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HD **Buyer beware as big money backs resources**

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WHAT do Andrew Forrest, Kerry Stokes, John Kahlbetzer and Mark Creasy have in common?

Well, firstly, they're all incredibly rich. Forrest, an **iron ore** magnate, has an estimated fortune of more than $5 **billion**. Stokes, majority owner of the Seven West Media group, is worth about $2.5 **billion**.

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Then there's Kahlbetzer, a reclusive octogenarian with around $800 **million** in assets, who mostly built his wealth through agriculture.

And last comes Creasy, a WA prospector who first struck it rich through **gold**, and whose personal wealth has since soared to more than $600 **million**.

But the common thread joining these rich Australians is not just their mega-fortunes. It's actually **mining** and **energy** because, over the past few months, each of them has made multimillion-dollar investments into smaller listed Australian resources companies.

Forrest has just invested $12 **million** into the WA **uranium** exploration stock, **Energy** & Minerals Australia, and has already turned a tidy 115 per cent profit from what – to him at least – is petty cash.

Meanwhile, Perth-based Stokes is making a $25 **million** play for the **oil** and gas explorer, Nexus **Energy**, and also is holding a controlling $70 **million stake** in **Iron Ore** Holdings.

Kahlbetzer is trying something else on for size, through a $1.5 **million** investment in the Lucapa Diamond **Company**, an Australian explorer with interests in the African country of Angola.

Creasy, on the other hand, has diverted his gaze from **gold** and increased his focus on nickel via Sirius Resources – the **company** behind Australia's best nickel discovery of the past 10 years.

Collectively, their capital investments represent a huge confidence booster for the smaller end of the **mining** and resources spectrum.

The message to everyday investors from these entrepreneurs is that the small resources sector may finally be waking up after three years of slumber. This is despite the fall in the **iron ore** price over the past week to below $US100 per tonne, which has sent a strong signal that **China** is actively scaling back its industrial production and will therefore need less of our raw minerals to turn into steel and other manufactured products.

Yet, global investment banks and others focused on the **mining** sector are quite confident in a broad upturn in the resources cycle, particularly as the US, Europe and other countries gain economic momentum. **China** will continue to grow too, although at a slower pace.

A return to resources by big investors is influenced by expectations that commodity prices will rise as a result of reduced supply.

What the super-rich are doing is very interesting.

But **mining** investment is inherently high-risk. So remember – making or losing a few **million** here and there is only petty cash to them.Tony Kaye is editor of Eureka Report. To read more by Tony Kaye and other experts, visit www.eurekareport.com.au

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