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## Navigator Resources (NAV) 19c

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**THE putative WA gold producer is testing the time-honoured theory that only subsequent owners make money from a start-up mine. But at least Navigator has a two-mine strategy to reduce risk if it transpires it's bought a dud.**

The treasure trove in question is Bronzewing, which made pegger Mark Creasy a very rich rock kicker. The dirt was then picked up by Joseph Gutnick's Great Central Mines and then sold to Normandy, which was taken over by Newmont.

Perpetuating the exquisite game of pass the parcel, Newmont then sold the turf to View Resources, which started the mine as an open pit and underground venture before going broke early last year.

Navigator proposes to buy Bronzewing from View's administrators for \$9.5 million (plus a \$6.5m environmental bond). A further \$12-15m will be needed to recommission the project.

Bronzewing is a 396,000 ounce resource, with a 2 million-tonnes-a-year processing plant and an accommodation village thrown in.

Navigator plans to mine only the open-cut segment, at an annual rate of 100,000oz-plus.

Fresh from raising \$1.62m in a share purchase plan, chief Navigator David Hatch has been doing the rounds of the instos and the banks with a "this time it's different" message.

"It is pretty much a walk-up start in terms of mining ore," says Hatch. "View did all the hard work by way of pre-stripping to get to the ore, but they never reaped the benefits."

Hatch targets a January 2010 start-up date. But there's the wee issue of rustling up the requisite \$30m or so. The "quite advanced" plan is for a mix of equity and debt. "Banks are keen to do business with us," he says.

Navigator's second string is its Leonora project, spoken of as a 742,000oz resource at a similar grade to Bronzewing. The idea is to mine from two shallow pits and truck to a third-party processor. St Barbara (see below) has an underused facility down the road, so expect a deal.

The timetable is no more generous: trail mining by December and treatment "no later than" the March quarter.

With a bit of luck -- and that's one resource always in demand -- Navigator will be spitting out 150,000oz by next year. Navigator's share price has halved since March. Supporter BGF Equities believes its \$29m market cap stacks up well relative to peers such as Catalpa, Saracen Resources and Regis Resources. The stock is trading at a 70 per cent discount to the net present value of Bronzewing (\$91m) and Leonora (\$48m).

Navigator looks a speculative buy. Bear in mind the mines are not exactly low cost and that more shares are likely to be issued to fund the shebang.

### St Barbara Mines (SBM) 19c

APART from being just down the road from Navigator -- in expansive WA terms at least -- St Barbara shares a common trait in that it picked up assets (Sons of Gwalia's mines) in a fire sale.

St Barbs has a poor record of meeting production forecasts and has been undergoing an "open and honest" review under new CEO Tim Lehany, who took over from Ed Eshuys (Joe Gutnick's former right-hand man) in March.

St Barbara on Friday reported June-half production of 134,000oz, within its targeted range, from its Southern Cross and Leonora mines. Aided by its Gwalia Deeps development, management hopes to boost output to 320,000oz within three years.

In the meantime, cash is as tight as a Tupperware seal. The company has \$54m of available cash, but may have to redeem \$77m of convertible notes in June next year.

In all, St Barbara has 3.1 million ounces in reserves and looks a reasonable turnaround punt, predicated on cost-cutting and a focus on low-cost, high margin production. Speculative buy.

### **Asciano (AIO) \$1.295**

ASCIANO chief Mark Rowsthorn is standing behind the ports and rail operator by subscribing to the \$1.10-a-share raising -- but it's more a case of the further behind the better.

Rowsthorn revealed he would take up his entitlement of 76.2million stapled securities at a cost of \$83.8m, but that he had also entered a deal to sell 40 million of his existing shares at \$1.25 a pop (\$50m).

Under a loan deal to fund the gap, he's arranged one of those contentious derivative "collar" deals to protect him from Asciano stock falling below \$1.10.

The company's 70,000 retail holders might feel miffed that Rowsthorn enjoys such a cosy deal. In reality, Rowsthorn would have struggled to fund any participation in the issue, which eventually reaped \$2.35 billion.

There's a greater (if unintended) good in that Rowsthorn's holding is reduced from 11 per cent to not much. This alleviates the market's concern about Rowsthorn's influence over decision making, including his ability to rebuff a decent takeover offer.

Criterion on June 17 suggested existing holders take up their entitlement. Those who did so are nicely ahead on their new shares, but probably sadly behind on their total investment.

The infrastructure cogniscenti believe Asciano shares are worth more, especially given the potential of new coal haulage contracts won by the Pacific National rail arm. Hold.

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