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Gold crosses US\$1,000 milestone

Welcome news to firms like Acadian

By BRUCE ERSKINE Business Reporter
Wed. Sep 9 - 4:45 AM

Gold trading at more than US\$1,000 an ounce has to be good for gold mining companies, says Terry Coughlan, vice-president of Acadian Mining Corp. of Halifax.

"Obviously, it's a pretty good number," he said in an interview on Tuesday, when gold prices crossed the milestone threshold. "It's almost \$1,100 Canadian."

Acadian has several gold mining properties under development along the Eastern Shore.

Company shareholders recently voted to accept a \$10-million investment in the firm, which closed its zinc and lead mine in Gays River earlier this year after world base metal prices collapsed, from Golden River Resources Corp. of Australia, a major gold mine developer.

The money is being used to pay down \$7 million in debt and to fund commercial viability drilling tests on Acadian's gold properties.

Mr. Coughlan said those tests are still in the planning stages and haven't been accelerated as a result of the increase in the price of gold.

"It obviously helps junior mining companies attract more investment," he said of current gold prices, which he noted are well above \$350- to \$600-an-ounce production costs.

Zinc and lead prices have also gone up recently, but Mr. Coughlan said it's too early to tell if they will stay at levels that would allow Acadian to reopen its Gays River operation, which employed 140 people at its peak.

"The prices are looking pretty good," he said, noting that lead is now selling for \$1.12 a

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pound, up from 39 cents a pound eight months ago, while zinc is selling for 89 cents a pound, up from a low in the 50-cent-a-pound range.

Mr. Coughlan suggested that zinc prices would have to settle at 95 cents to \$1 a pound for the mine to resume operations.

"We produce more zinc," he said. "It would have to stay there for awhile."

Sean Tufford, director of investor relations with Halifax's Linear Gold Corp., said gold at \$1,000 an ounce was "opportune" for his firm, which recently completed the acquisition of the Goldfield Project in northern Saskatchewan from GLR Resources Inc.

Goldfields contains 601,007 ounces of gold reserves.

"These are very exciting times," he said, calling gold a hedge against inflation that is unlike other metals that are more subject to market influences. "The Goldfield Project turned us from a junior mining company to an actual development company."

Permits for the project, which was originally mined in the 1930s, are in place and Linear, which also has gold mining projects under development in Mexico and the Dominican Republic, hopes to reopen the Saskatchewan mine within two years.

Etruscan Resources Inc. of Halifax recently reported that production at its Youga gold mine in Burkina Faso, West Africa, increased to 6,526 ounces in August from 6,093 ounces in July.

Company spokesman Richard Gordon said breaking the \$1,000-an-ounce price barrier is "an automatic shot in the arm" on the revenue side of the business, and also helps on the exploration and development side.

"It attracts investors and it makes projects that were a bit marginal, profitable" by allowing the company to mine lower grade ore economically, he said.

Rene Marion, CEO of Gammon Gold Inc., said gold at \$1,000 an ounce is terrific news for the Halifax-based company, which has gold mining operations in Mexico.

"It gives us in the order of \$600 (an ounce) margins," he said.

Gammon recently reported a second quarter loss of \$7.6 million on revenues of \$43.3 million, which it attributed to unfavourable foreign exchange rates resulting from a stronger Mexican peso and Canadian dollar relative to the U.S. greenback.

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