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HD **Miners' phones start to ring again as investors renew interest**

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Fund managers are starting to drip cash back into the resources sector, but it has come too late to address the looming shortage of profitable projects in Australia's **mining** pipeline.

As 1900 people converged on Kalgoorlie for the start of the annual Diggers and Dealers **mining** conference on Monday, the mood was cautiously upbeat, despite tough conditions for junior miners.

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Investors have started to return to the resources sector in the past six weeks and a string of **equity** raisings in base metals has helped buoy the mood a little.

Over the past six weeks, institutions and wealthy individuals have signalled they are prepared to stump up money for good projects or good drilling results, particularly in base metals and **gold**.

Eddie Rigg, managing director of Perth boutique investment bank and brokerage Argonaut, says the lack of exploration in the past four years had created a "frightening" effect.

"A major theme is – where the hell is future production going to come from?" he says.

"There is such a shortage of quality projects to be put into production, what's coming on is not filling up the gaps for what is coming off.

"If we thought the last boom – which was due to a perceived lack of commodities – was big, we think the next one is going to blow the last one apart."

Less than a dozen of the undeveloped resource projects held by ASX-listed companies, at scoping study level, would make money at today's commodity prices and exchange rate, he says.

"We can't identify a single undeveloped **copper**, zinc or **iron ore** project [outside of BHP and Rio] that would be profitable at today's prices, and aside from Sirius Resources, there is nothing in nickel that would be profitable," he said. "Once other people start to appreciate the lack of new projects available to come onstream they are going to fund more."

While bankers at the country's biggest investment banks expect deal activity in the resources sector to remain subdued, PCF Capital managing director Liam Twigger says in the past two months fund managers had started to diversify their holdings away from low-yield industrial stocks to resources, where many were underweight.

"We've been waiting for this moment after a three-year nuclear winter, where it has been very hard to raise money," he says.

"We are not back to boom times but there is **equity** around for good projects. And we're starting to see a fear of missing-out syndrome among fund managers."

Mr Rigg agreed, saying fund managers wanted entry through a liquidity event: either a placement or a block selldown. They were chasing exposure to base metals.

"The market is thin but for first time in three years we are getting institutions calling us, instead of the other way around all the time, it started about six weeks ago."

According to Mr Twigger, investors are wary and it is only good projects run by good management that make the cut.

"Investors are wary of capital cost blowouts," Mr Twigger says.

Gone are the days where a magnetite **company** with a market capitalisation of $100 **million** can raise money for a $1 **billion** project. For now anyway.

He tips a continuation of capital raisings between $5 **million** and $50 **million** in **copper**, nickel and **gold**.

Hartleys head of corporate financeGrey Egerton-Warburton said he too had seen a shift in interest towards resources over the past two months, both from wealthy individuals and institutions.

"For those in nickel and zinc, and to a lesser degree **copper**, it feels like a very exciting time," he said.

He pointed to the $189 **million** cash call Hartleys made for Sirius in late July as a signal of the renewed appetite.

Mr Twigger puts the trigger for the shift in sentiment as Baosteel's all-cash takeover of Perth **iron ore** junior Aquila Resources, which lobbed in May.

"It was a cash bid, which broke new ground created a new market dynamic," he says.

"Generally, the **Chinese** method to buy into projects has been shares in a joint venture."

But Mr Rigg tips that Baosteel's bid will be the last for a long time as the **Chinese** government steps up its attack on corruption at SOEs.

"The SOEs are paralysed with indecision at the moment, no one wants to raise their head," he says.

The area of most investigation been **oil** and gas, metals and **mining**.

"Baosteel I think will be the last one [SOE bid] for at least 12 months."

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