver said smaller mining companies were able to make operations viable by taking out some of the large overheads that their larger counterparts couldn't.

"Smaller more nimble operators are able to do things more cheaply than the majors, especially for assets that have been operating for a few years," Mr Weaver said.

## Spot gold price (AUD)





**Business News (WA), Perth**

30 Jun 2014, by Sam Jordan Jones

General News, page 11 - 417.00 cm<sup>2</sup>

Suburban - circulation 8,723 (M-----)

ID 277993641

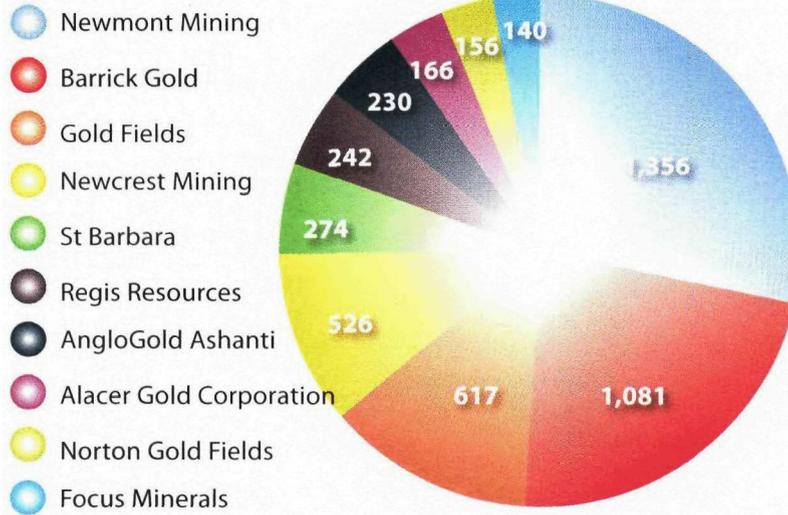
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**WA's top 10 gold producers by output<sup>^</sup>**

Annual production ('000 ounces)\*



<sup>^</sup>Production includes WA mines only

\*Production for the year ending June 2013

Source: BNIQ

See *Business News'*  
**Gold Miners** feature  
in September for 2014 output