

HD HIGHER AT MIDDAY AS BANKS RECOVER, RESOURCES FALL

BY Jenny Prabhu

WC 3,422 words

PD 21 January 2014

SN OzEquities News Bites

SC NBOZEN

LA English

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The S&P/ASX200 is up 20.1 points, spiking up from up 7.4 points at 12.32 pm to up 20.1 points to 5315.1 by 12.43 pm, following Asian markets higher. Volume was very light at \$1 **billion**. There were 485 issues higher and 328 down. The SPI Futures was steady at 5256 on very light volume of 3608 contracts. Aussie 10 year bond yields fell 2 points to 4.08%. The \$A is at 88.19 US c, up about 20 points from early levels.

*The banks have contributed 7 positive points to the index, resources have contributed 6.5 negative points, **property** trusts have contributed 0.2 positive points, retailers have contributed 0.5 negative points and Telstra is Neutral.

*The Nikkei Dow futures is up 140 points to 15,810 points, Shanghai CSI physical is up 0.76 points to 1992.02, Hang Seng futures is up 200 points to 23,069 points, S&P futures is up 5 points to 1839.30, Nasdaq futures is up 13.6 points to 3598.5, Dow futures is up 48 points to 1644.5.

Gold futures are up 70c to \$1252.60. Crude futures are down 56c to \$93.87.,

A bit of sector rotation seems to have driven our market higher at midday, switching out of the resources into the banks - but not much can be read into it, with a few large orders sufficient to sway the index on a low volume day.

"Bit soft early and finish up about five/next reasonable leg has to be a down leg"

"Bernborough" said, "We are being led more by Asia at present - I expect us to be a bit soft early and finish up about five, but a lot will depend on Asia.

"People currently don't know what to do - they are not even doing rotations (from one sector to another) because there's not enough movement.

"I am all cashed up and want to go short, because I believe the next reasonable leg has to be a down leg, but I've not enough confidence to do anything right now".

The S&P/ASX200 closed down 10.9 points to 5295 last evening.

TOP STOCKS

*Troy is up 9c to \$1.07.5 on 756,425, while most **gold** miners are weaker today on the report below.

Among the financials, AMP is up 3.5c to \$4.48.5 on 661,538 shares, ANZ has gained 15c to \$31.02 on 1m shares, CBA is up 62c to \$75.94 on 585,588 shares, NAB is up 29c to \$3.93 on 921,926 shares, Westpac has gained 12c to \$31.65 on 1.2m shares.

Among the TMT's Telstra is up .5c to \$5.23.5 on 6.6m shares, Telecom NZ is up 1c to \$2.24 on 390,5589 shares, SingTel is steady at \$3.11 on 199,753 shares.

Among the resources BHP is down 11c to \$37.89 on 2m shares, RIO is down 54c to \$65.95 on 815,731 shares. Fortescue is down 21c to \$5.46 on 9.4m shares, Atlas is down 4.5c to 93.5c on 20.9m shares, BCI is up 15c to \$5.19 on 500,237 shares. OZL is up 7.5c to \$3.68.5 on 626,336 shares, Sandfire is down 21c to \$6.49 on 144,582 shares, also quarterly below.

Among the oils, Woodside is down 50c to \$38.30 on 1m shares. Santos is down 10c to \$14.35 on 342,022 shares, **Oil** Search is up 2c to \$8.25 on 402,667 shares.

Among the golds, stocks are lower across the **board**. Newcrest is down 8c to \$9.62 on 2m shares, Resolute is down 1.8c to 57.7c on 809,686 shares, also quarterly below, Silver Lake gave back 1.3c to 7.7c on 3m shares, Medusa is up 1.5c to 42.30.5 on 361,767 shares.

AT THE SMALLER END

*Nagambie is up 2.3c to 5.9c on 10m shares on the report below.

*Heemskirk is up 1.2c to 7c on 3m shares on the report below.

*OTOC has gained 2c to 12c on 478,176 shares on the report below.

*OEL is up .2c to 10.2c on 1.4m shares on the report below.

NEWS OF THE DAY

Ex div: MIR ex 3.5c

85 people control half of the world's wealth

Shell sells its Wheatstone gas and 6.4% LNG to Kuwait Co for \$US1.14 bln cash

Dalje.com (English version) and various Aussie newspapers report Royal Dutch Shell said it would sell its interest in an Australian gas field to the Kuwait Foreign Petroleum Exploration Co. for \$1.14 **billion** in cash.

"Shell will remain a major player in Australia's **energy** industry. However, we are refocusing our investment to where we can add the most value with Shell's capital and technology, said Shell Chief Executive Officer Ben van Beurden, Dalje reported.

This follows Shell's warning last week that earnings in the fourth quarter would be about \$2.2 **billion** lower compared to the fourth quarter of 2012, a drop of about 70 percent.

The **company** blamed slim refining margins and increased spending for the profit warning.

In Australia, margins are lower due to high labor costs, the Journal said.

In the \$1.14 **billion** deal, Shell is selling its 8 percent share of the Wheatstone-lago gas field and its 6.4 percent interest in the Wheatstone liquefied-natural-gas project in Western Australia.

Shell will publish its 4th quarter results on January 30.

LARGE CAP INDUSTRIALS

*FBU: Chairman welcomes Sir Ralph Norris to the **board**

Fletcher Building Ltd announced the chairman Mr Ralph Waters (who is retiring at the end of 2014) announced the appointment of Sir Ralph Norris to the **board** as an independent director, with the appointment effective from April 2014.

Sir Ralph retired as MD and CEO of the Commonwealth Bank of Australia in November 2011 following a 40 year career in the banking sector in Australia and New Zealand, including as CEO of ASB Bank. He is a former CEO of Air NZ.

Sir Ralph is a director of Fonterra Cooperative **Group** and Origin **Energy** and a former director or chairman of the Business Council of Australia, the International Monetary Conference, Sovereign Insurance, the NZ Bankers Association, NZ Business Roundtable and the Australian Bankers Association. He is a member of the NZ Olympic Advisory Committee and the Juvenile Diabetes Research Foundation Advisory **Board**.

*GUD: GUD reports for the half year.

Analysts expectations: \$20.4 mln, no div.

Company guidance: On January 15 GUD Holdings Ltd announced plans to relocate the production capacity of its Kings **Park** (Sydney) Dexion Industrial pallet racking factory to newer and lower cost Dexion factories in Malaysia and **China**. The **board** has determined this to be necessary to improve Dexion's competitiveness in Australia. Dexion will retain sales, design and installation and customer support teams in Australia.

The decision to cease manufacturing in Australia will involve a staged closure of the Kings **Park** factory during 2014 with redundancy of up to 75 positions. The total costs associated with the project to relocate manufacturing are \$15.9 **million** and includes the writedown of obsolete and surplus plant and equipment for \$3.2 **million**, \$4.2 **million** in new capital expenditure and \$8.5 **million** in closure costs of the Kings **Park** factory. The writedown and costs will be brought to account in first half results, to be announced on January 21 2014.

It is expected the project will be completed by December 2014 and is expected to realise an annualised cost reduction of \$67.5 **million** after that.

LARGE CAP RESOURCES

*BHP: Selling Bayside aluminium smelter in South Africa to Hulamini

"ZA News" in Johannesburg reported yesterday "The National Union of Metalworkers of South Africa said BHP Billiton Ltd may sell its Bayside aluminium smelter, which the world's biggest miner has earmarked for closure, to Hulamini Ltd.

"We do hear that they have an interest in buying that smelter," Mbuso Ngubane, Numsa's regional secretary for the KwaZulu-Natal province, said today by phone, referring to Hulamini, a manufacturer of finished aluminium products.

"The union has members at both **operations**.

"BHP plans to cease smelting at the Bayside operation in the northeastern port of Richards Bay, it said in a January 17 statement, citing "significant and ongoing financial pressure." Lulu Letlape, a spokeswoman for BHP Billiton, and Johannes van Niekerk, a spokesman for Hulamini at CapitalVoice, declined to comment when contacted by phone today".

*RSG: Quarterly production up, reaffirms guidance, \$50 mln cash in hand

Resolute **Mining** Ltd for the December quarter announced total **gold** production was 98,132 ozs vs 84,274 ozs for the previous quarter at a cash cost of \$911 per oz (vs \$970 per oz for the previous quarter.

Production at Syama in Mali (RSG 80%) for the quarter was 43,918 ozs vs 28,611 ozs for the previous quarter at a cash cost of \$1,011/oz Au vs \$1,193/oz Au for the previous quarter.

At Ravenswood in Australia (RSG 100%) **gold** production was 33,629ozs vs 39,051 ozs for the previous quarter at a cash cost of \$900 per oz vs \$735 per oz for the previous quarter, in line with expectations.

Production at Golden Pride in Tanzania (RSG 100%) for the quarter was 20,585 ozs vs 16,612 ozs for the previous quarter at a cash cost of \$718 per oz Au vs \$1,139 per oz Au for the previous quarter.

Guidance

Resolute reaffirmed production guidance of 345,000 ozs at an average cash cost of \$890/oz and an all in sustaining cost of \$1,175 per oz for full year 2014.

On the development front in Mali, significant capital expenditure savings of \$US31 **million** were confirmed as part of the previously announced modified Syama Expansion Project.

The Expansion Project is well progressed with total forecast capital spending reduced to \$US235 **million** from \$US266 **million** and full year 2015 deferred spend lowered to \$US82 **million** from \$US113 **million**.

The parallel oxide circuit remains on schedule for January 20-15 commissioning. Deep infill diamond drilling has commenced to upgrade resources below Syama pit, as well as a prefeasibility study for the 2.9M oz resource underground development.

On the exploration front, exploration continues in Tanzania, Mali, Queensland and Cote d'Ivoire.

On the corporate front gross cash inflow during the quarter was \$36 million vs \$38 million for the previous quarter.

Group cash, bullion and liquid investments at the end of the quarter totalled \$50 million.

The Noble Deed of Company Arrangement providing for 100% transfer of the Bibiani gold project in Ghana to Resolute has been approved by creditors.

*SFR: Strong Dec qtr, reaffirms full year guidance, \$75m in cash + deposits

Sandfire Resources Ltd for the December quarter announced production for the quarter was 15,492 tonnes Cu and 5,957 oz gold produced at a C1 cash operating cost of \$US1.29/lb.

Underground mining rate of 1.5Mtpa was achieved with five stopes now online. Development of C1 and C4/C5 declines are progressing with total underground development exceeding 17 Km.

Copper recovery increased to 89.7% achieved with further recovery improvement initiatives underway, targeting 92% during the 2nd half 2014.

Guidance

2014 production guidance are maintained - mid point of 65/75,000 tonnes of copper, low end of 35/45,000 ozs of gold, upper end of C1 cash costs of \$US1.05/1.15 per pound.

On the exploration front, there were further encouraging results from underground drilling to test down plunge extensions of Conductor 4 and down dip boundary of Conductor 1. Resource model update is underway.

On the corporate front, the farm in and j/v with Ventnor Resources was completed, giving Sandfire the right to earn up to 80% of the Thaduna/Green Dragon copper project.

A farm in was signed with Talisman Mining to farm into its three key Doolgunna copper-gold projects, located immediately adjacent to DeGrussa.

As at December 31 the company had \$75 million in cash and deposits and \$230 million remaining facility balance.

*TRY: Favorable prelim economic assessment for Smarts and Hicks deposits

Troy Resources Ltd announced results of its N143-101 preliminary economic assessment and JORC compliant Scoping Study for the mining and treatment of the Smarts and Hicks deposits at its 100% owned West Omai gold project in Guyana.

The study assumes that a total of 5.2 million tonnes of material will be processed with an average grade of 4.13gpt Au with recovered gold production of 633,000 ozs over a 7 year mine life.

Highlights from the study assuming a gold price for the base case of \$US1250/oz include a 7 year mine life with average annual gold production of 90,000 ozs, with production in the first 12 months of 102,000 ozs of gold.

A conventional CIL plant augmented with gravity gold recovery treating a nominal 750,000 tpa, configured to allow easy low cost expansion at a later date.

A Production Target of approximately 5.2 million tonnes of material is envisaged to be processed with a naverage grade of 4.13gpt Au from the Smarts Open Cut (42%), Hicks Open Cut (25%) and Smarts Underground (33%). In terms of contained gold, the sources are Smarts Open Cut 45%, Hicks Open Cut 15% and Smarts underground 409%. The initial capital is calculated at \$US86.8 million, sustaining capital over the life of mine is calculated at \$8.6 million. Life of mine all in cash costs are calculated at \$805 per oz, after tax payback is seen as 1.8 years and NPV at 6% of \$101.5 million for an after tax IRR of 44.2%.

MID TO SMALL INDUSTRIALS

*AEB: Pilot projects for India/investment by RIIHL of \$1.5m +

Algae.Tec Ltd announced an initial investment of \$A1.5 million by Reliance Industrial Investments and Holdings Ltd (RIIHL) with additional investments of \$A1.2 million over the next two years.

The relationship also features pilot project agreements for building a 2 barrel per day biofuels facility in India using Algae.Tec's technology funded by RIIHL affiliates.

*FRI: Approval for former Port Hedland Hospital **Site** redevelopment

Finbar **Group** Ltd announced it has received a copy of formal advice by the Western Australian Planning Commission to confirm that Town Planning Scheme No5 Amendment No 62 for the former Port Hedland Hospital **Site** has been granted approval by the Minister of Planning.

Finbar has been selected as the preferred developer for a proposed project end value of approximately \$300 **million** comprising 367 short stay apartments plus 3,900 sqm of ground floor **commercial** lots overlooking the proposed Spoilbank Marina in the Pilbara town of Port Hedland, WA.

Finbar has subsequently gained support from the Local Council with the agreement that the 367 short stay apartments would be an underutilisation of the important 3.14 hectare **site** and subject to Council support, Finbar would be prepared to proceed to a predominantly permanent accommodation mixed use scheme.

*OTC: Cash in hand, minimal debt, no longer needs to file a Form C

OTOC Ltd, a provider of resources and infrastructure services through OTOC Australia and Whelans said in an update at December 31 it had \$9 **million** in cash, a CBA finance facility of \$8.2 **million** with shareholder loans reduced to \$460,000. It therefore no longer needs to file an Appendix 4C report.

*POH: Novartis launches Voveran inc POH's TPM in India market, other

Phosphagenics Ltd CEO Harry Rosen announced Novartis has launched a topical diclofenac gel that has been formulated with Phosphagenics proprietary TPM drug delivery system under the product name "Voveran TPM gel".

Phosphagenics partner Themis Medicare Ltd which supplies the diclofenac gel in finished dosage form to Novartis India Ltd will also shortly launch its own product in the Indian market incorporating TPM under the product name Instanac TPM gel. Phosphagenics will receive an undisclosed royalty from Themis on **sale** of its Instanac product as well as sales of the Voveran product.

Voveran TPM gel is a topical non steroidal anti inflammatory drug indicated for the treatment of pain and inflammation of the muscles and joints caused by osteoarthritis, soft tissue rheumatism and injuries such as sprains and strains.

In the Indian market, Novartis Voveran is the number one brand in the pain and inflammation product category.

Our note: From our Week's Special dated February 4 2011: Phosphagenics proprietary TPM technology protected by 23 patents both granted and under application, is a non-invasive platform system for the delivery of a range of different molecules including insulin, morphine, retinoic acid, oxycodone, lidocaine and diclofenac.

MID TO SMALL RESOURCES

*ATI: To commence exports of vanadium trioxide in the near future

Atlantic Ltd announced it is now in a position to commence exports of vanadium trioxide (V2O3) in the near future from its Windimurra project. There are no outstanding regulatory requirements.

The Windimurra project currently produces V2O3 as an intermediary product and then converts it into ferrovandium in an electric arc furnace. Windimurra is one of only a small number of vanadium production facilities in the world to produce V2O3 for **sale**.

*HSK: Sells Lethbridge min product plant in Alberta + barite option for \$C12m Heemskirk Consolidated Ltd announced a binding **sale** agreement with Marquis Alliance **Energy Group** Inc to sell its operating Lethbridge mineral products plant in Alberta Canada and an optioned barite exploration interest in Nevada in the US for \$C12 million.

The **sale** is in line with Heemskirk's strategy to focus on the development and commissioning of its \$C26 **million** Moberly sand facility in the neighboring province of British Columbia.

Consideration for the Lethbridge **sale** consists of an initial payment of \$C8.44 **million** cash plus \$C3.56 **million** for the plant's current inventory of primarily bulked and bagged barite, gypsum and zeolite. A break fee of \$C500,000 is payable should Heemskirk accept a superior offer.

*JKA/TPT: Directors unanimously advise acceptance of Jacka Resources Ltd in its Target's Statement with regard to the off market scrip takeover offer by Tangiers Petroleum Ltd said directors unanimously recommend that shareholders accept the offer unless a superior proposal emerges. (Jan 20)

*NAG: Up to 21.1gpt Au at Nagambie in central Victoria/several hi grade hits

Nagambie **Mining** Ltd announced 21.1 gpt Au has been intersected at Wandean, the highest **gold** grade ever for the Nagambie region in central Victoria, 9 km north west of the historic Nagambie Mine in EL 5430. The previous best oxide **gold** assay was 16.3 gpt Au at the historic Nagambie Mine in the 1990s.

Highlights from the second pass exploration drilling program include 37m at 0.86gpt Au from 7m down hole including 5m at 1.45gpt from 7m in drill hole WRC21 and 2m at 11gpt Au from 7m including 1m at 21.1gpt Au from 7 **m** in WRC 23, and 4m at 3.3gpt Au from surface including 1m at 10.6gpt Au from 1m in WRC 42.

Chairman Mike Trumbull said "The presence of such near surface high grade **gold** at Wandean is a bolt out of the blue. our target average grade for economic **gold** mineralisation at Wandean at a **gold** price of around \$A1,300 or \$US1,170 per oz is 1gpt Au. We now have a very good chance of being able to achieve or exceed this target average grade". (Jan 20)

*OEL: Final binding agreement with BHYP over SC55/farmout process begins

Otto **Energy** Ltd announced it has executed final binding agreements with BHP Billiton to terminate the farmout agreement between the two parties over Service Contract 55 (SC55) offshore the Philippines.

BHP is to pay \$US3 **million** to Otto on approval of reassignment and \$US24.5 **million** on drilling an exploration well. Otto's 2014 work program and budget includes drilling of Hawkeye-1 exploration well as early as 4th quarter 2014.

The farmout campaign for Hawkeye 1 has commenced.

*SAR: Trading halt ahead of major **acquisition**

Saracen Mineral Holdings Ltd asked for a trading halt pending the announcement of a major **acquisition**.

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