



THE MELBOURNE MINING CLUB LUNCHEON



4th October, 2007

Arthur Hood - CEO Lihir Gold Limited
**Topic: Gold + LGL - Metal & Company in
Transition**



Melbourne's Town Hall was again packed with over X industry participants for an insight into Lihir's transformation into one of the world's top 10 gold miners by market cap. Lihir has operations in Papua New Guinea, West Africa and Australia. CEO, Mr Arthur Hood outlined the five step process underpinning this turnaround and growth story. He believes Lihir's strong organic growth profile made mergers or acquisitions to grow unnecessary, but they would still continue to look for potential deals. "It would be remiss of me not to be looking at M&A opportunities so, yes, that is always a parallel activity". Whilst declining to make a forecast on future prices, Mr Hood noted the current strong outlook for gold "with most commentators talking about \$US700 to \$US800 (an ounce) over the next year or so."



At Denvers Gold Forum last month Lihir was named as an "attractive takeover opportunity", due to its low cost of production. Although ranked among the top gold producers globally Mr Hood acknowledged that the stock was discounted because of a reliance on Lihir Island. "You get discounted once for the single-mine operation, and you get discounted for the perception of PNG's sovereign risk, ". To help Lihir grow, he outlined plans to double output over the next four to five years including last years launched (and since completed) A\$350 million friendly takeover of Ballarat Goldfields.

Whilst the speech was full of upbeat sentiment, all is not rosy for the tier 1 gold miner. It recently acted to resolve a strike at its flagship operation. In addition 'the market' isn't sure about its Ballarat project, with some analysts including Morgan Stanley's Craig Campbell, remaining skeptical about the project. Campbell said the acquisition "hasn't impressed the market"... let's hope that Lihir's dip of 12c to \$3.91 isn't a sign of things to come...



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