



## Aussie dollar leaves sour taste

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**THE volatile Aussie dollar has claimed a few scalps over the past month with Iluka Resources, Alumina, Wedgetail Mining and Midas Resources all negatively affected by the strong currency.**

The Australian dollar-which reached an 18-year high of US85.16c mid last week-has been a key reason behind the downgrade in full year net profit results for Iluka Resources and Alumina.

Mineral sands miner Iluka originally advised an earnings guidance for the 2006-07 year of \$90-100 million, based on an average exchange rate of US75c.

However a firmer Australian dollar resulted in Iluka revising its 2007 average exchange rate to US87c which cut its full year net profit to \$55-65 million.

The company said the currency sensitivity was around \$A8 million in net profit after tax for every one cent movement in the average spot rate during the year.

Meantime, Melbourne-based Alumina downgraded its underlying earnings for 2007 to \$490 million, primarily as a result of a lower US dollar against the Australian dollar.

The company said its average refining costs were \$US20 per tonne higher than the previously estimated increase of \$4/t for 2007, with the increase including a cost of \$8/t due to the exchange rate impact of a lower US dollar.

The company said each US1c movement in the \$A-\$US exchange rate affected underlying earnings by \$A7 million, while a US1c per pound movement in the average three-month London Metal Exchange aluminium price would impact underlying earnings by \$10 million.

Last month, a "substantial fall" in the Australian-dollar gold price, as a result of the Australian-US dollar exchange rate appreciation, caused Wedgetail Mining to defer further development of its Nullagine gold project in Western Australia.

"This has adversely impacted the proposed project development returns to the point where the board has had to reassess the current development option for the project," Wedgetail said at the time.

"As a result, the board has elected to defer the development until ... the project economics improve."

During the evaluation period, Wedgetail said it would continue exploration over the project to increase resources and reserves, and further assess the potential of heap leaching to boost gold production.

This week, Midas Resources became the latest to flag the negative impact of a volatile Australian dollar after announcing a 21% rise in gold grades at its Fortitude gold project.

Midas said that while it was "encouraged" by the increase in the gold grade in its latest resource estimate, the volatility of the Australian dollar against the US dollar, and increases to associated mining costs over the past 12 months, could cause problems for the company in the future.

"..the rise in mine-related capital and operating costs over the past twelve months coupled with the recent adverse change in the \$US-\$A exchange rate means there is no certainty that the pit optimisation work will yield a satisfactory commercial outcome," Midas said.

The Australian dollar fell on Monday to close at US84.97c, but has since rallied to close yesterday at US85.15c.



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