

**HD MARKET TRADING IN NARROW RANGE****BY** Jenny Prabhu**WC** 4,171 words**PD** 5 February 2014**SN** OzEquities News Bites**SC** NBOZEN**LA** English**CY** Copyright 2014 News Bites Pty Ltd. All rights reserved.**LP**AUSTRALIAN **COMPANY** NEWS BITES

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**TD**

The S&P/ASX200 is down 6.4 points to 5090.7 at midday on average volume worth \$2.2 **billion**. There are 430 issues higher and 386 down. The SPI Futures is down 16 points to 5034 on 12,398 contracts. Aussie 10 year bond yields are steady at 3.909%. The \$A is at 88.95US c, down about 35 from this morning but up 15 points from last evening.

\*The banks have contributed 5.9 negative points to the index, resources have contributed 0.7 negative points, **property** trusts are Neutral, retailers have contributed 1 negative point and Telstra has contributed 0.9 negative points.

\*The Nikkei Dow futures is up 280 points to 14,200 points, Shanghai CSI physical is closed on holiday, Hang Seng futures is up 32 points to 21,479 points, S&P futures is down a half point to 1743.20, Nasdaq futures is down 1.75 points to 3450.25. Dow futures is up 5 points to 15,343 points. **Gold** futures are up \$4 to \$1255.2. Crude futures are up 45c to \$97.64.

The market is wavering either side of yesterday's number, with little in the way of news to push it either way and with the high \$A bringing little joy to any sector except importers. Reuters adds, "The \$A was the major currency mover after the RBA yesterday ..."shut the door on further rate cuts, citing a pick up in housing and consumption and higher than expected inflation".

"The New Zealand dollar got its own boost when jobs data showed strong employment growth for the fourth quarter of last year, adding to the already considerable case for a hike in interest rates...

"Currencies in emerging markets also bounced from recent lows with the Turkish lira, Brazilian real and South African rand all gaining".

"Ceiling will be 5130. Floor will be 5090. Close at 5112, up 14.9 points"

Daniel Goulding, the author of "The Sextant Market Report" said, "Our market looks set to open slightly higher with the local futures contract up 4 points.

"There is sufficient evidence to suggest that global equities may have potentially found a few days of respite from the selling that has taken place over the past few weeks.

"While yesterday's low will be tested at some point going forward, the weight of evidence still points to a challenge of October's highs.

"The decline here in Oz simply remains too lethargic at present to be sinister in nature.

"But none of this matters for today. The ceiling will be 5130. The floor will be 5090. When the dust has settled, the market will have closed at 5112, up 14.9 points.

The S&P/ASX200 plunged 90.8 points to 5097.1 last evening.

ECO NEWS

## TOP STOCKS

\*ANZ is down 14c to \$29.16 on 3.96m shares after a partial victory was delivered to the class action today - below in IMF/ANZ - also seen as having a similar effect on the other banks.

\*Echo Entertainment is down 4c to \$2.28 on 2.26m shares after the report below.

\*Treasury **Wine** has shed another 9.5c to \$3.41.5 on 3.27m shares.

Among the financials, AMP is up 5c to \$4.17 on 4m shares, CBA is down 15c to \$73.05 on 1.7m shares, NAB is down 14c to \$32. Westpac is down 18.5 to \$30.21.5 on 4.1m shares.

Among the TMT's Telstra is down 2c to \$5.06 on 14.12m shares, Telecom NZ is down 1c to 42.14 on 643,509 shares, SingTel is up 2.5c to \$3.07.5 on 514,956 shares.

Among the resources BHP is down 2c to \$35.28 on 4.38m shares, RIO is up 29c to \$64.40 on 754,796 shares. Fortescue has regained 12.5c to \$5.31.5 on 9.5m shares, Atlas is up .5c to 98c on 4.79m shares, Iluka is up 6c to \$8.50 on 1m shares.

Among the oils, Woodside is down 14c to \$36.92 on 881,820 shares, Santos is up 13c to \$13.43 on 1.39m shares, **Oil** Search is up 10.5c to \$8.1.5 on 2.27m shares.

Among the golds, Newcrest rose 4.5c to \$10.20.5 on 2.2m shares, Oceana rose 7c to \$2.10 on 487,84 shares .

## AT THE SMALLER END

\*Musgrave is up 2c to 9c on 2.6m shares on the TZN/MGV report below.

\*K2 Asset Management is up 8c to 81c on 707,144 shares on the report below.

\*Logicams has fallen another 8c to \$1.02 on 792,413 shares on yesterday's announcement.

\*McAleese recovered 6c to \$1.18 on 262,928 shares.

\*Papillon rose 5.7c to \$1.26.7 on 825,536 shares - apart from its highly prospective Mali **gold** project and a broker's **buy** recommendation, there is also speculation it may be a takeover target.

## NEWS OF THE DAY

Changes in substantials reported February 3 and 4 inc posted separately.

## LARGE CAP INDUSTRIALS

\*ACR: FDA continuing to evaluate/Axiron already carries several warnings

Acrux Ltd announced while the two recent publications published on November 5 2013 have resulted in considerable media interest and coverage in the last 24 hours, the FDA, that has issued a Drug Safety Communication, has been and continues to monitor this risk and will publish its recommendations once evaluation is completed.

Lilly provides several warnings and precautions related to cardiovascular risk in product labels for Axiron. Including warnings and precautions on risks of thickening of the blood and associated blood clots, swelling with heart failure in patients with pre-existing heart disease and changes to blood cholesterol.

Acrux added FDA's Drug Safety Communications, issued ahead of any conclusion, are not uncommon.

\*ANZ/IMF: Late fees constitute penalty at law, to be claimed by class action

Bentham IMF Ltd and ANZ announced Justice Gordon has delivered judgement today in the matter of Paciocco vs ANZ Banking **Group** Ltd in the Victorian Registry of the Federal Court ruling that late payment fees constitute a penalty at law and **equity**. Certain inter account exception fees were charged in breach of contract and other fees paid including honour fees and dishonour fees on bank accounts, and over limit fees on credit cards were not penalties and did not breach other statutory provisions.

IMF believes late payment fees represent approximately 25% in value of all claims brought by class action members of ANZ. The same percentage is likely to apply to all the other major banks except for Citibank where late fees are expected to represent over half the claim.

IMF will seek to expedite recoveries in respect of late fees from ANZ and all the other banks.

\*ASX: January activity subdued vs pcip in all particulars

ASX Ltd announced in its monthly activity report for January 2014 the value of ASX listed stocks as measured by the All Ordinaries Index fell 2.8% in January while in Japan the value of stocks was down 8.5%, in **Hong Kong** down 5.5%, Singapore down 4.4%, US down 3.6%, UK down 3.5% and Germany down 2.65.

Volatility measures for the Australian **equity** market was 0.5% in January down from 0.6% in December.

In January total capital raised including scrip for scrip totalled \$800 **million**, down 51% on the previous corresponding period (pcip).

Three new listed entities were admitted vs 11 in the pcip.

Total listed entities at end of January were 2,189 vs 2,183 for the pcip.

Initial capital raised was \$23 **million** vs \$411 **million** for the pcip.

Secondary capital raised was \$491 **million** vs \$564 **million** for the pcip.

In January the average daily number of trades was 3% higher than the pcip. The average daily value traded on market of \$2.8 **billion** was 2% lower than the pcip.

In January the average daily number of derivatives traded on the ASX fell 21% on the pcip with both single stock and index options lower.

In January 2014 average daily futures and options on futures volume on ASX24 increased 25% on the pcip, with both futures and options volumes higher.

\*EGP: John Redmond to retire in 2nd half, return to US, Matt Bekier succeeds

Echo Entertainment **Group** Ltd announced Managing Director and CEO John Redmond will retire from the **company** in the 2nd half and return to the US. He has begun the transition of his responsibilities to Matt Bekier who will become MD and CEO, having served as CFO and an executive director of Echo since the **company's** establishment as a separate listed entity.

\*EGP: Normalised NPAT up 1.3%, 4c ff div, DRP at no disc, outlook positive

Echo Entertainment **Group** Ltd and controlled entities for the half year ended December 31 2013 announced a net profit after tax of \$46.1 **million** vs negative \$30.5% for the previous corresponding period (pcip).

Normalised NPAT excluding significant items was up 1.3% to \$71.5 **million** vs the pcip. The result includes \$7.3 **million** before tax of additional levies imposed in NSW and QLD during the first half 2014.

Normalised EBITDA excluding significant items was up 0.2% to \$210.3 **million**.

A 4c fully franked dividend was announced, steady, ex date February 10, record date February 14. The DRP is available at no discount.

NTA backing per security is \$1.28 vs \$1.24 for the pcip.

EPS is down 30.9% to 5.6c.

Net debt is \$765.8 **million**.

The Star in Sydney's actual EBITDA was down 4.3% or up 4.1% normalised to \$134.6 **million**. Revenue was down 6.5% (down 3.9% normalised). Trading was soft, impacted by subdued discretionary spend and lower hold rates in the private gaming rooms. Operating expenses were down 2.8% to \$249.4 **million** on cost reduction initiatives.

\*The Queensland casinos actual EBITDA was down 15.5% to \$61.8 **million**, impacted by the same factors as the Star.

Development approvals are being sought for \$345 **million** expansion and refresh of Jupiters **Gold** Coast. The investment is expected to commence in full year 2015 subject to third party approvals.

Agreement has been entered into for the **sale** of Jupiters Townsville for \$70 **million** subject to regulatory approval.

There was revenue growth on the pcg across every **property** in January 2014. Domestic revenues were down 3.5% due to soft consumer sentiment and lower hold in private gaming rooms. The VIP **business** normalised gross revenue was down 9% on the pcg, earnings flat as a result of reduced average commission and rebates. Operating expense were down 4.5% on the pcg due to cost optimisation program delivering benefits in excess of target.

#### Outlook

CEO John Redmond said in the report the **group** has made an encouraging start to the year. The cost optimisation program is largely complete, the new **group** loyalty program is launched.

Echo is facing a period with exciting growth opportunities particularly in South East Queensland.

Analysts expectations: NPAT \$75 mln div 5c/\$67.5 mln, div 4c.

Analysts comment: on January 14 a leading broker initiated coverage on Echo Entertainment with an "underweight" and a \$2.20 price target. The broker said EGP had a mature Australian casino **business**, set to enjoy several more years of mild positive growth, but then a sharp step down in earnings/value in 2019 as it loses its monopoly in Sydney and faces an aggressive competitor for the first time.

"We estimate fundamental value in the range of \$A2.03/\$A2.55 with a price target of \$2.20 per share" the broker said in the report.

Another leading broker had a "hold" on EGP on January 30.

\*KMD: David Kirk appointed chairman

Kathmandu Holdings Ltd announced David Kirk (Kirk, who captained New Zealand's All Blacks in the 1987 Rugby World Cup) has been appointed chairman of the **board** after joining the **board** as non exec director in November 2013. Mr Kirk replaced John Harvey, who has been acting chairman since March 2013.

David Kirk is also chairman of Trade Me **group** and since July 2009 has been chairman of Hoyts **Group** Ltd. He is co-founder and managing partner of Ballador Investment Management, its portfolio companies and a Director of Forsyth Barr **Group** Ltd. He is Chairman of Trustees of Sydney Grammar School, a Director of the Sydney Medical School Foundation and FoodShare.

\*NAB: Geraldine McBride appointed a non exec director

National Australia Bank Ltd chairman Michael Chaney announced the appointment of Ms Geraldine McBride as a non exec director with effect from March 4. Ms McBride was a former president of global software **company** SAP for North America and has held senior executive positions with SAP in Asia Pacific and Japan and Dell and IBM in her career spanning 26 years.

Ms McBride is the founder and CEO of MyWave, a software and services **company** developing consumer and enterprise relationship solutions using personal cloud technologies.

\*SKT/TEL: SKY will not renew current resale of services to Telecom customers

SKY Television confirmed it has agreed with Telecom NZ not to renew the current agreement for resale of SKY's services to Telecom customers. SKY is working closely with Telecom to minimise any impact to telecom customers with a SKY TV Bundle, ensuring continuity of television services as they are migrated back to SKY. The migration is expected to be complete by end May 2014.

While the non renewal of the reselling agreement will effectively end SKY's current contractual relationship with Telecom, Sky and Telecom remain open to working together in the future.

#### LARGE CAP RESOURCES

\*BPT/TLU: ATP 904P surrendered by Beach, TLU **purchase** voided

Tellus Resources Ltd announced in an update on the present status of ATP 904P in the Surat Basin, Queensland, following extensive negotiations and talks with the Queensland Department of Natural Resource and Mines, Beach was advised that as the permit was not in substantial compliance it was very unlikely to receive ministerial approval for the transfer or the later work program.

Beach has consequently notified Beach that it wished to withdraw the later work program application and relinquish the whole of the area of the Permit, bringing the Permit to an end. The Qld govt DNRM has subsequently advised BPT that ATP 904P has been relinquished with effect from January 24.

## MID TO SMALL INDUSTRIALS

\*CVC/TGP: 360 Capital to purchase RE for CJT from CVC

360 Capital **Group** and CVC Ltd announced following recent discussions, the companies have entered into a conditional share **sale** agreement whereby 360 Capital will **purchase** a 100% interest in the responsible entity of CJT from CVC at a **purchase** price which is not material to either **company**.

TGP will over the coming months undertake a strategic review of CJG with a view to determine how best to actively engage the expertise and capabilities of TGP to improve the value of the CVC **Property** Fund for the benefit of all unitholders and the mutual benefit of CJG and TGP. An update will then be announced to market.

\*DYE: Turkey Co in \$US1.9 mln contract for equipment for prototype factory

Dyesol Ltd announced a feasibility study to substantiate plans for mass production of glass Dye **Solar** Cell (DSC) products by Nesli DSC in Turkey, first announced in 2009 and then delayed by the uncertain global economic climate, are again active, with the execution of a \$US1.9 **million** contract for the supply of equipment by Dyesol-Timo (DYE's 50.1% subsidiary) to Nesli DSC to establish a prototype production facility in Turkey.

\*ISN: New **board** chaired by Leon L'Hullier, Stephen Tunnell becomes MD

Isona Ltd announced a new **board** of directors to advance its asthma management platform from development to commercialisation.

Joining Tim Oldham on the **board** will be Leon L'Hullier, chairman, Bruce L Mathieson and John Ribot. Stephen Tunnell, SVP **Operations** since 2011 has been promoted to managing director and will also join the **board**.

Incoming chairman Leon L'Hullier paid tribute to the outgoing **board** members and said the technology offers significant improvement in the management of asthma for **millions** of sufferers around the world. (Feb 4)

\*KAM: NPAT strong profit lift for half year, 6c ff div

K2 Asset Management Holdings Ltd announced a net profit after tax for the half year up 220.15% to \$14.8 **million** on revenue up 176.54% to \$34.05 **million**.

A 6c fully franked interim dividend was announced, record date February 14.

NTA backing per security is 9cvs 5c for the previous corresponding period (pcp) .

Robust performance for all K2 funds saw significant performance fees payable for the half year totalling \$27.263 **million**.

Funds under management increased by 17.6% since June 2013 also resulting in management fees increasing, contributing \$6.276 **million**. Funds under management at December 3 were \$873.2 **million**.

The product suite of funds offered by K2 also expanded during the half year with K2 Australian Small Cap Fund launching on December 1 2013. Further expansion is also expected for the second half with the K2 International Opportunities Fund launching on February 1 2014 and providing K2's first long only product.

\*QHL: 1st C-130J wing flaps to Lockheed Martin ahead of schedule/new order

Quickstep Holdings Ltd announced it has delivered its first Lockheed Martin C-130J wing flaps to Lockheed Martin.

It has also secured a \$US9.8 **million purchase** offer under the MOA for a further 12 wing flap sets to be delivered beginning of 2015.

Managing director Philippe Odouard said in the report the delivery of the first C-130J wing flaps ahead of schedule marks an important milestone for the **company**, demonstrating its ability to provide high volume carbon fibre composites manufacturing for complex international supply chains.

Over the life of the agreement, QHL will supply 120 shipsets of carbon fibre flaps through to 2018. Each C-130J shipset has four wing flaps which each include more than 200 individual parts including carbon ribs, spars and skins. QHL manufactures these components at its Bankstown Airport aerospace facility and has already built a team of more than 40 skilled personnel to service the project.

The C-130J is operated by 16 countries and is the latest model of the C-130J Super Hercules military transport aircraft which has been in continuous production for more than 60 years.

\*RFX: Flextronics confirmed as m'fr partner for ZBM flow battery

Redflow Ltd announced further to the announcement on January 29, Flextronics has been appointed as the selected manufacturing partner for the ZBM flow battery. Flextronics is one of the world's largest end to end supply chain solution companies with facilities in over 30 countries and annual revenues of nearly \$25 billion.

Redflow CEO Stuart Smith said in the report the Redflow ZBM battery will be the first flow battery globally to enter large scale production. Currently several are being integrated into prototype energy storage systems with large system integrators.

Flextronics president Energy at Flextronics said in the report "We look forward to working with Redflow in addressing the growing need for energy storage with this innovative product that can be implemented across multiple system integrators and applications".

\*RIC: RIC divests Qld salt fields in Bowen/set to become major algae producer

Ridley Corporation Ltd announced the sale of Bowen Land Development Corporation Pty Ltd which holds Ridley's former salt field assets at Bowen to Futura for \$1.25 million.

Advanced Algal Technologies, parent of the purchasing entity Futura said procurement of the salt farm in Bowen provides AAT the opportunity to produce algae on a large commercial scale. While the technologies patented by AAT were primarily designed for sequestering carbon dioxide from coal fired power stations, the size of the production area will allow AAT to capture the global market for human food, animal feed and pharmaceuticals, making AAT the largest production facility of algae in the world.

Ridley said production activity at the former salt field had ceased several years ago. The sale relieves Ridley from ongoing maintenance and the ultimate rehabilitation of the site.

#### MID TO SMALL RESOURCES

\*AKK: Chairman Richard Cottee announces \$2.86m raising for Pierre drilling

Austin Exploration Ltd advised it has completed a placement of \$2.86 million through the issue of 260 million new shares at 1.1c per share. The placement to sophisticated investors was completed at a 15% discount to Austin's last closing price on the ASX. DJ Carmichael Pty Ltd acted as a bookrunner and lead manager to the placement.

Chairman Richard Cottee said the drilling in the Pierre is highly attractive to Austin because it is expected to bring forward a strong revenue stream in return for a modest investment. The program aims to prove up the prime Niobrara property to facilitate further development opportunities including possibly attracting a farm out partner for Austin's 11,560 acre flagship Pathfinder project.

\*BCD/FNT: First shipment of gold loaded carbon from Stormont

BCD Resources NL announced with regard to its 50% j/v with Torque Mining Ltd and Frontier Resources Ltd at Stormont in Tasmania, BCD manager, mining of ore from the open pit commenced in the second half of December and processing at the company's Beaconsfield facility commenced in the first half of January. Mining of ore has reached targetted volume rates while the head grade of ore into the mill is now above 4.5gpt. Achieved recovery rates have been excellent with gold recoveries now exceeding 90%.

The first shipment of gold loaded carbon has left Beaconsfield to be processed.

\*FAR: Contingent Resources for E Sinapa discovery 13.4 mln barrels, FAR 2m

FAR Ltd announced it has undertaken a detailed geotechnical evaluation for its 3 offshore blocks in Guinea-Bissau and completed an assessment of hydrocarbon resources.

Contingent resources for East Sinapa oil discovery are confirmed at 13.4 million barrels (unrisked 2C, 100% basis) and 2 million net to FAR.

Total Prospective Resources for the 3 blocks assessed at 954 million barrels of oil (unrisked Best Estimate, 100% basis) and 143 million net to FAR. The large West Sinapa prospect is scheduled to be drilled in late 2014.



shallow water depths and strong evidence of functioning hydrocarbon system (with 2 existing discoveries) provide for a low cost environment with moderate exploration risk.

\*FTZ: Secures advanced stage phosphate exploration area near Canada projects

Fertoz Ltd announced it has secured advanced stage phosphate exploration ground Marten Project near its existing Barnes Lake and Crow's Nest Projects in British Columbia, Canada.

Marten represents an additional small scale, low capital cost opportunity secured in the Sparwood area.

Extensive exploration in the 1930's included two shallow shafts from surface outcrop and a 60m drift. Historical work provides a solid base for exploration in 2014. It is close to major infrastructure including roads, **mining** towns and a rail link across Canada.

\*KNL: MOU to combine its graphite project with Richland's plant in Tanzania

Kibaran Resources Ltd announced it has signed a non binding MOU to consolidate its Merelani-Arusha Graphite project with the Richland **group's** graphite assets in Tanzania following the recent signing of a binding off take agreement for Kibaran's Epanko Graphite.

The objective is to combine the graphite mineral rights and assets which include TanzaniteOne **Mining** Ltd's graphite processing plant, with the goal of recommencing graphite production. A j/v would provide Kibaran with a second source of graphite in Tanzania and a clear strategy to expand the **company's** future graphite production.

Richland owns the historic Merelani Graphite Mine plant built with a nameplate capacity of 1 5,000 tpa. TanzaniteOne **mining** has in place a processing plant and infrastructure including tailing storage facility, power, water, administration facilities, **site** camp and services on a **commercial** basis.

Kibaran has a 90 day exclusive due diligence period to evaluate the processing plant and the cost of refurbishment to return it to operational status for graphite production. The graphite plant was closed in the late 1990s due to a change in focus to the production of Tanzanite.

\*TZN/MGV: Up 3,942gpt Ag intersected at Menninnie Dam

Terramin Australia Ltd announced high grade silver including 10m grading 990 gpt Ag, 0.3gpt Au, 0.2% Cu, 0.4% Pb and 0.3% Zn from 43m including 2m t 3,942gpt Ag, 1gpt Au, 0.9% Cu, 0.7% Pb, 0.8% Zn has been intersected in drilling at Menninnie Dam.

The program was completed by Musgrave Minerals Ltd (earning 51% in the Menninnie Dam Project by spending \$6 **million** in the first phase and up to 75% by spending an additional \$3 **million** if TZN elects not to contribute to the j/v).

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