

Canadians coming

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The Northern Territory is attracting the attention of another, much bigger, territory in the northern hemisphere that is looking for potentially rich investment prospects. By Wally Graham

As the economic dust begins to settle, Australian projects are starting to look very attractive to many overseas investors. North Americans, Canadians in particular, are looking to balance their portfolios and get some strategic positions in Australia.

They recognise that, compared to other areas of the world, a lot of the Australian assets are materially undervalued. A recent example of this trend is private Canadian company Crocodile Gold buying two past-producing gold assets in the Northern Territory and another in Western Australia.

The Burnside and Tom's Gully projects in the NT and the Nicholson's project in WA were formerly owned and operated by GBS Gold International. GBS was itself once listed on the Toronto Stock Exchange. The two NT projects, located 90 and 285 kilometres south of Darwin respectively, include mines that were producing as recently as September 2008 at an annualised rate of about 140,000 ounces of gold.

Technical reports filed by the previous operator state a total JORC-compliant resource of 4.5 million ounces of gold. "We are very happy to have closed this transaction and look forward to placing these assets back into production as soon as possible," Crocodile Gold president and chief executive Chris Bradbrook said.

"We plan to commence an aggressive drill program as soon as possible in order to upgrade the confidence in the reserves and resources, to ensure that a methodical, logical and sustainable long-term operating plan can be put into place." As administrator of GBS Gold, independent, Australia-based corporate advisory firm PCF Capital marketed the projects.

"We specifically targeted a Canadian purchaser," PCF Capital Group managing director Liam Twigger said. We felt the assets had great potential but believed that the Australian market would take too negative a view of the project."

It seems Canada has a very strong appetite for Australian gold projects, particularly since the mid-cap gold sector on the TSX has been decimated by numerous mergers and acquisitions, leaving a very attractive space wide open for a new entrant. "I don't believe that the Northern Territory has been specifically targeted by Canadians," Twigger said. "But the NT government and administration is very supportive of investment and takes a hands-on approach to ensure that deals get done."

Twigger believes TSX gold valuations are generally stronger than ASX valuations due to the larger pool of investors, representing Canadian, US and European interests. These regions also possess a strong broker and analyst community, which can provide projects such as Burnside and Tom's Gully with better promotion.

"Australian assets are relatively better value and do not come with any major political risk," Twigger said. "This has been a big issue for Canadian gold companies with exposures in South America, in places such as Ecuador, Bolivia and Venezuela, as well as Africa."

Crocodile Gold will pay \$51 million for the three projects in instalments over 12 months. The transaction has received the all-important approval of the Foreign Investment Review Board.

This is not the first time PCF Capital has played a part in the sale of Australian projects to a Canadian company. The firm also sold the Mt Todd project to TSX-listed Vista Gold in 2006. Located just outside the NT town of Katherine, Mt Todd has a resource of about 4.5Moz gold and is generating a great deal of interest in Canada.