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HD **Struggling in the stampede**

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Look beyond the current noise for some opportunities

Altona Mining(AOH) FEAR and loathing abounds in the resources sector thanks to the almighty sell-off in the broad sweep of commodities.

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And as could be expected, the market can overshoot to the downside in such conditions, just as much as it can overshoot upwards during periods of heady commodity prices.

Today's opportunities are there for those prepared to look beyond the current noise surrounding commodities — and look to the longer-term picture of a world in which its two most populous nations, India and China, are industrialising and urbanising at a rate that will put demand pressures on key commodities no matter what.

Perth-based Altona Mining is a case in point. It has just wrapped up the sale of its copper project in Finland to Sweden's Boliden for $111.6 million.

The sale takes Altona's cash balance to $129m, or 24c a share, which is where it gets interesting because Altona was last quoted at 22.5c a share.

If cash was all Altona had, that would be fair enough. But there is more to Altona, namely its Little Eva copper project, part of the company's broader Roseby copper interests at Cloncurry, in northwest Queensland. It is currently being valued at less than nothing in Altona's share price … if that is possible.

Reflecting the opening theme here, the smarties at Perpetual Investments reckon the massive sell-off in juniors has created opportunities to add to current positions in its microcap fund, one of them being Altona, on the basis that the market is "ignoring the potential value of Little Eva".

Perpetual's stake now stands at 15 per cent of Altona and it "sees significant upside as management look at options to further develop, sell or partner the (Little Eva) project''.

That is exactly what Altona managing director Alistair Cowden is working on. On receipt of the final payments from Boliden, Cowden noted that the market was attributing no value to the Little Eva project.

"I believe the market is undervaluing Altona's assets and I am convinced that we can obtain further value in the future for this large, growing and fully permitted and development-ready Australian copper-gold project,'' Cowden said.

The trick now is for Cowden to secure a deal that demonstrates the value of Little Eva. To that end, it is known that Chinese interests have toured the project.

A refreshed definitive feasibility study points to robust economics for a $294m development at Little Eva that would have an 11-year mine life producing at an annual rate of 38,800 tonnes of copper and 17,200 ounces of gold.

Cash costs are put at $US1.65 a pound of copper, or $US1.70 a pound if Altona has to put in its own power supply rather than piggyback off the power supply for MMG's yet-to-be committed Dugald River zinc project down the road.

Either way, the project costs are robust compared with other undeveloped copper projects, due mainly to the relatively simple open-pit development.

The grade at 0.6 per cent copper and 0.1 grams of gold a tonne does not exactly blow the mind. But then again, it is not at 3000 metres elevation like similar, albeit larger-scale, "low-grade'' projects they have to contend with in the Andes.

What's more, the grade at Little Eva is actually within the best 25 per cent of all copper development projects.

On the assumption that Cowden's dealmaking capabilities again come to the fore — the sale price of the Finnish mine to Boliden was at a 40 per cent premium to Altona's market cap at the time — Little Eva is going to be worth something substantially more than its current less-than-nothing value in Altona's share price.

Argonaut Securities had a stab at what Little Eva alone could be worth to Altona back in July. It arrived at 35c a share. Things have changed in the market since, but the valuation does give a feel for what a deal could mean.

To ensure momentum at Little Eva is maintained regardless of the wider tempo of the market, Altona will be holding on to about $50m from the proceeds of the Finnish sale.

That will leave about $80m, or 15c a share, to be distributed to shareholders by way of a capital return and an unfranked special dividend. A ruling from the tax office on the scale of the capital return is not far off.

Carbine Tungsten (CNQ) AN obvious impact of the great commodities meltdown is that ASX juniors bringing forward genuine cashflow-generating mineral developments in the next couple of years are going to be few and far between.

The juniors have been doing it rough for a couple of years now, with the main problem being the non-existence of capital for new projects. Now that commodities have turned big time, that is doubly so. As a result, a junior about to make the leap to producer status is a rare breed.

No such problems though for Carbine Tungsten (CNQ), which is heading towards returning the Mount Carbine tungsten mine back in to production, initially from the existing stockpile, and later from the hard-rock open cut.

It should prove a popular operation with the analysts once up and running from the first stage at the end of next year because it is all of a 45-minute drive from Port Douglas. But its cash-generating capability should also impress.

In the first (stockpile) phase, the plan is to produce 750 tonnes of contained metal annually over eight years. Operating costs of $US130 a metric tonne unit (as the strategic metal is priced, with an mtu the equivalent of 10kg of metal) are expected.

Take a conservative sale price of $US290 an mtu (current prices are $US320), and annual free cashflow of $12m is on the cards, cranking up to something much bigger from 2018 onwards when the open-cut is back in full swing.

The initial stockpile phase requires about $US15m in capital, an amount that the metals trading arm of Mitsubishi has agreed to advance CNQ to get the ball rolling, with securing new supplies of a metal controlled by the Chinese producers its prime motivation.Recent confirmation of Mitsubishi's support, after an in-depth due diligence into Mount Carbine, has been the key factor in CNQ's ability to move from 4.2c in February to yesterday's 12.5c.

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