

**The Age**

September 3, 2007



## **Gold producer's lacklustre share price may start to shine**

Author: Barry Fitzgerald

Publication: The Age (8, Mon 03 Sep 2007)

Edition: First

Section: Business

Keywords: **Gippsland (1), Offshore (1), Petroleum (1)**

---

### **GARIMPEIRO**

Perseverance Corp

HOW low can it go? It's a question increasingly being asked about the share-price performance of Victorian gold producer Perseverance.

The stock has taken a hammering in the past six months, falling from about the 40¢-a-share level to a miserable 8.6¢ on Friday.

The departure of its chief executive, Graeme Sloan, and the looming departure of its chairman, John Quinn, tells you that shareholders aren't happy.

Lower-than-forecast grades, heavy rains and manning and equipment issues at the group's flagship Fosterville gold project near Bendigo have all played a part in bringing Perseverance to its knees.

But some out there reckon enough is enough and that Perseverance at its current distressed levels just might represent some value.

Merrill Lynch is a case in point. In a briefing note last week on Perseverance's net loss for the June year of \$19.7 million, the broker said it could see some upside from here.

Apart from anything else, the group's market capitalisation of about \$85 million is now less than the cost of building the \$100 million-plus Fosterville project. And then there is the group's Stawell goldmine.

Merrills reckons that buyers of Perseverance are getting a free option on its 1 million-ounce reserve base and its 3 million-ounce resource base.

"We maintain our 'buy' with a reduced 12-month price target of 20¢ (down from 24¢ a share)," it said.

Given that Perseverance continued to weaken on Friday, there was not exactly a thundering herd building up behind the recommendation. Not just yet anyway.

Nexus Energy

THOSE missing the full range of horse punting opportunities because of the flu outbreak can switch their attention to Melbourne-based Nexus in the next day or two.

The market is waiting on results from the Fossetmaker 1 well in the offshore Browse Basin, a joint venture with Shell no less.

Fossetmaker is essentially a test for a possible eastern extension of the "wet" Echuca Shoals gas discovery.

If it comes up trumps, it becomes part of the fast-moving liquefied natural gas story in the Browse. And because the gas in the discovery well was wet with condensate (light oil), not making the LNG grade at least leaves the liquids-stripping option.

The way E.L. & C. Baillieu saw it last week, a gas pay zone in Fossetmaker of 20 to 30 metres thickness is needed for the field to prove its commercial credentials.

Nexus closed 15¢ firmer on Friday at \$1.785. Baillieu reck-ons the downside in the Nexus share price is 30¢ to 35¢ if the well is a duster. But it sees upside to \$2.50 a share if the pay zone is greater than 50 metres and high condensate ratios are confirmed. We should know today or tomorrow. Happy punting.

### Gippsland Offshore Pet

CATHY Norman's big-time ambitions for **Gippsland Offshore Petroleum** are continuing to take shape.

After taking GOP in to high-leverage exploration plays in Jamaica, Madagascar, France, Kenya, Britain and New Zealand, Norman has now organised exposure for GOP to the LNG potential of the Browse Basin, talked about earlier.

The Browse is bursting with LNG projects. Projects proposed or being chased down include those by Woodside/Shell, Shell/Nexus, Karoon/ConocoPhillips and Japan's Inpex.

Expect to hear some news on ground-breaking letters of intent from Chinese LNG buyers for Browse gas during the Asia-Pacific Economic Co-operation forum in Sydney.

So it's not a bad time for a junior such as GOP to cut itself in on the action. It's effectively acquiring a 100 per cent inter-est agreed in Browse basin permit AC/P 36 through a proposed takeover offer for privately owned oil and gas explorer Finder Exploration.

The \$25 million takeover will be satisfied from the issue of 80 million GOP shares at a price of 31¢ a share, pointing to a \$65 million market cap for the enlarged GOP.

There is more to Finder than the Browse permit, most notably its equal share of the GOP-led joint venture in Jamaica, which picked up five huge exploration blocks in that country's first licensing round in 20 years.

The AC/P 36 permit in the Browse sits 80 kilometres north of the Inpex-operated Ichthys gas field (8 trillion cubic feet of natural gas).

It won't be long before GOP has some action there either, as the permit has already been covered by three dimensional seismic surveys. There is a one-well commitment on the block in 2009 but it won't surprise to see GOP farm out a chunk of the cost and risk to one of the big boys ahead of the action.

GOP shares firmed 1¢ to 30¢ on Friday.