Market cool on Sandfire resource

Fell short: Drilling at DeGrussa.

KATE EMERY

It was supposed to be the triumphant culmination of eight months of hard drilling.

But in the end the release of Sandfire Resources' long-awaited maiden resource statement for its flagship Doolgunna project north of Meekatharra yesterday prompted only a share price fall.

The 7.13 million-tonne resource for Doolgunna deposits DeGrussa and Conductor-1 may have been big but it was not quite the monster the market had been expecting and fell short of the more bullish analysts' predictions of 11 million tonnes.

Sandfire shares fell as low as $3.60 before rallying to end only 5¢ lower at $3.75 in a sharply firmer market.

However, analyst reaction was more positive than the market's, given the figure covered only drilling done during 2009 and managing director Karl Simich said he was "delighted" with the size of the resource so far.

"What is on the table today at spot market prices is (worth) in excess of $3.5 billion worth of metal," Mr Simich said. "That's a great start."

The 7.13mt resource, calculated by Coffey Mining, graded 5.2 per cent copper, 1.9 grams per tonne gold and 15gpt silver for 372,000t of copper, 439,000oz of gold and 3.4moz of silver. Of that, Sandfire said 90 per cent was in the indicated, rather than inferred, category. The next round of drilling results will be included when Sandfire releases a resource upgrade next quarter.

In the meantime, any further share price weakness from Sandfire is likely to be closely watched, given some analysts believe the release of the resource could be the trigger for a suitor to step forward.

This time last year, Sandfire shares were trading at 5¢ levels before taking off on the back of drilling results that suggested the explorer could be sitting on a world-class discovery at Doolgunna, 130km north of Meekatharra.

Yesterday's lower-than-expected resource overshadowed news that Sandfire hoped to start work on its pre-feasibility study in the middle of this year.

Shell, BP face battle to cut oil, gas costs

LONDON

Gorgon partner Royal Dutch Shell and its peer BP may struggle in their plan to save billions in oil and gas project costs as a resurgence in drilling and demand for engineers threaten to revive inflation in the industry.

Oil prices doubled to almost $US80 a barrel in the past year, prompting producers to resume projects put on hold during the recession. Oil and gas industry spending is tipped to increase 11 per cent this year to $US439 billion ($487 billion), with more than $80 billion worth of projects under construction in WA's North-West alone.

But in sobering news, analysts have warned the resurgence in activity would again lead to cost inflation.

"The oil industry is always people constrained — it's one of the biggest challenges: a lack of young engineers and geologists," Jefferies International director Paul Wheeler said.

Apart from salaries, prices for raw materials such as steel are the biggest contributor to project costs. World steel prices have recovered 19 per cent since reaching a three-year low in May while drilling rig charter costs are also increasing again.

BP chief executive Tony Hayward is trying to cut costs further this year after saving $US4 billion in 2009. Shell's Peter Voser wants to trim expenses by $US1 billion and Gorgon operator Chevron is already under pressure to stick to the project's $43 billion budget.

ConsMin tackles Bi

> ...for one restaurant, 55-seat Fix St James restaurant in the city's CBD, the PPCA licence fee would rise from $69 to more than $5,500.

Fee fight: Wo

KATE LAHEY

Executives at JPMorgan left one thing off the $50.8 million bill they sent to WA manganese miner Consolidated Minerals for 18 months work — a lawyer's fee.

JPMorgan managing director Jon Gidney told the NSW Supreme Court yesterday he agreed with a colleague who suggested removing the $31,600 paid to Clayton Utz because they had not told ConsMin they were hiring legal counsel and, the colleague said, "it might draw unnecessary attention to the terms of the . . . letter".

Included on the bill that ConsMin is refusing to pay is a $6.32 Big Mac, and about $100,000 in other expenses, as well as incentive fees that ConsMin says have been wrongly calculated and are far too high.

Mr Gidney denied yesterday that the fee for JPMorgan's role as defence adviser from mid-2006 was excessive.

In January 2008, after a bidding war that coincided with a soaring manganese price, ConsMin was taken over by Palmary for $1.2 billion, giving it control of the Woodie Woodie mine in the Pilbara.

Shareholders received $5 cash a share and JPMorgan sent ConsMin an invoice for $46.2 million plus GST.

JPMorgan based its fees on the difference between the $5 offer and an initial offer from rival bidder Pallinghurst, in October 2006, for $2.08 ($1.70 in cash and 38¢ in scrip).

The bill included a $10.2 million base defence fee, which was 0.75 per cent of JPMorgan's definition of the transaction value, 3 per cent of any increase in value up to 25 per cent above the initial offer price ($4.1 million), and 5 per cent of any increase in value greater than 25 per cent above the initial offer price ($31.7 million).

But ConsMin is now arguing the incentive fee should not be based on the Pallinghurst offer but on the initial Palmary offer of $3.95 — or, alternatively, on the first similar cash offer.

On February 6, 2008, ConsMin's new owners sent JPMorgan a $20 million cheque for "full and final settlement". Mr Gidney said he sought legal advice immediately.

He then banked the cheque and sent a letter saying JPMorgan "does not accept the cheque in full and final settlement of this matter".

Mr Gidney was not questioned about the Big Mac.

The case continues today.

SYDNEY MORNING HERALD

Music licence fees on the up

DAVID COHEN

While the fitness industry awaits the Copyright Tribunal's decision on the Phonographic Performance Company of Australia Limited (PPCA) proposal to change the fitness class tariff, PPCA has turned its attention to music played in restaurants and cafés.

Under the plans, the PPCA plan to introduce a new tariff 'R1' covering the use of licensed sound recordings by restaurants and cafés. However, the tariff could see fees rise by a massive 7,000%, the Sydney Morning Herald reporting that, for one restaurant, ... St James restaurant ... CBD, the PPCA licence ... rise from $69 to more than ...500.

PPCA recently sent letters to about 10,000 restaurant and cafe licence holders informing them that instead of the former flat rate based on the venue's seating capacity, the new rate will be based on the average cost of a main meal, the number of meal sessions and the liquor licence status.

In a statement, the PPCA explain that artists and labels are entitled to receive a fair return for their work, particularly when it is used to help drive profits in commercial enterprises.

"Music is widely used by the restaurant and café industry to contribute positively to the ambience and atmosphere of an establishment. For example, research indicates that more than 75% of a sample of cafés and restaurants typically use music in their day-to-day operations.

PPCA believes that the fees for recorded music should be updated to a reasonable commercial rate and one which better reflects the value that recorded music contributes to a restaurant or café."

Responses to the draft scheme (which can be viewed on the PPCA website) need to be made by 20th August 2009. The PPCA intend to bring its proposed tariff into effect on 1st October 2009.

The Sydney Morning Herald reported that Milan Strbac, a part-owner and chef at the Sugarcane restaurant in Surry Hills, had stated "(music) creates atmosphere, it creates a vibe in the restaurant... I would have to look at different avenues and ways we could get around it."

SYDNEY MORNING HERALD