

**HD MARKET HIGHER AT MIDDAY BUT ON LOW VOLUME**

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The S&P/ASX200 is up 27.6 points to 5514.4 at midday on light volume worth \$1.5 **billion**. There are 506 issues higher and 341 down. The SPI Futures is up 23 points to 5477 on light volume of 6539 contracts. Aussie 10 year bond yields are down 1 point to 3.41%. The \$A is at 93.98 US c, up about 5 points on Saturday levels.

\*The banks have contributed 9.7 positive points to the index, insurers have contributed 0.3 positive points, resources have contributed 3.8 positive points, **property** trusts have contributed 0.3 positive points, retailers have contributed 2.3 positive points and Telstra has contributed 2.1 positive points.

\*The Nikkei Dow futures is up 50 points to 15,220 points, Shanghai CSI physical is up 0.84 points to 2047.80, Hang Seng futures is up 206 points to 23,424 points. S&P futures is up 3 points to 1965.40. Nasdaq futures is up 7.25 points to 3904.75. Dow futures is up 25 points to 16,906 points.

**Gold** futures are down 1 point to \$1337. Crude futures are up 4c to \$100.87.

Markets are trading quietly higher in Asia after the Portugal bank driven jitters had subsided in Europe and the US last Friday.

"I think we will be up 5 points in a quiet day"

Ben Faulkner, a senior adviser at Morgans said, "There has been a fair bit of volatility in Europe late week, probably on the back of Portugal and also the data out of Germany and the greater Euro area not being overly fantastic of late.

"The DAX was trading a little over the 10,000 mark, which has seen fairly strong resistance over the last few months. It came crashing down quite significantly in line with the pick up in volatility. The German market has fallen 400 points, or 4% over the last week. The moving averages, particularly the 20 day has turned bearish. The DAX should see support at 9600. A break would see a gain in momentum of the downtrend it is now in.

"Asian indexes last week were relatively quiet. There was a bit of profit taking in Japan. The **Chinese** market is still stuck in a fairly tight range at the moment, you would probably say the charts are neutral. There is really good support on the **Chinese** market at 2035 and a lot of resistance at 2065. Those are a couple of levels to watch.

The Japanese market is probably threatening a bearish break down with the price action we saw there on Thursday and Friday. It has broken below the 20 day moving average. However there is good support around current levels.

"The S&P 500 picked up in volatility as well on Thursday when intra day the market spiked down. The market still regained some of these losses and managed to close above the trend line and 20 day moving average.

"It is still in a good uptrend. However momentum has certainly started and resistance remains probably now at 1985. Support is at 1960 on the S&P. there could be some downside in the S&P.

"I will make the observation that as with the European markets, if you see volatility spiking like that it could be a precursor for a potential pullback.

"Looking at our market, volatility is picking up a bit here. We had a very strong day on Friday, also in the US and Europe.

"There is good underlying buying support in our market but on pretty low volume. The chart for us is pretty neutral. Resistance is at 5525, strong support is still at 5440.

The moving averages are still trending slightly positive. The RSI is neutral at the moment.

"For the week we would need to close above 5440 - the bulls would like to see us above 5500 again.

"Given we had a pretty strong day on Friday, I think we will be up 5 points in a quiet day. Its going to be an interesting week - watch that volatility".

The S&P/ASX200 closed up 22.4 points to 5486.8 on Friday.

## ECO NEWS

### ABS REPORTED LENDING FINANCE, AUSTRALIA, MAY 2014

The total value of owner occupied housing commitments excluding alterations and additions rose 0.2% in trend terms, while the seasonally adjusted series fell 0.7%.

The trend series for the value of total personal finance commitments rose 0.7%. Revolving credit commitments rose 1.9%, while fixed lending commitments fell 0.2%.

The seasonally adjusted series for the value of total personal finance commitments rose 9.1%. Revolving credit commitments rose 20.4% and fixed lending commitments rose 0.9%.

The trend series for the value of total **commercial** finance commitments rose 0.5%. Revolving credit commitments rose 3.9%, while fixed lending commitments fell 0.7%.

The seasonally adjusted series for the value of total **commercial** finance commitments fell 6.0% in May 2014, after a rise of 5.9% in April 2014. Fixed lending commitments fell 11.2%, after a rise of 5.8% in the previous month. Revolving credit commitments rose 9.3%, following a rise of 6.0% in the previous month.

## TOP STOCKS

\*Syrah has shed 73c to \$5.26 on 1m shares on no further news.

\*Japara Healthcare replaces Aquila Resources in Top200 from today. JHC down 1.5ct o \$2.38.5 on 179,661 shares.

Among the financials, AMP is down 3c to \$5.36 on 2.7m shares, ANZ is up 16c to \$33.51 on 1.2m shares, CBA has gained 44c to \$81.67 on 543,290 shares, NAB is up 19c to \$33.86 on 1.19m shares, Westpac is up 24c to \$34.19 on 860,447 shares.

Among the TMT's Telstra has gained 4.5c to \$5.37.5 on 6m shares, Telecom NZ is up 6c to \$2.60 on 371,817 shares, SingTel is steady at \$3.32 on 135,688 shares.

Among the resources BHP is up 33c to 437.91 on 1.8m shares, RIO is up 22c to \$62.36 on 546,614 shares. Fortescue is down 4.5c to \$4.29.5 on 9.3m shares. Atlas **Iron** is down 1.8c to 59.2c on 5.2m shares. Orecobre is up 6c to \$2.53 on 286,257 shares. PanAust is down 9c to \$2.16 on 3.9m shares.

Among the oils, Woodside is down 4c to \$41.42 on 486,504 shares, Santos is up 3c to \$14.03 on 458,622 shares.

Among the golds, Newcrest is up 6c to \$11.26 on 864,504 shares, Northern Star is up 10.2c to \$1.72.2 on 4.1m shares, Regis is down 5.5c to \$1.82 on 1.2m shares, Resolute is down 2c to 61c on 3.4m shares. Medusa is down 2c to \$1.91.5 on 816,813 shares.

## AT THE SMALLER END

\*Thundelarra is up 9c to 20.5c on 10.4m shares on the report below.

\*StarPharma is up 1c to 59.5c on 135,790 shares on the report below.

\*Cynata is up 1c to 41c on 25,000 shares on the report below.

\*Elders is up 3c to 26c on 3.1m shares.

\*EAL is down 7c to 50c on 1.13m shares, despite reporting a record result in line with last year's (although not higher as earlier forecast).

\*Kibaran is up 8c to 29.5c on 19.5m shares on the report below.

#### NEW LISTING

#### NEWS OF THE DAY

Changes in substantials reported July 9, 10 and 11 inc posted separately.

#### LARGE CAP INDUSTRIALS

\*ALQ: Proposed adoption of new Constitution at AGM on July 29

ALS Ltd announced the proposed adoption of a new Constitution at the **company's** AGM being held on Tuesday, July 29. The new constitution is designed to update and modernise the existing Constitution to reflect current regulation and practice.

\*DJS: 97% of shareholders voted in favor of t/o, Solly Lew abstained

ABC News reports Woolworths' David Jones takeover has cleared a major hurdle, as around 97 per cent of the **company's** shareholders voted in favour of the \$2.2 **billion** offer from South Africa's Woolworths.

Just over 51 per cent of the **company's** shares, held by around 31 per cent of shareholders, were voted by proxy and 96.5 per cent of these votes were in favour of the deal.

Those voting in person largely maintained that trend, resulting in an overwhelming vote in support of the takeover.

Today's vote follows an advertising campaign by David Jones to encourage retail shareholders to vote for the deal, but most big institutional shareholders were in support, making the takeover likely to succeed anyway.

#### LARGE CAP RESOURCES

\*KAR: Olinda Star drilling rig to drill up to 4 wells in Santos Basin blocks

Karoo Gas Australia Ltd announced the **company** has executed final agreements with members of the QGOG Constellation SA **group** for contracting the "Olinda Star" semi submersible drilling rig.

The "Olinda Star" has been contracted to complete up to four wells in Karoo's 65% owned and operated Santos Basin blocks, S-M-1037, 1101, 1102, 165 and 1166.

The drilling campaign is expected to commence in September with the Kangaroo-2 appraisal well.

No buyback contemplated at present - all options open

Separately, in reference to the Australian Financial Review article "Karoo plans buybacks with Origin's cash farm in deals" dated July 14, Karoo confirms it has not made any formal decisions or commitments in respect of a share buyback, which remains among Karoo's options for the future.

\*SIR: Qtr update on Nova Nickel/\$58.7 mln cash in hand

Sirius Resources Ltd in its quarterly report said Sirius now owns 100% of Nova Nickel, following overwhelming shareholder approval for the **acquisition** of the balance 30% from Mark Creasy. The Definitive Feasibility Study was completed on time and within 2 years of discovery. Project financing discussions and also offtake discussions are progressing with short listed parties.

Deep penetration electroamagnetic survey is underway on the now 100% owned Nova tenement.

The **company** had \$58.7 **million** in cash at end of quarter, better than previously estimated. The **company** is moving into the permitting and tendering phase of the Nova Nickel Project.

\*SIR: Nova Nickel DFS indicates it is technically low risk and highly profitable

Sirius Resources Ltd advised the DFS has indicated the 100% owned Nova Nickel Project is a technically low risk and highly profitable project.

The C1 cash cost is a low \$A1.66/lb Ni after by product credits, confirming Sirius in the lowest quartile of nickel producers globally. The all-in sustaining cash cost is \$A2.32/lb Ni. The initial mine life is 10 years subsequent to development. The estimated capital cost of \$A473 million includes a 5% contingency and also now includes extra risk mitigating measures (eg a second mobile crusher and automated process control). The maiden probable ore reserve is 13.1Mt grading 2.1%Ni, 0.9% Cu and 0.07% Co for a contained 273,000 tonnes NI, 112,000 tonnes Cu and 9,000 t Co based on the same pricing of \$US7.44/lb of nickel used in the scoping study.

The exceptional 93% conversion rate from Indicated Mineral Resource to Probable Ore Reserve reflects its world class quality.

\*WPL/BPT: Farms in for 70% in Lake Tanganyika, acquired from Beach

Woodside Petroleum Ltd announced it has finalised an agreement to acquire a 70% participating interest from Beach Energy Ltd in the prospective basin of Lake Tanganyika in western Tanzania. The proposed work program includes seismic studies with an option for future drilling and operatorship. The agreement is subject to required government and regulatory approvals.

#### MID TO SMALL INDUSTRIALS

\*CYP: Appoints contract research group for pre clinical studies on Cymerus

Cynata Therapeutics Ltd announced it has signed an agreement with WuXi AppTec listed on the NYSE, a leading global biopharmaceutical contract research organisation to conduct preclinical safety studies with Cynata's unique Cymerus stem cell technology. The studies will be conducted at WuXi AppTec's GLP compliant, FDA registered facility in St Paul, Minnesota.

The Cymerus technology facilitates large scale production of MSCs from a single donor, a key element for pharmaceutical companies as they move into stem cell medicine.

Our Week's Special dated May 2. CYP was trading at 35c.

\*EAL: NPAT for yr in line with last yr's record, outlook positive

E&A Ltd in guidance for the 2014 financial year said after a record first half performance, shareholders will have received a 2.75c fully franked dividend, paid on June 16.

The company expects that NPAT for the full year will be comparable with the record annual profit of \$7.7 million after tax last year.

Executive chairman Stephen Young said while the forecast results are lower than expected earlier in the year, the company has acquired new work, has extended its safety record further and secured approval for self insurance - subsidiary ICE Engineering has completed 7 years representing 1,500,000 hours worked without a lost time injury. Fabtech has had 5 years, QMM 4 years and Ottway and E&A Contractors 3 years without any lost time injuries.

Margins generated by Ottway Engineering had been affected by an 8 month delay to the finalisation of a major contract where 80% of the client supplied material was received after the scheduled date for practical completion.

EAL subsidiaries have recently secured contracts for new work of approximately \$75 million and as a consequence the order books were well positioned for the coming year. EAL will report for the year on August 28.

Our Weeks Special dated Feb 1 2013. Profitable since listing in Dec 2007, EAL has paid a handsome div every year except 2012 - a conglomeration that includes seven prestigious engineering & contracting businesses with blue chip clients - owned 70% by long serving and dedicated management.

\*KNL: Best results to date at Epanko in Mahenge graphite project Tanzania

Kibaran Resources Ltd advised latest results from the recent Reverse Circulation drill program at its Epanko deposit within the Mahenge Graphite Project in Tanzania have returned the best graphite intersections to date.

The best intersection to date is 22m at 13.4% TGC including 7m at 20.1% TGC and 39m at 11.3% TGC, including 12m at 14.5% TGC and 6m at 15.5% TGC.

\*MIR: Op profit down 6%, div 6.5c ff + sp 10c ff div, DRP at 10%disc

Mirrabooka Investments Ltd for the year ending June 30 2014 announced a net profit attributable to members including capital gains on puttable instruments in the previous corresponding period (pcp) and non **equity** investments was \$7.8 **million**, down 23.8% from the previous year which had included \$1.9 **million** after tax profit from selling into the takeover of Hastings Diversified Utilities Fund.

On revenue down 4.4% to \$9.5 **million**.

A final 6.5c fully franked dividend, steady was announced plus a 10c per share fully franked special dividend. Ex date is July 23, record date July 25. The RP is available at a 10% discount.

Net operating result after tax was down 6% to \$7.8 **million** vs the previous year.

Net profit per share was 5.6c, down 24.5% on the previous year.

Net operating result per share was also 5.6c down 7% from 6.03c for the previous year.

Net asset backing per share before the provision for deferred tax on unrealised gains was \$2.41, up from \$2.11 at the end of the previous year (before allowing for the final dividend).

Basic eps is \$5.63vs \$7.46 last year.

Cash in hand is \$30.6 **million**.

The **company sold** the entire holding in REA **Group** and made partial sales in Austbrokers, Bega **Cheese**, Ramsy Healthcare and iProperty **Group**. Funds generated were deployed into new holdings including SO, SAI, Lifestyle Communities, Challenger and Japara Healthcare. The largest additions to existing holdings were in **Equity** Trustees, Qube Holdings, Incitec Pivot and Treasury **Wine** Estates.

\*SPL: 600 women to be enrolled in 2 Phase III studies after FDA's SPA Starpharma Holdings Ltd announced the US Food and Drug Administration has granted Special Protocol Assessment (SPA) agreement on the design and planned analyses of the Phase III clinical studies of the VivaGel bacterial vaginosis (BV) product for the prevention of recurrent BV.

The favorable SPA outcome provides a binding agreement from the FDA that the phase 3 clinical study design, endpoints, statistical analyses and other aspects of the planned studies adequately address objectives in support of a US regulatory submission for approval of the product.

The grant of SPA agreement by the FDA follows the earlier agreement of the European Medicines Agency on the design of the phase 3 studies.

Starpharma will now commence its two pivotal phase 3 clinical trials of VivaGel for the prevention of recurrent BV at sites in North America, Europe and Asia.

The two |(00)phase 3 double blind, randomised placebo controlled trials will be identical in design and will compare the rate of BV recurrence in women using VivaGel to the rate of recurrence in women using a placebo gel during a 16 week treatment period.

Approximately 600 women will be recruited into each study.

CEO Dr Jackie Fairley said in the report, "SPA agreement from the FDA is protected by US law and gives Starpharma certainty and confidence that the studies will support a regulatory submission for the approval of VivaGel for the prevention of recurrent BV in the US".

\*ZIP: 3rd consecutive month of record sim card sales in June

ZipTel Ltd announced the **company** achieved record monthly sim card sales in June 2014 for its international pre paid travel sim card AussieSim. This is the third consecutive month of record sim card sales which demonstrates robust sales growth for the product. AussieSim achieved a total of 1,440 sim card sales in June 2014 representing a 305% increase in sales compared to the 356 sim card sales during June 2013. On a month on month basis sim card sales for the AussieSim product were up by 15% on the 1,250 sim card sales for May 2014.

ZipTel is implementing a number of marketing initiatives to drive further growth including the recent appointment of Alun Cooksley to **lead** the expansion of AussieSim's sales and distribution channels.

## MID TO SMALL RESOURCES

\*ABY: Ramp up commences at Birla Nifty

Aditya Birla Mineral Ltd advised that subsequent to the lifting of the Prohibition Notice by the Department of Mines and Petroleum as announced on July 7, it has completed the detailed stoping, development and production schedule for the Birla Nifty mine to recommence **mining** activities whilst ensuring the safety of its employees.

While the **operations** will not achieve optimal levels during the first few months of the ramp up, the **company** will strive to become financially viable during the course of the remainder of the year.

The **company's** quarterly activities report will include details of the cash burn throughout the shutdown period and remaining cash holdings.

\*CTR: Further testing of Atzam #5/ Schlumberger completes logging data

Citation Resources Ltd advised testing **operations** are set to recommence on the Atzam #5 well in Guatemala with the immediate program to be focused on the C18 carbonates located behind production casing above the final casing point at 3,600 ft. The testing program was recently delayed whilst Schlumberger sourced and delivered a larger 7 inch perforator gun from Mexico to location that will enable more of the targeted carbonate sections to be opened up to the wellbore to help evaluate the **commercial** flow rate potential of each zone.

All potential **commercial** pay zones will be perforated and tested in this ongoing program until a zone produces at material **commercial** rates. On success such a zone would then be put on production like the C17 producing zone in Atzam #4 that continues to produce under natural reservoir pressure at approximately 170 bopd. Review of the Atzam #5 log data confirms the well has very similar reservoir characteristics to Atzam #4.

The full suite of logging data and reports from Schlumberger have been passed on to Ralph Davis who are completing a reserve report for Atzam \$5 and resource estimates for the Atzam field. (CTR 60% of Latin American who own the Atzam licence).

\*MRP: Prelim Nimbus-Boorara Ag/Au/Zn DFS more encouraging than PFS

McPhersons Resources advised preliminary findings of the bankable feasibility study on its Nimbus-Boorara silver-**gold**-zinc project near Kalgoorlie point to both capital and operating costs being significantly lower than those contained in the pre-feasibility study.

The study which is on track for completion in the September quarter 2014 shows that the lower costs not only have the potential to boost margins, but could also result in the cut off grades being reduced.

Deep drilling has intersected both strike and depth extensions of currently known mineralisation as well as identifying new zones.

\*PIR: Merger with B2Gold, Fekola resource unchanged/satellites upgraded

Fekola Papillon Resources Ltd in its June quarter report highlights during the quarter included the merger with B2Gold Corp to combine the two companies at an agreed exchange ratio of 0.661 B2Gold shares for each Papillon shares held, subject to the satisfaction of certain conditions.

If the scheme is implemented, PIR shareholder will hold approximately 26% of the merged entity while still retaining material exposure to the upside potential of the **company's** Fekola Project in south western Mali.

At the Fekola project additional metallurgical test work has been completed as part of the DFS, supporting the previous decision to implement a conventional primary crush, semi-autogenous grinding and ball mill circuit and a gravity concentration and a carbon in leach on gravity tails processing flowsheet for Fekola.

The Fekola updated Main Zone MRE resource of 5.15 **million** ozs at a lower cut off grade of 1gpt Au remains unchanged since last reported. The updated Fekola Satellites MRE is now 0.38 **million** ozs at a lower cut off grade of 1 gpt Au.

Follow up drilling at the Menankoto Sud Project, located approximately 13 km to the north of the Fekola project, continues to yield extremely encouraging results including 10m grading 4.61gpt Au from 12m, 30m grading 2.01gpt Au from 13m and 7m grading 3.22gpt Au from 40m.

\*THX: Up to 31.3%Cu, 2.6gpt Au, 34.2gptAg in recent drilling at Red Bore Thundelarra Ltd announced it has completed a further two diamond drill holes at its 90% owned Red Bore prospect (M52/597) in

Western Australia's Doolgunna region. These holes were designed to help define the geometry and to increase the known extent of the brecciated magmatic feeder pipes discovered in the first stage drill program, announced on May 16.

The highest intercept is for 1m at 31.3% Cu, 2.6gpt Au, 34.2gpt Ag from 36m. High grade mineralisation continues beyond the existing resource envelope. One definite and a possible second feeder pipe has been identified.

Approval has been received from the DMP for follow up program of work.

\*TNG: 3way MOU with Hyundai for investment, offtake re. Mt Peake + other

TNG Ltd announced it has signed a three way MOU with Hyundai Steel Co Ltd, part of the Hyundai Automotive Group paving the way for a potentially company making funding, development and construction arrangement for its flagship Mount Peake Vanadium Project in the Northern Territory.

The MOU encompasses a cornerstone investment in TNG, potential offtake for the iron products from TNG's Mount Peake project and includes consideration of TNG's other resource projects.

Discussions to progress the MOU into binding agreements are underway.

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