

## Media Monitoring

17 March 2010

ABC RURAL NEWS ONLINE

<http://www.abc.net.au/rural/news/content/201003/s2847477.htm>

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### Anger at mining conference over proposed doubling of royalties

Tuesday, 16/03/2010

There's very little that gets the mining industry worked up as much as talk of a new tax or royalty, and miners at a gold conference in Perth today are, to put it mildly, spitting golden chips.

Western Australian gold miners currently pay 2.5 per cent royalties and it's possible that could double.

A group of smaller end miners have formed a consortium to fight the proposal made up of Norton Goldfields, Silver Lake Resources, **Catalpa Resources**, Crescent Gold, Avoca, Ramelius, Saracen, Swan Gold and the Association for Mining and Exploration Companies.

They say a doubling of royalties will wipe off the profit margins of around \$300 per gram of gold and drive investment in new mines to other states or even overseas.

They also say the proposal puts at risk hundreds of regional jobs at a time when rural Australia is getting back on its feet after the global financial crisis.

WA Premier Colin Barnett is standing firm on a royalty increase, but no-one will know exactly what he's proposing until the State Budget comes out.

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### **HIGHGRADE**

[http://www.highgrade.net/article/2010-03-16/State\\_of\\_panic](http://www.highgrade.net/article/2010-03-16/State_of_panic)

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## State of panic

Kate Haycock, 16 March 2010

THINGS are rotten in the state of Western Australia, if you believe the rumours circulating about an incipient move to raise mining royalties.

The Paydirt gold conference this week was, if not abuzz with talk of the royalty raise, then at least floating on an undercurrent of fear about what higher royalties could mean for the gold sector.

There are two separate issues currently swirling around mining royalties. First there is the proposal supposedly contained in the Henry tax review to shift management of mining royalties from the states to the federal government. Secondly, and most pertinently, the WA Government has hinted at a potential royalty hike in the upcoming May budget and it is this speculation that has fired up the junior gold industry in particular.

The juniors' perspective is that any move by the state government to raise royalties will heavily impact smaller producers – especially the gold sector, where there are larger numbers of companies running high cost operations.

Gold producers – excepting those companies whose projects fall under state agreements – generally pay 2.5% royalties on gold metal, while other metal producers pay up to 5% on concentrates. There is consternation among gold companies that this lower rate will disappear in the May budget. And there is no doubt that raising royalties is very much a consideration for Colin Barnett's state government.

The WA state minister for mines and petroleum, Norman Moore, said at the gold conference on Tuesday that the government was looking at all avenues for increasing revenues – including raising royalties. But from his comments, it seems the state

government is much more interested in hundreds of millions of potential revenue from the iron ore majors than the junior gold plays.

The iron ore industry pays royalties of 5% for fines and beneficiated product, and 7.5% for lump. However, Rio Tinto and BHP Billiton pay 3.75% royalties on their fines – the price locked in during the 1960s when the state agreements over their Pilbara projects were originally put in place.

“I don’t have a problem saying to Rio and BHP, ‘I think you should be paying the full 7.5% royalty on fines’, but that concession was bought in at a time when no-one wanted to buy fines,” Moore told journalists during the gold conference. “In hindsight, some of the state agreement acts should have contained some flexibility.”

Moore agreed that “any increases across the board [in royalties] would apply to companies not under state agreements” and this would further increase distortion in the amount different companies pay.

“We will take into the account the situation with the mining industry and the potential for further distortion of the system if we go down the path of increasing rates,” he said. However, he rejected any idea that the current royalty system needed a complete rethink to remove those distortions.

Moore also said the gold industry was hugely important to the WA state government.

His comments will do little to reassure the gold majors.

One gold industry figure said governments were “modern day Robin Hoods” and failed to realise that Australia was already a higher cost jurisdiction. The small gold producers are also angry that there has been no consultation with their part of the mining industry. In a press conference held on Tuesday by the Gold Royalties Response Group representatives from a number of these juniors voiced their concerns about the royalty rise.

**Catalpa Resources’ Bruce McFadzean** said efforts like his company’s recent \$A20 million capital raising could be jeopardised by the speculation and any imposition of a higher royalty rate.

“We’re in the last month of a \$A100 million project and all of the sudden we’re battling an increased cost for production,” he said.

A doubling in royalties could add about \$A50 per ounce to a company's cash costs, McFadzean added.

The group's spokesperson, Silver Lake Resources boss Les Davis, said it was a "disturbing" rumour and if the government doubled the current royalty rate, it could suck up another 25% of small gold company profits. "It's only going to affect the junior end of town, because the bigger end of town is under state agreements," he said.

Ian Gordon, chief executive of Ramelius Resources, said gold mining was a globally competitive industry and further costs in Western Australia could drive even more juniors offshore.

"If you lift the royalty regime then companies like ours will certainly look to spend our exploration dollar elsewhere," he said.

Mining organisations including the Chamber of Minerals and Energy and the Association of Mining and Exploration Companies have also come out against the potential royalty hikes.

"To increase royalties across the board would be folly to long-term success of existing and start-up mining projects," CME chief executive Reg Howard-Smith said on Monday at the Paydirt conference. "If the sector has to succumb to a higher state and federal tax impost, not only will the industry be paying more but it is also hardly the much touted simplification of Australia's taxes on mining."

AMEC head Simon Bennison said his group was also concerned that the speculation would do nothing to encourage resource investment in Western Australia. He also said it seemed the government thought of the resources sector as a cash cow.

"We're engaged with the government to try and get a picture of their intent and make sure the government doesn't view us as a soft touch in filling budgetary holes that are not of our making," he said.

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### BUSINESS SPECTATOR

<http://www.businessspectator.com.au/bs.nsf/Article/Catalpa-Resources-restructures-debt-to-raise-20m-e-3M4YL?opendocument&src=rss>

### Catalpa Resources restructures debt; to raise \$20m equity

1:25 PM, 17 Mar 2010

Catalpa Resources Ltd announced on March 16 that it will restructure the \$10 million mezzanine portion of the company's \$65 million debt facility with Macquarie Bank.

To under take the restructure and accelerate growth the company announced a placement and entitlement offer to raise \$20 million before costs.

The debt restructure will convert the \$10 million mezzanine loan into the project loan facility..

There will be no change in Catalpa's debt position but the restructure results in an ongoing saving of 2.5% per annum.

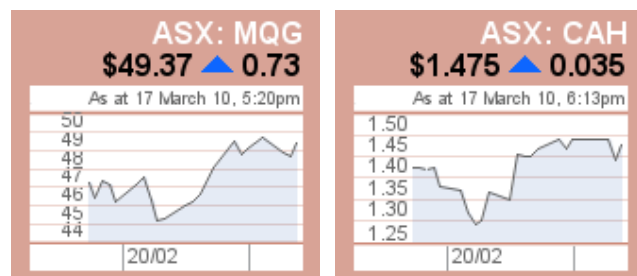
Macquarie will forego an entitlement to the issue of 6.06 million Catalpa options for an issue of 500,000 fully paid shares.

A placement of 7.575 million shares at \$1.32 per share to raise \$10 million before costs, a 5.6% discount to the 20 day VWAP is also being undertaken to sophisticated investors.

The company is also offering a 1 for 10 renounceable entitlement offer at \$1.25 a share, a 7c discount to the placement price.

Managing director Bruce McFadzean said in the report the Edna May gold project remains within budget and ahead of schedule with commencement of ore commissioning of the process plant in mid April 2010.

With a forward hedge book of 352,317 oz at \$1,557.5 per oz the Edna May project and 30% share in Cracow gold mine are expected to produce strong operating cash flows.



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### TRADING MARKETS

[http://www.tradingmarkets.com/news/stock-alert/cahpf\\_goldminers-blast-barnett-over-likely-royalty-rises-850783.html](http://www.tradingmarkets.com/news/stock-alert/cahpf_goldminers-blast-barnett-over-likely-royalty-rises-850783.html)

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## Goldminers blast Barnett over likely royalty rises

Posted on: Tue, 16 Mar 2010 19:55:26 EDT

Mar 16, 2010 (The Australian Financial Review - ABIX via COMTEX) --

**Catalpa Resources MD, Bruce McFadzean**, has described a Western Australian (WA) mining royalty rise as "unreasonable". It is anticipated the state will lift the gold royalty from 2.5%, although the size of changes to the scheme has not yet been specified. In his mid-March 2010 address to the Gold Royalties Response group, McFadzean claimed a rise would come at a difficult time, given recent construction work. Junior gold miners have suggested they could avoid WA if industry is not consulted on the rises.

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