



BRIGHT FUTURE FOR COMMODITIES

The Gold Coast Resources Showcase opens this month. The industry is weighing up its prospects in a changing global economic climate. With the emergence of the liquefied natural gas (LNG) industry and experts forecasting strong gold values, *Brisbane Business News* speaks to Bow Energy CEO John De Stefani and Chesser Resources managing director Rick Valenta about their outlook for commodity prices, their own projects and future demand for resources.



**Bow Energy CEO
John De Stefani**

How do you see investment in resource markets at the moment? What chance is there of commodity prices picking up again in the future?

The current state of resource and energy markets is one of cautious optimism – despite the global economic downturn, prices are still above long-term averages and analysts are now predicting a global recovery by 2010. The International Energy Agency is forecasting world demand to grow by around 45 per cent by 2030 and most forecasters see a supply shortage of liquefied natural gas in Asia from around 2014. LNG will be in demand as it is greenhouse friendly with lower carbon content than coal.

With a surge in LNG projects that should be producing results fairly soon, what will be Bow Energy's role in this emerging sector? What is your market share?

Since our establishment in 2005 we are already well on a growth path to becoming a major upstream energy producer. As of the end of the March quarter we had 279 petajoules (PJ) of 3P gas reserves, which is almost enough to satisfy Queensland's gas demand for two years and with our extensive drilling program we aim to certify almost seven times that amount by the end of 2010. There has already been considerable interest in our gas from the industry majors and we have already had talks with potential buyers.

Is there too much competition for LNG in the Gladstone area?

Queensland has vast quantities of gas, with an estimated supply of more than 5000 PJ of proved and probable conventional and coal seam gas reserves. The aim of the export LNG projects is to convert some of these huge coal seam gas reserves into LNG for export to the energy-hungry markets of Asia – given this supply and demand situation all the current LNG projects planned for Gladstone obviously have potential. However, analysts are expecting some consolidation of resources.

Is the Don Juan project near Roma on track for production as expected?

Bow has certified more than 105PJ of 3P gas on the Don Juan CSG project and is progressing with further testing to upgrade these reserves to 2P gas. Once this is achieved Bow will be well placed to commercialise this project and has had strong interest for both domestic and export players. All four of our major CSG projects, which also include Norwich Park, Comet and Gunyah have both domestic supply and export market potential.

What are your staff numbers and do you expect these numbers to increase?

Bow is a lean company with a highly technical and efficient workforce and experienced management. As we have sought to minimise costs during our initial growth phase through outsourcing, we currently have 11 staff. But we could expect to increase our staff rapidly over the next few years as we achieve our gas certification targets and move towards production.

What makes Brisbane such a good location to base your company?

Brisbane is arguably Australia's most liveable city and we're fortunate to call the city our home. As the majority of our projects are in Queensland, Brisbane is a natural base for us, but it also gives us access to the necessary skilled labour, infrastructure and facilities. Having lived overseas for some time before returning to Australia, I can honestly say that Queensland is a fantastic place to live and it's always great to come back here.

Your share price has tripled since March. Do you expect this rally to continue?

Our share price has tripled on the back of our successful certification of coal seam gas reserves and while it's very difficult to forecast the market, we would expect another re-rating of our stock over the next 6 to 12 months as we achieve our reserve certification targets. LNG will be in demand as it is greenhouse friendly, with lower carbon content than coal and Bow Energy is in a perfect position to benefit from it.

What makes you different to other CSG companies on the ASX?

We have a clean asset base with 100 per cent ownership interests in our key tenements, a strong cash position, as well as quality assets, an excellent location to service the proposed LNG industry and a proven team of experienced, well-regarded management and personnel. We've got the right area, the right people and the right projects.

WHEN did Chesser first have the idea to take up gold exploration in Turkey and was it difficult establishing Chesser Resources' operations there?

I started working in Turkey five years ago and over time I realised it was a vibrant and rapidly advancing economy with a very favourable climate for mining – there was huge untapped potential for the discovery of gold. It is always difficult to establish a new presence in a foreign country, but it is much easier when you know some of the rules, and who to call when you need help.

When do you expect to see production begin and what market value do you place on your expected outcomes?

This month we released our milestone at Sisorta, our major project. We will find out its value calculation figure when released this month.

For example, similar deposit not far away from Sisorta recently sold for approximately US\$110 per ounce of gold in the resource, so a similar deposit of 300,000 ounces, for example, would have a market value of about US\$33 million.

What have been the set-up costs?

The cost for us to set up our operation there has been pretty minimal, at about US\$4 million so far. We have a very small office, as most of our people spend the bulk of their time out in the field exploring. Most of our expenditure has been 'money in the ground' by drilling holes and carrying out surveys to allow us to advance our projects towards discovery.

And what if your expected outcomes do not succeed? Is this a possibility?

Mineral exploration is all about risk and how to handle it, so every resource company on the planet is carrying on its work knowing that it may not be successful.

In the case of Sisorta we knew there was plenty of gold there, with the right sort of grades and characteristics to suggest there was a very good chance the project would be economically favourable – our work since has reinforced this. We have also recently picked up another project called Kestanelik, where we already know that there is very high grade gold in exposed quartz veins, with good potential to drill and expand the resource very quickly.

What are your current staff numbers?

We have five permanent staff in Turkey and I am the only non-Turkish employee in the company. All of the staff speak perfect English, so I am ashamed to say that I have learned very little of the language in the five years I've been working there.

Why base your company in Brisbane if your operations are in Turkey? Are you planning exploration in other areas?

We lived in Brisbane from 1994 until 2001 so my kids basically grew up here – we all eventually decided that this was the place we wanted to end up and aside from being a wonderful place to live, Brisbane has a vibrant mining and exploration community. It is certainly very convenient getting to Turkey from Brisbane, though obviously it is a fairly long flight. That's where we plan to continue our focus. Whilst the economic climate is showing signs of improving, it is not the greatest time for a junior company to spread itself too thinly from a geographic point of view. Having said that, we are always on the lookout for good projects wherever they are.

In uncertain times people flock to gold. How do you see gold demand and prices panning out in the coming years?

Commodities have been on a rollercoaster ride over the past few years and I think

sometimes people don't realise that the increase in the price of gold over that same period has been much more modest. Dundee Wealth Economics chief economist Martin Murenbleed has had a great track record of correct predictions of the gold price and he thinks the price will stay just below \$1000 for the rest of 2009 and just above \$1000 in 2010, eventually increasing to \$2300 – I particularly like that last bit.

Are you concerned about social and political stability in the region and how it could affect your operations?

Turkey as a country has gone through a lot of positive changes over the last decade or so and I have even seen a lot of progress in the time I have been going there.

I don't think people realise that in most respects, Turkey is already essentially part of the EU. They have a free trade agreement and a huge business connection. Our project is in a very safe area and we don't see any significant sovereign risk associated with it.



**Chesser Resources
 managing director
 Rick Valenta**