

Hidden Valley is a problem for Newcrest

By [Allan Seccombe](#)

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The Hidden Valley mine in Papua New Guinea is a "problem child" and three key areas have come under focus to bring costs down, said Greg Robinson, chief executive of Australia's Newcrest Mining, which shares the project with Harmony Gold.



"Hidden Valley is our problem child on a negative cash flow basis and we continue to see poor results," Robinson said during an analyst presentation on Newcrest's March quarterly results on Tuesday (23 April). Newcrest is Australia's largest gold miner and says it expects to produce between 2m and 2.15m ounces of gold in the current financial year.

Like its peers in SA, Newcrest is struggling with the fall in the gold price, a strong Australian and Papua New Guinean currency and rising costs. It has cut 150 jobs.

Newcrest shares Hidden Valley with Harmony as well as the Wafi-Golpu exploration project for a large copper and gold mine.

Hidden Valley produced 18,988oz of gold for Newcrest. Harmony will report similar results when it releases its third quarter results on 3 May. Hidden Valley produced 20,649oz for Newcrest in the December quarter. Harmony declined to comment on Robinson's view, citing a closed period ahead of releasing its own results.

Hidden Valley's cash cost in the March quarter, which included production of 205,651oz of silver, was Aus\$1,790/oz, up from Aus\$1,584/oz in the previous quarter.

"The partners are addressing the ongoing problems at Hidden Valley," Robinson said, with the partners taking delivery of a primary crusher in May instead of April as had been expected.

This will allow the mine to increase production from a high-grade part of the mine using conveyor belts to move the ore to the processing plant instead of relying on an expensive trucking option.

"It's a big priority," Robinson said.

He says mine management is looking at ways to improve metal recoveries at the plant and it has brought in an independent operational review team to reduce costs by between 20% and 30% in the "very short term".

"We will continue to review the viability of this operation in particular after the primary crusher is in place and that we've taken the appropriate steps. We hope once we've done those we'll have this mine back in a reasonable return profile for the company," he said.

With Newcrest becoming "stingy" with its capital, analysts quizzed Robinson about the Wafi-Golpu project, a Aus\$4.9bn investment which has attracted criticism of Harmony from some analysts who argue it should focus on returning capital to shareholders rather than spending billions on the exploration work.

The partners have conducted more drilling, confirming the geometry of the ore body. They are engaged in talks with the government and local communities to make sure there are no delays for the project once it is approved.

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