

the company's cash holdings from US\$2.0 million to US\$9.9 million at the end of the half-year. In addition, the restructuring almost halved the company's debt, from US\$103 million to less than US\$53 million. However, the need to reallocate US\$2.5 million to the Spanish subsidiaries for unexpectedly high maintenance costs and to satisfy previously unidentified creditors, along with the lower production from Chelopech, has continued to place "a strain on the company's cash resources".

Meanwhile, Navan also reports that recently-completed drilling programmes on its Krumovgard deposit in Bulgaria returned encouraging results, particularly at Ada Tepe (*MJ*, August 23, p.135). A resource estimate is currently being prepared and is due for release shortly. □

Barrick revision

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point, the company was still confident of achieving its targets for the September 2002 quarter.

However, the review prompted Barrick to revise its production forecast for the year downwards by 27,000 oz, to 5.7 Moz, and increase its forecast average cash operating cost by US\$6/oz, to US\$178/oz. It also expects slightly lower gold sales and higher depreciation than previously forecast, and as a result earnings for the year are now expected to be in the range of US\$0.33-0.35/share, down from US\$0.42-0.47/share indicated previously.

Mr Oliphant expressed disappointment at the poor communication between the operations and management, stating "the forward looking nature of the conversations that we had with people at our operations, and how we assimilate all that, clearly did not work as well as we wanted". However, he stressed that new procedures have already been put in place to address the issue, and thus to prevent such a situation re-occurring in the future.

Mr Oliphant also stressed that the current operational problems are only short term, and do not affect the company's previously stated goal of producing an average of 5.5 Moz/y between now and 2006, at an average cash operating cost of

US\$175/oz. He added that the company's existing operations form the solid basis of its growth plans, and that cash flow from existing operations for 2002 is expected to be at a record level of US\$370 million.

The operational problems are being experienced at three of Barrick's underground operations: the Meikle gold mine, which forms part of the Goldstrike property in Nevada; the 50%-owned Hemlo operation in Ontario; and the relatively-new Bulyanhulu mine in Tanzania. Barrick's chief operating officer, John Carrington, noted that Barrick is working "flat out" to resolve the issues, and is "a long way down the path" towards doing so.

At Meikle, operations are being affected by lower-than-expected ore grades and throughput. In particular, the company experienced a "big disappointment" during the September 2002 quarter when the mining of remnant ore produced less tonnage and lower grades than expected. In the short term, tonnage is being made up where possible from Rodeo and other parts of the Goldstrike property, and projected grade and tonnages for the December 2002 quarter have been reduced to incorporate the shortfalls.

Production for the year from Meikle is now forecast at 650,000 oz, down by 27,000 oz. Cash operating costs are expected to increase from the original forecast of US\$186/oz to US\$198/oz. However, the problems experienced during 2002 are not expected to affect operations during 2003.

Operations at Hemlo have been affected by seismicity problems, which prompted Barrick to resequence the mining earlier this year. Nevertheless, grades are down by 4% and production is 3% lower than expected. These factors will reduce production for the year by an estimated 38,000 oz (100% basis), and increase cash operating costs by US\$20/oz, to US\$227/oz.

At Bulyanhulu, the problems stem from a high-grade seam along the hanging wall of the deposit. The narrow nature of the seam (15-20 cm) has led to a portion being left behind during mining, resulting in lower ore grades and lower production. Output for the year is now forecast at 350,000 oz, down from 362,000 oz, and cash operating costs are expected to be US\$8/oz higher, at US\$199/oz. Barrick

describes the operational issues at Bulyanhulu, officially opened in July 2001, as "teething problems", and notes that steps have been taken to rectify them.

In addition to these operational problems, production at Eskay Creek, in British Columbia, has been affected by an ongoing strike at Noranda's Horne smelter, an important recipient of ore from the mine (which is of sufficient grade to be smelted directly). Ore is still being accepted at Horne but on a greatly-reduced basis, and as a result the 2002 production forecast for Eskay Creek has been adjusted downwards, from 378,000 oz to 355,000 oz. The projected average cash operating cost has almost doubled, from US\$22/oz to US\$42/oz.

Furthermore, the revised operational forecast reveals higher projected costs and, in some cases, lower forecast production, from a number of Barrick's other operations, notably those in Australia. The company cites a number of reasons, including higher mining costs, higher processing costs and changes in ore mixes processed, as reasons for these adjustments. □

BHP Billiton issues eurobonds

The BHP Billiton group this week raised €750 million from its first eurobond issue. The five-year bonds were issued at a yield of 4.45%, a premium of 55 basis points (100 bp = 1%) over the benchmark 'risk free' rate for corporate bonds. The proceeds will be used to refinance existing debt and for general corporate purposes. Speaking to *Mining Journal* this week, BHP Billiton's head of investor relations, Mark Lidiard, said that the group chose to issue debt in euros because "we felt that the market was there", and he added that it has been "pleased with the response".

BHP Billiton receives the bulk of its revenue in US dollars, which is also its reporting currency, and so the group swapped the interest-rate exposure of the eurobond issue into US dollars (which would also have the effect of reducing the effective interest rate paid by BHP Billiton). A similar approach was also taken by Rio Tinto, which issued its first eurobond earlier this year (*MJ*, May 3, p.328).

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