

HD MARKET CLOSES MILDLY HIGHER EXACTLY AS EXPECTED

BY Jenny Prabhu

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MARKET CLOSES MILDLY HIGHER EXACTLY AS EXPECTED

By Jenny Prabhu and Gerald Stanley

The S&P/ASX200 closed up 15.7 points to 5367.9 on light volume worth \$1.7 **billion**.

There were 546 issues higher and 362 down. The SPI Futures closed up 26 points to 5344 on light volume of 12,880 contracts. Aussie bond yields are 7 points higher to 4.32%. The \$A is at 89.14US c, steady with the 31st.

*The banks contributed 0.2 negative points to the index, insurers contributed 1.3 positive points, resources contributed 4.7 positive points, **property** trusts contributed 0.6 positive points, retailers contributed 0.2 positive points and Telstra contributed 0.5 positive points.

*At 4pm AEST the Nikkei Dow futures was closed on holiday, Shanghai CSI physical was down 9.28 points to 2106.70, Hang Seng futures was down 50 points to 23,285 points, S&P futures was up 6 points to 1841 points, Dow futures was up 50 points to 16,494. **Gold** futures were up \$19.20 to \$1221.50. Crude futures were down 55c to \$98.74.

***China** Official PMI and HSBC/Markit PMI for **China** dip slightly ..

HSBC and Markit PMI for **China** dipped to 50.5 in December from 50.8 in November, report issued this afternoon. The final reading is unchanged on the flash reading of 50.5 which was released on Dec. 16.

HSBC reported slightly slower orders growth, while export orders fell

slightly. The employment index signalled that companies reduced payrolls for a

second month while both input and output prices growth eased to levels

suggesting on slight inflation.

*The data comes a day after the **China** Federation of Logistics and Purchasing

says its December PMI fell to 51.0, down from the previous 51.4 and below the

expected 51.3.

Bargain hunters chased the resources, after their dismal performance last year, but stocks were up across the **board** on the first day of trade for the new year.

"High of 5380, low of 5345, close up 15 points to 5367"

Gerald Stanley, a Fibonacci Chartist, said he expects the market to hit a high of 5380, a low of 5345 and close up 15 points to 5367 "in a cautious low volume start to the New Year".

*The S&P/ASX200 closed down 4.6 points to 5352.2 on December 31.

ECO NEWS

*Home prices see biggest calendar year rise in 4 years

RP Data has reported Australian home prices continued their strong gains in December, leading to the biggest calendar year rise in four years, ABC News said.

The average capital city home value rose 9.8% last year, the biggest calendar year rise since 2009 when home values lifted 13.7%.

Although regional areas did not experience the same gains, lifting just 1.4% over the year.

The standout performer for capital gains was Sydney, surging an average 14.5% over the year, including a 4.1% rise over the past three months, leaving the median dwelling price at \$655,250 - that is nearly \$100,000 more than the next most expensive city, Melbourne.

However, the Sydney market slowed a little in December, with prices rising an average of 0.7%.

Melbourne prices were up 2.2% in a strong last month of the year, pushing annual gains to 8.5% and the median price to \$563,000.

Perth also has strong annual returns for **property** owners, rising 9.9%, including a 1.3% gain in December.

The best December gain was for Hobart, up 4.3% in the month, but that result was only enough to lift Australia's southernmost capital from an annual loss to a gain of just 2.2%.

Adelaide also had relatively weak annual growth of 2.8%, while Darwin 3.3% and Canberra 3.5% had modest 2013 gains.

Brisbane home prices rose 5.1% over the year, leaving the median price at \$445,250.

Manufacturing back in contraction

ABC News reports the Australian Industry **Group's** Performance of Manufacturing Index (PMI) came in at 47.6 in December, down 0.1% from the previous month and below the 50-point level that distinguishes expansion from contraction.

The index has now consolidated back into negative territory after two months of small expansions in September and October.

The AI **Group's** chief executive, Innes Willox, says manufacturing looks set for further weakness in 2014, despite record low interest rates and a declining Australian dollar.

"New orders and employment fell further behind in December casting doubt over whether the start of 2014 will usher in a more positive outlook for manufacturing activity," he noted in the report.

"The sector, and indeed the broader economy, remains stuck behind the eight ball and manufacturing in particular is, as yet, in no position to assume a role in generating alternative sources of growth as the **mining** boom fades."

The food and beverage manufacturing sector kept expanding (at 55.8 points), as did two smaller sub-sectors of manufacturing, wood and paper products (73.1) and printed and recorded media (59).

TOP STOCKS

*Woodside was the biggest loser among the resources, closing down 34c to \$38.56 on 1.7m shares after MIMI (Japan Australia LNG) today gave WPL notice terminating the long term Sales and **Purchase** Agreement (SPA) for Browse basin LNG, but has not terminated the Joint Marketing Agreement (JMA). MIMI entered into these arrangements on May 1 2012. The SPA was based on an onshore development for Browse LNG, vs the floating platform now decided on.

*Newcrest led the golds higher, adding 65c to \$8.45 on 4.6m shares.

Among the financials, AMP closed up 4c to \$4.43 on 2.33m shares, ANZ fell 1c to \$32.22 on 1.89m shares, CBA rose 4c to \$77.84 on 1.29m shares, NAB closed steady at \$34.83 on 1.34m shares, Westpac fell 4c to \$32.34 on 2.26m shares.

Among the TMT's Telstra closed up 1c to \$5.26 on 8.4m shares, Telecom NZ fell 3c to \$2.16 on 376,356 shares, SingTel rose 1c to \$3.24 on 1.11m shares.

Among the resources BHP closed up 21c to \$38.20 on 2.78m shares, RIO closed up 53c to \$68.71 on 872,159 shares. Fortescue rose 11c to \$5.93 on 6.69m shares, CuDeco was up 4.5c to \$1.84.5 on 236,130 shares. Atlas rose 2.5c to \$1.17.5 on 4.98m shares, Iluka gained 13c to \$8.76 on 982,673 shares. Sandfire rose 35c to \$6.81 on 415,105 shares.

Among the oils, Santos rose 4c to \$14.67 on 1.34m shares, AWE fell 2c to \$1.31.5 on 1.89m shares, Senex fell 1c to 73c on 457,653 shares. Karoon rose 10c to \$4.44 on 392,514 shares.

Among the golds, stocks were higher across the **board**. Oceana rose 13c to \$1.72 on 1.38m shares, Troy rose 6.5c to 85c on 1m shares, Kingsgate was up 10c to \$1.03 on 2m shares, Resolute rose 8c to 63.5c on 2m shares, Medusa was up 12c to \$2.16 on 820,906 shares, Alacer rose 13c to \$2.40 on 639,296 shares. Regis rose 16c to \$3.08 on 2.1m shares.

AT THE SMALLER END

*PPK closed up 2c to 75c on 50,000 shares on the report below.

*Buccaneer closed down .5c to 1.8c on 25.1m shares also report below.

*Forge gave back 22c to \$1.52 on 18.6m shares.

*Osprey Medical rose 2c to 70c on 11,657 shares on the report below.

*OM Holdings rose 7c to 39.5c on 5,323 shares.

NEWS OF THE DAY

Our Darvas system related Special Report is on James Hardie Industries today, posted separately.

**"Catchup" Dec 16 to 31 inc posted separately.

Ex div: CAM ex 1.

LARGE CAP INDUSTRIALS

*IAG: Lifts catastrophe insurance up to \$5.6bln from \$5 bln in 2013

Insurance Australia **Group** Ltd announced the **Group's** catastrophe reinsurance program for the calendar year commencing January 1 2014 provides protection of up to \$5.6 **billion**, compared to \$5 **billion** in 2013.

CFO Nick Hawkins said in the report the **Group** had taken the opportunity of more favorable reinsurance market conditions to bolster key aspects of its catastrophe protection.

Alongside the calendar 2014 program announced today, IAG has previously advised of a separate cover of \$100 **million** in excess of the **Group's** natural peril allowance of \$640 **million** which further strengthens overall protection.

The key components of the catastrophe reinsurance cover include a main catastrophe cover for losses up to \$5.5 **billion** including one prepaid reinstatement. The **Group** retains the first \$250 **million** of each loss, with 2.5 reinstatements secured for the lower layer of the main program.

Also a \$100 **million** upper layer providing earthquake cover for Australia and New Zealand, extending from \$5.5 **billion** to \$5.6 **billion**, a **buy-down** arrangement that reduces the maximum cost of a first event to \$175 **million** and a second event to 4150 **million**.

An expanded aggregate sideways cover which reduces the cost of subsequent events to \$25 **million**.

IAG's catastrophe reinsurance covers all territories in which it operates except for j/v interests in India and **China** that have their own reinsurance arrangements.

*IAG: Share **Purchase** Plan details

Insurance Australia **Group** Ltd has issued a booklet providing details of the Share **Purchase** Plan (SPP) announced on December 16.

The SPP for up to \$15,000 worth of IAG ordinary shares will be offered at an issue price that is the lesser of the price institutional investors paid in the institutional placement of \$5.47 per share, or a 2% discount to the five day VWAP of IAG ordinary shares traded on the ASX up to and including the closing date of the SPP on January 24.

Opening date for the SPP is January 6. SPP shares will be issued on February 3, begin trading on February 4.

Market Cap \$13.4b.

IAG up 2 cents to \$5.84

*WBC: Completes acquisitions of Lloyds Bank's Australian asset finance biz

Westpac Banking Corporation announced it has completed the **acquisition** of Lloyds Banking **Group**'s Australian asset finance business, Capital Finance Australia Ltd (CFAL) and its Australian corporate loan portfolio, BOS International (Australia) Ltd (BOSI).

Westpac CFO Phil Coffey said in the report the **acquisition** represents an important milestone for the Westpac **Group**. Westpac will work closely with CFAL and BOSI customers to ensure continuity of high quality customer service.

Market Cap \$100.5b.

WBC down 4 cents to \$32.34

LARGE CAP RESOURCES

*AWC: John Bevan retired as CEO and exec director on December 31

Alumina Ltd announced following the announcement of November 27, John Bevan retired on December 31 as CEO and Executive Director. John Bevan has total interests in 844,167 fully paid shares in AWC, held directly and jointly in family and superannuation funds.

Peter Day joined the **board** on January 1 as a non exec director. He has Nil shares in AWC.

Peter Hay has 112,598 shares in AWC.

Peter Hay has also retired as a non exec director, effective January 31.

Market Cap \$3.16b.

AWC up 1 cent to \$1.125

*WPL/Others: MIMI terminates long term Sales and **Purchase** Agreement

Woodside Petroleum Ltd announced in connection with Woodside's **sale** of **equity** in the Browse LNG Development to Japan Australia LNG (MIMI Browse) Pty Ltd and advised on May 1 2012, Woodside and MIMI entered into an agreement (JMA - Joint Marketing Agreement) to jointly market co-mingled LNG to the Asian market, primarily to Japanese customers.

Also Woodside and MIMI entered into a long term sales and **purchase** agreement (SPA) for around 1.5 **million** tonnes of LNG a year from the Browse LNG Development.

The SPA was conditional on a final investment decision on Browse being taken by December 31 2013. as a result of the Browse j/v participants deciding not to proceed with an onshore development and to enter Basis of Design for a floating LNG development concept, both parties recognise that this condition will not be satisfied. Consequently MIMI has today given WPL notice terminating the SPA. The JMA has not been terminated.

(The JMA announcement on May 1 2012 was concurrent with the announcement that Japan Australia LNG (MIMI Browse) Pty Ltd **purchase** of a minority portion of Woodside's **equity** in the proposed Browse LNG Development for \$US2 **billion**, subject to j/v pre-emption rights. The **sale** involves MIMI taking 16% of the East Browse j/v and 8% of the West Browse j/v giving MIMI an estimated 14.7% interest in the Browse development on an assumed unitised basis. Woodside's assumed unitised interest in Browse would fall from 46% to 31.3%. Woodside remains the operator).

Market Cap \$31.8b.

WPL down 34 cents to \$38.56

MID TO SMALL INDUSTRIALS

*KBC/OCP: Target's Statement continues to recommend rejection of OSP offer

Keybridge Capital Ltd non associated directors continued to recommend that shareholders reject the Oceania Capital Offer in its Target's Statement in response to the off market takeover offer made by Oceania.

Market Cap \$30.55m. / \$56.5m

KBC steady at 17.5 cents / OCP untraded last at \$1.60

*OSP: Pilot trial of AVERT system reduces potential kidney damage

Osprey Medical Inc announced publication of results from the pilot clinical trial of the AVERT system (Contrast Conservation System/CCS). The study which was conducted in late 2012 at the Alfred Hospital in Melbourne Australia by Dr David Kaye and Dr Stephen Duffy was titled, "Reducing iodinated contrast volume by manipulating injection pressure during coronary angiography" and was published ahead of press online in the December 2013 edition of leading industry peer reviewed journal "Catheterization and Cardiovascular Interventions".

The 21 patient pilot clinical trial demonstrated that the use of the AVERT System was associated with a highly significant 40% reduction in dye injection compared with standard imaging techniques whilst maintaining image quality.

Study Investigator Dr David Kaye Head, Cardiology Division Baker IDI Heart and Diabetes Institute was quoted in the report as saying "The AVERT System offers physicians the opportunity to lower contrast dye usage which may ultimately protect the kidneys of the many patients who are at risk for CIN (contrast induced nephropathy) from pre-existing stage 3-4 chronic kidney disease undergoing a heart procedure.

Market Cap \$86m.

OSP up 2 to 70 cents

*PPK: Under exec chair Robin Levison acquires COALTRAM **mining** equip biz

PPK Ltd executive chairman Robin Levison (formerly headed Industree, taken over by General Electric last year) announced PPK has acquired the COALTRAM **mining** equipment business from Diversified **Mining** Services to drive new growth focus on **mining** services. COALTRAM assets and IP have been acquired in an all cash **transaction** for \$13 **million**. Completion is expected on February 28.

The acquired assets include \$9 **million** of plant, equipment and hire fleet. The **transaction** is expected to complete on February 28 2014 subject to satisfaction of agreed conditions precedent. PPK has the right to withdraw from the **transaction** if the NTA falls below \$17 **million** prior to completion.

Mr Levison said in the report, "This is the first step in the strategy to grow PPK with a focus on the **mining** services sector. There are currently 99 COALTRAM vehicles in service in Australia with a wide range of clients including BHP, Centennial **Coal** and Glencore with framework agreements in place for the provision of new products, servicing and parts supply.

Market Cap \$39m.

PPK up 2 to 75 cents

*VIE: Acquiring HVLV Pty Ltd, to be immediately eps accretive

Viento **Group** Ltd announced it has entered into an agreement to acquire HVLV Pty Ltd, a specialist manufacturer of transportable switchrooms used for **mining, oil** and gas and industrial projects for \$3 mln in cash, 23.6 mln Viento convertible notes, converting into shares, 7.9 **million** ordinary fully paid shares and the assumption of the core bank facilities of HVLV.

The payment of the \$3 **million** cash consideration is deferred until March 31 2015 and the shares on issue in HVLV are acquired on an ex dividend basis following a \$7 **million** dividend declared pre-**acquisition**. HVLV has skilled in-house capacity to provide construction services as well as complete turnkey solutions. HVLV's purpose built leased premises are located on 4.5 hectares of land in

Hazelmere, Western Australia, including 8,000 sq m of undercover workshop facilities, giving the company the capability to construct switchrooms completely under cover. The company is a highly regarded business with a strong order book and pipeline of opportunities, a blue chip client list and will be immediately eps accretive.

For the 2013 financial year, HVLV achieved revenue of \$44 million.

For the six months to June 30, revenue contribution to Viento is expected to be over \$35 million.

Market Cap \$30.4m.

VIE up 4 to 38 cents

MID TO SMALL RESOURCES

*BCC: Sale of certain interests, u/written 2 for 1 issue at 12.5c

Buccaneer Energy Ltd managing director Curtis Burton advised it has executed binding agreements to sell certain assets and lower operating expenses. These include:

Sale of 25% interest in the Cosmopolitan project to BlueCrest Energy Inc for \$US41.25 million inclusive of the repayment of a \$US1.25 million bond. As part of the transaction BlueCrest has executed a Rig Assignment Agreement where it has agreed to use the Endeavour jack up rig for a minimum of 150 days comprised of 50 rig working days during each of the following Winter Seasons, extending from mid November to mid April in 2014, 2015 and 2016. BlueCrest has agreed to a minimum daily rate of \$US175,000 per day and will lodge a Letter of Credit in favor of the company for \$US5 million to underwrite its use of the Endeavour.

Sale of 50% interest in Kenai Offshore Ventures LLC to Teras Investment Pte Ltd to Kenai Offshore Ventures LLC for \$US23.95 million inclusive of intercompany trade payables and trade receivables. KOV owns the Endeavour jack up rig operated by the Company in the Cook Inlet of Alaska under a Bare Boat Charter agreement with Buccaneer's wholly owned subsidiary Kenai Drilling LLC which expires on October 29 2017. The company will continue to operate the Endeavour jack up rig subsequent to the sale of the company's interest in KOV with no material change to the existing bare boat charter agreement. Settlement of the sale is conditional on the consent of the Alaskan Industrial Development and Export Authority.

Loan agreement with an affiliate of Meridian Capital International Fund to lend the company \$US6 million. Meridian currently holds an 18.9% interest in the company and has a representative on the board. The loan is to be repaid by March 31 and will be repaid from proceeds of the proposed rights issue or the Cosmopolitan sale.

Also other terms.

Letter of Intent - Credit Facility: in addition to the above loan, BCC has executed a non binding Letter of Intent with Meridian to provide an additional credit facility of up to \$US50 million.

Current facilities with Victory Park Capital includes \$US75 million Senior Secured Term Note that can be drawn against the value of the Proved Developed Producing reserves. The borrowing base is currently \$US43.5 million and is fully drawn plus \$US25 million Senior Secured Revolver that can be drawn against drilling and development expenses eligible for payment under the Alaskan ACES incentive program, currently drawn to \$US6.3 million.

The first 12 months expires on January 25 2014. After the first 12 months the early repayment penalty increases to 25% of the outstanding loans to Victory Park Capital. The company is seeking to have the Facility with Meridian in place by January 25 and repay all the Victory Park Capital loans from the facility.

Proposed rights issue: the company also proposes to undertake a 2:1 renounceable rights issue at 12.5c per share to raise up to approximately \$60.3 million. Canaccord Genuity (Australia) Ltd intends to underwrite the rights issue subject to the execution of an underwriting agreement, the lodgement of a prospectus with ASIC and Meridian fully sub underwriting the offer (by itself or with other shareholders).

Meridian intends to fully sub underwrite the offer subject to various terms outlined in the report.

Market Cap \$43.4m.

BCC down 0.5 to 1.8 cents

*CVN: Non exec Neil Fearis retires after 14 years, remains a significant s/holder

Carnarvon Petroleum Ltd announced Neil Fearis retired from the **board** on December 31 2013 after serving as a non exec director for more than 14 years. Mr Fearis joined the **board** in 1999, some months prior to the **company's acquisition** of its Thai j/v interest. The **board** paid tribute, and noted that Mr Fearis remains a significant shareholder.

Market Cap \$63m.

CVN steady at 6.4 cents

*IMA: Approval rec'd for North Perth Basin mineral sands project

Image Resources NL announced it has been given approval by the Western Australian Environmental Protection Authority to release the Public Environmental Review for its North Perth Basin mineral sands project. The release of the document on January 8 2014 provides for a five week public review period.

The **company's** NPB project incorporates conventional dry **mining** together with both wet and dry processing of mineral sands. The project is focused initially on the high grade and zircon rich Boonanarring deposit, just over one hour's drive from Perth.

Market Cap \$20m.

IMA steady at 14.5 cents

*NKP: Zijin also takes placement of 19 mln shares at 10c each

NKWE Platinum Ltd announced following completion of the First Tranche of the Convertible Bond **transaction** with Zijin as announced on December 17, Zijin **Mining Group** Ltd will be making a further investment in NKP through an immediate placement of 19 **million** shares at 10c each to raise a further \$1.9 **million**.

Funds from the placement will be used to accelerate the **company's** activities towards development of the Garatau project.

Also Zijin subsidiary Jin Jiang and NKP are still working together to finalise the security arrangements required for completion of the final tranche of \$13 **million** Convertible **Bonds**.

Market Cap \$51m.

NKP down 0.3 to 8.5 cents

*ORD: Enters into 3 separate unsecured loan agreements for Plutonic Dome

Ord River Resources Ltd advised it has entered into three separate unsecured loan agreements with private investors, providing Ord with the ability to borrow up to \$A900,000 to finance Ord's Plutonic Dome project farm in and j/v with Dampier **Gold** Ltd. There is a 4% arrangement fee and the loans bear interest at 7% per annum, payable monthly in arrears. The loans are repayable 12 months from date of loan, although they can be repaid any time earlier without penalty.

Market Cap \$3m.

ORD untraded last at 0.5 cents

*RES: \$2.5 mln deposit received from Blumont, settlement of balance by Feb 26

Resource Generation Ltd announced it has received the deposit of \$2.5 **million** from Blumont **Group** Ltd regarding its commitment to the placement of 102.59 **million** shares at 22c per share for which payment of \$22.571 **million** was due on December 4 2013.

The settlement of the balance including a **commercial** rate of interest is due to occur on February 26.

If Blumont does not settle on February 26, the deposit of \$2.5 **million** will be forfeited with no issue of shares to be made.

RES reiterates the proposed placement to Blumont is in addition to proceeds of \$62.6 **million** from the recent entitlement offer completed in October 2013.

Market Cap \$110m

RES up 1 to 19 cents

*SHD: Loan facility of up to \$7.997 mln for Roper River **iron ore** tenements

Sherwin **Iron** Ltd announced it has established a loan facility to be used to fund the continued development of its Roper River **iron ore** tenements. The loan facility is for an amount of up to \$7.997 **million** and will be used for immediate working capital and operating expenses. The funds will be available on Sherwin satisfying the conditions precedent. The facility is repayable by December 31 2015. Throughout this period, Sherwin will continue to generate cash flow from its **iron ore mining operations**.

Market Cap \$90m.

SHD up 2.5 to 12.5 cents

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