

PanAust keen to grow into next league

Blue Sky

Edited by Luke Forrestal

There is a reasonable element of boldness in PanAust's move to take over majority ownership of the Frieda River copper and gold project in the Papua New Guinea highlands from Glencore Xstrata.

After all, gone are the heady days when shareholders were completely comfortable with companies pursuing big-ticket capital projects in the interest of delivering all-important production growth.

However, it is the kind of deal that PanAust needed to do if it was ever to make the leap from small copper and gold miner to genuine mid-tier player with a significant global presence.

Last week PanAust told the market that its flagship asset, the Phu Kham mine in Laos, is now expected to reach peak production of 90,000 tonnes of copper in 2018 and 2019 before tailing off over the remaining four years of its life.

Managing director Gary Stafford is confident the company will discover more resources to extend production at Phu Kham, but he is loath to put all his eggs in the "exploration success" basket.

"If we didn't do this sort of deal, in three or four years' time, if we hadn't had that exploration success, people would have started saying 'Well, what are you going to do?'," he said. "You have to move ahead of those questions

being raised." This is an interesting comment in the context of the situation faced by one of PanAust's few peers in the local copper sector, OZ Minerals.

OZ has faced much criticism from investors for its lack of growth options and the potential gap between the end of production at its Prominent Hill mine and the start-up of its Carapateena project.

PanAust has other growth projects in its portfolio: Phonsavan in Laos and Inca de Oro in Chile. But studies are ongoing on these and neither are considered to have the potential to take the company to the next level like Frieda River.

If all goes to plan, Frieda River will come on line as Phu Kham is hitting peak production and eventually add 100,000 tonnes of copper and 160,000 ounces of gold a year to PanAust's production profile.

Ausquest tests high-risk strategy

High-risk grassroots exploration is hardly flavour of the month in the current market, which explains why a stock like Ausquest hasn't garnered much recent interest from investors.

But with the Perth-based company about to start twin drilling campaigns targeting tier-one discoveries in Western Australia and Peru, there's a chance that might be about to change dramatically.

Ausquest, which has a strong technical focus at board level, picked up ground in WA's Fraser Range belt



Gary Stafford: confident of extending production at Phu Kham. PHOTO: GLENN HUNT

in 2004-05 in the belief that it might contain a big gold deposit in the mould of Independence Group's Tropicana find.

But Sirius Resources' discovery of the Nova and Bollinger nickel-copper deposits 80 kilometres north-east of Ausquest's Dundas tenements last year prompted a change of focus.

Ausquest has itself defined three large nickel-copper targets on the ground, and after raising \$1.8 million through a share purchase plan, expects to start drilling in December.

In Peru, the company is chasing big

copper-gold deposits and has identified eight priority drill targets on its tenements along the country's coastal plain, an area that has seen limited application of modern exploration techniques.

Ausquest's activities in Peru have attracted the interest of US major Cliffs Natural Resources.

Cliffs is a partner the company has dealt with in the past and is expected to farm-in to some of the prospects ahead of drilling beginning in the new year.

Since forming in 2003, Ausquest

has had sniffs of success: its early foray into iron ore attracted Rio Tinto as a shareholder and joint venture partner and a manganese hit drew investment from Cliffs in 2008.

That serious discovery that develops into a mine has so far eluded it, though.

Pay day for Pura Vida

It may have been a little later than anticipated, but Pura Vida Energy has secured final sign-off on one of the biggest "farm-out" deals ever done by an ASX-listed oil and gas junior.

Pura Vida announced on Friday that the Moroccan government had approved the deal that will see diversified US resource house Freeport McMoran become a partner in its Mazagan permit off the coast of the north African country.

Freeport has already paid \$US15 million (\$15.8 million) to Pura Vida as part of the deal and has agreed to fund up to \$US215 million in exploration expenditure at Mazagan.

Not being the type of executive to let the grass grow under his feet, Pura Vida managing director Damon Neaves also revealed his next move on Friday.

The company has reached an agreement with UK company Sterling Energy to take a 50 per cent interest in the Ambilobe block, off Madagascar's northern coast. The Ambilobe is adjacent to the Ampasindava block, where ExxonMobil is planning a deepwater well.