

HD MARKET WEAKER AT MIDDAY ON LIGHT VOLUME

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The S&P/ASX200 is down 17.8 points to 5443 at midday on light volume worth \$1.2 **billion**. There are 367 issues higher and 480 down. The SPI Futures is down 20 points to 5435 on light volume of 10,698 contracts. Aussie 10 year bond yields are up 1 point to 3.82%, the \$A is at 93.61US c, more or less in line with Saturday levels.

*The banks have contributed 4.5 negative points to the index, resources have contributed 7 negative points, property trusts have contributed 0.1 positive points, retailers have contributed 1.4 negative points, Telstra has contributed 0.7 negative points.

*The Nikkei Dow futures is down 20 points to 14,190 points, Shanghai CSI physical is up 29.07 points to 2040.20, **m** Hang Seng futures is up 138 points to 21,814 points.

Spot **gold** is down \$3 to \$1286. Crude is up 13c to \$100.12.

*Bargain hunters are likely to be the main buyers in an anxious market ahead of the Budget to be brought down tomorrow.

Meanwhile, **Chinese** President Xi Jinping's saying the nation needs to adapt to a "new normal" in the pace of economic growth (Bloomberg report) does not create huge optimism.

"Ceiling 5475. Floor 5437. Close at 5457, down 3.8 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 1 point.

"I remain steadfast in my view that our market remains entrenched in an intermediate term topping process.

"Index and sector leadership is bearish with risk and growth underperforming. New 52-week lows are outpacing new 52-week highs. Deflationary pressures are building. Now not all the ducks have lined up in a row just yet, and given the lack of urgency in the current decline off the top, it is highly likely our market will print another rally high going forward or at least test the prior high. But none of this matters for today. The ceiling will be 5475. The floor will be 5437. When the dust has settled, the market will have closed at 5457, down 3.8 points'.

The S&P/ASX200 closed down 16 points to 5460.8 last Friday.

ECO NEWS

Business confidence improves in April vs March

The National Australia Bank in its report today said business conditions reversed all their gains from March, pointing to the fact that activity is yet to pick up to the levels expected from confidence numbers.

Business conditions fell to zero in April, from one point in March, back to the same level seen in February, said National Australia Bank in their monthly survey.

A slightly more positive jobs market helped business confidence rise two points to six in April, after falling three points to four in March.

Conditions remain volatile and mixed across industries: 'bellwether' sectors (wholesale, transport) are still soft with near term conditions likely to remain sluggish – forward orders fell sharply.

NAB said its indicators, in the near-term, are likely to experience continued weakness, with forward orders deteriorating and businesses reluctant to restock.

Confidence maybe be improving across the board for Australia businesses, but it is still quite negative in the **mining** sector, Mr Oster said, and given its importance to the local economy, may have a trickle on affect.

TOP STOCKS

*Incitec Pivot is up 3c to \$2.85 on 2.8m shares after its profit result, below.

*Coca-Cola is down 4c to \$9.11 on 870,000 shares after announcing its reorganisation, below.

*Sirius is up 8c to \$2.98 on 1.4m shares.

*Aurizon is down a half cent to \$4.86.5 on 1.34m shares also report below.

*Leighton is down 30c to \$19.75 on 230,000 shares, also reports below.

Among the financials, AMP is down 1c to \$5.24 on 2.9m shares, ANZ is down 8c to \$32.64 on 1.7m shares, CBA is down 24c to \$79.26 on 656,279 shares, NAB is down 2c to \$34.36 on 2.5m shares, Westpac is down 9c to \$34.85 on 1.6m shares.

Among the TMT's Telstra is down 1c to \$5.21 on 6.3m shares, Telecom NZ is steady at \$2.44 on 598,896 shares, SingTel is steady at \$3.26 on 225,457 shares.

Among the resources BHP is down 35c to \$36.99 on 2m shares, RIO has shed 43c to \$60.52 on 587,509 shares. Fortescue is down 11c to \$4.70 on 7m shares, Atlas is down 2.4c to \$1.7c on 3.7m shares, Iluka is down 5c to \$8.60 on 257,587 shares. OZL is up 4.5c to \$3.61.5 on 344,213 shares.

Among the oils, Woodside is down 23c to \$41.02 on 415m783 shares. Santos is down 5c to \$14.15 on 625,991 shares. **Oil** Search is down 6c to \$9.06 on 1.5m shares.

Among the golds, stocks are mostly lower. Newcrest is down 27c to \$10.14 on 870,824 shares, Northern Star is down 2cto \$1.10 on 729,425 shares, Oceana is down 7c to \$2.68 on 101,858 shares. Alacer has shed 9c to \$2.37 on 133,634 shares.

AT THE SMALLER END

*Dart **Energy** is up 4c to 16.5c on 14.5m shares on the report below.

*Circadian is up 7c to 24c on 220,000 shares on the report below.

*Select Harvests is down 54c to \$5.67 on 450,000 shares on the report below.

*Boadicea, the 'sleeper' so far with highly prospective Fraser Range acreage is up 6c to 23c on 49,065 shares.

*Matsa is up 1c to 28c on 341,852 shares, also report below.

*McMillan Shakespeare is up another 43c to \$10.81 on 319,315 shares, on no speculation the FBT will be altered.

*Sirtex is up 54c to 416.74 on 131,628 shares.

*Cynata is up 1.5c to 37c on 84,279 shares.

NEWS OF THE DAY

*The Ministry of Finance in Tokyo announced the current account surplus narrowed in March to a surplus of 116.4 **billion** Yen on a surge in imports before April's sales tax increase. The surplus was narrower than the 1.28 trillion Yen a year earlier, which had risen from a record deficit in January.

Imports rose 23% and exports rose 6.2% while primary income from overseas investments increased 1.6%.

Our Darvas System related Special Report is on Peet Ltd today, posted separately.

Changes in substantials reported May 7, 8 and 9 inc reported separately.

LARGE CAP INDUSTRIALS

*AZJ: Seeks to terminate the 14 existing Qld based Enterprise Agreements

Aurizon Ltd announced it will be making an application to the Fair Work Commission to terminate the 14 existing Queensland based Enterprise Agreements (EA's). Aurizon has been bargaining with union representatives extensively since April 2013 and has completed more than 70 years of bargaining. Despite these efforts eaningful progress towards the agreement of new EA's has not been achieved.

On March 4 2014 Deputy President Asbury of the Fair Work Commission wrote" The discussion on hours of work is typical of the way in which the negotiations have proceeded and indicates the likelihood of reaching agreement is virtually nil".

The current 14 Queensland EA's nominally expired at end December 2013. They were agreed almost four years ago, prior to privatisation in 2010 to give effect to an agreement between the then Queensland Government and the unions that employees' terms and conditions would be protected for three years.

In effect this means there have been no significant productivity or efficiency changes in the Queensland EA's in six years, since the previous agreements were negotiated in 2008 while employees have received wage increases of at least 4% per year over the life of those agreements.

If the EA's are terminated the terms and conditions of employment will be regulated by The Rail Industry Award 2010, the National Employment Standards and Employees' individual contracts of employment.

*BOQ/IMF: IMF funds appeal against Supreme Court NSW adverse decision

Bentham IMF advised with regard to its previous announcement on February 13 it has now agreed to fund an appeal to the Court of Appeal of the Supreme Court of NSW following dismissal of clients' claims against the decision dismissing its clients' claims against the Bank of Queensland.

*CCL: Reorganises CCL into two Aust divisions, John Murphy to leave

Coca-Cola Amatil Ltd's new managing director Alison Watkins announced plans to reorganise the Australian Beverages division following the first phase of the strategic review. From June 1 2014 the non-alcoholic beverages and the Licensed & alcohol business units will report separately to the Group MD.

Barry O'Connell, CCL's New Zealand current MD has agreed to take up the position as MD, CCL Australia - non alcoholic beverages. Shane Richardson will continue a director, licensed & alcohol, reporting directly to the CEO.

As a result John Murphy CCL's current MD - Australian beverages has agreed there are no suitable positions within the new organisation and has decided to leave CCL after ensuring a smooth transition, at end June.

The MD paid tribute.

*IPL: Int NPAT up 7%, 3.5c int div part fr, DRP at 1.5% disc, outlook positive

Incitec Pivot Ltd for the half year ended March 31 2014 announced a net profit up 7% to \$115.7 **million** on revenue up 6% to \$1.508.4 **billion**.

A 3.5c interim dividend franked to 2.63c was announced, up from 3.40c for the previous corresponding period (pcp). The DRP is available at a 1.5% discount. Record date is May 22.

EBITDA rose by 29% to \$302.6 **million**.

NTA backing per security is 81c vs 70c for the pcp.

Basic and diluted eps is 7.1c vs 6.6c for the pcp.

Incitec Pivot managing director and CEO James Fazzino said in the presentation the result confirmed the strength of IPL's strategic focus on driving returns from existing **operations** while growing the business in line with the **company's** strategy to leverage dislocations in the world's two largest economies - the industrialisation and urbanisation of **China** and the shale gas revolution in the US.

Mr Fazzino said the medium term strategic platforms were the Moranbah ammonium nitrate complex which is planned to achieve production of 330,000 tonnes a year from 2015 and the Louisiana ammonia plant, under construction with first production expected in 2016. "Both projects should really 'move the dial' and result in a step change in EBITDA for their respective businesses. This financial year Moranbah is expected to produce 300,000 tonnes generating approximately \$140 **million** in EBITDA for the Dyno Nobel Asia Pacific business' the MD said in the report.

Analysts expectations: \$107.6 mln, div 3.3c/ consensus forecast by the Financial Times of 28 polled investment analysts covering Incitec Pivot Limited advised that the **company** will outperform the market. This has been the consensus forecast since the sentiment of investment analysts improved on Dec 09, 2013. The previous consensus forecast advised investors to hold their position in Incitec Pivot Limited.

There were 5 buy recommendations, 7 outperforms and 11 holds.

*On March 13 a leading broker lifted its price target on Incitec Pivot to \$3.16 from \$3.08 while retaining a "buy" on the stock, saying diammonium phosphate (DAP) prices remain the key driver of earnings changes for Incitec, with a \$US10/tonne move impacting group EBIT by 2% of \$9 **million**, all else being equal.

The broker said it believes DAP prices can be sustained around current levels albeit This relies on improved import demand from India, which has historically made up 35% of global seaborne trade.

The broker expects net profit to be flat in the March half year at \$A110 **million** despite an expected 15% increase in EBIT (IPL reports for the first half on May 12). The broker expects a 30/70 skew to the 2nd half. Moranbah remains the key swing factor to earnings.

*LEI: HOCHTIEF Australia Holdings Ltd offer closes with 69.62%

HOCHTIEF Australia Holdings Ltd announced following the proportional offer to acquire 3 out of every 8 shares in Leighton Holdings Ltd that it does not already own announced the offer closed on May 9 with 69.62% of Leighton.

*LEI: Dispute with Pakri Barwadh **coal** in India/no financial impact on LEI

Leighton Holdings Ltd advised on May 8 India time client NTPC Ltd issued a notice purporting to terminate the Pakri Barwadh **coal mining** contract in India. The contract was awarded in 2010 to Thiess Minecs, 90% owned by Leighton's wholly owned subsidiary Thiess Pty Ltd and 10% owned by Kolkata based Minecs Finvest Private Ltd. The contract has a current value to Thiess over the next 5 years of \$267 **million**.

NTPC has called \$A18.5 **million** worth of bank guarantees issued by Thiess Minecs. It is Thiess Minecs' position that the action taken by NTPC is a breach of the contract and without foundation. Thiess will initiate legal proceedings to recover the monies called and in respect of the notice of termination issued by NTPC.

Regardless of the outcome of these legal proceedings, there will be no material impact on Leighton's financial results.

*LEI: Thiess India CEO Dr Raman Srikanth arrested Friday/Thiess supporting

Leighton Holdings Ltd advised a private complaint has been filed with the Hyderabad Police which has resulted in the CEO of Thiess Minecs, Dr Raman Srikanth being arrested on May 9. Thiess Minecs is a 90% owned subsidiary of Thiess Pty Ltd. The complaint has been made by Hyderabad based **company** Roshni Developers Private Ltd and relates to matters that are currently the subject of civil arbitration proceedings in Singapore that have been ongoing for two years.

Thiess Minecs has advised the complaint is unfounded and urgent applications are being made to the courts in Hyderabad to dismiss it. Thiess is supporting Dr Srikanth and providing every assistance to him and his family.

*SKI: Raises \$US370 mln in US **bonds** to refund debt, for working cap

Spark Infrastructure announces that SA Power Networks in which it holds a 49% interest has reached agreement with US investors to place \$US370 **million** of **bonds** into the USPP market. As part of the

transaction, cross currency swaps were simultaneously executed to convert the US dollar funds into Australian dollars, equating to approximately \$A397 **million**. The funds will be used to part refinance existing debt facilities which mature in September 2014 and for working capital. The **bonds** are split into two tranches of 8 and 12 years, each of \$US185 **million**. (May 9)

LARGE CAP RESOURCES

*BHP: BHP Billiton reported subsidiary Petrohawk for the March quarter announced net income worth \$US60.666 **million** vs \$US21.012 **million** for the previous corresponding period (pcp).

On **Oil** and natural gas operating revenue worth \$US912.062 **million** vs \$US618.498 **million** for the pcp.

MID TO SMALL INDUSTRIALS

*AHZ: Ovresubscribed placement raises \$8 mln, SPP at same price

Admedus Ltd announced it has completed an oversubscribed placement to sophisticated and professional investors to raise \$8 **million** through the private placement of ordinary shares at an issue price of 10c each. Existing shareholders of record on May 9 will be offered an opportunity to subscribe for up to \$15,000 of shares at the same price through a SPP.

Funds will be used to support expanding the sales teams in Europe and the US where CardioCel is being used currently in 8 centres in Europe with initial US sales orders last week, also post market studies and further product development and to expand the use of CardioCel in cardiovascular surgical applications and to progress the HSV-2 vaccine into a Phase II study before the end of 2014.

*BNE: Planned human clinical study for oral osteoporosis treatment approved

Bone Medical Ltd announced it has received approval to proceed with its planned human clinical study as announced on April 4. The study will compare Bone's potential oral treatment for osteoporosis against a commercially available injectable osteoporosis treatment. The study is expected to begin before the end of May and conclude within three months.

The **company** also announced as part of the **company's** ongoing post-recapitalisation transition, Peter Young has stepped down as CEO and director and is assuming a role as senior consultant and adviser. In this capacity he will continue to provide ongoing operational support and strategic advice going forward.

*CIR: Major step forward towards IND for wet AMD drug in meeting with FDA

Circadian Technologies Ltd announced its 100% owned subsidiary Opthea Pty Ltd has completed a Type **B** pre-investigational new drug meeting with the US FDA for OPT-302 for the treatment of wet age related macular degeneration.

Opthea requested the meeting which was held on May 9 2014 with the FDA division of Transplant and Ophthalmology Products, Centre for Drug Evaluation and Research (CDER).

The FDA agreed to Opthea's proposed clinical indication for OPT-302 as a drug for the treatment of wet AMD, estimated to be a \$5 **billion** per year market in the US alone.

CEO Megan Baldwin said in the report "We are pleased to complete this key milestone which is a major step forward towards filing the IND for OPT-302. Clarity has been provided on our strategy to bring this novel therapy to patients suffering from wet AMD and we aim to submit an IND and initiate a Phase 1/2a clinical trial in the first half of 2015".

*CKK: Acquiring proppant **m/fr company** Ecopropp for scrip

Coretrack Ltd announced it has signed an agreement with unlisted **oil** and gas ceramic "proppant" developer Ecopropp, based in Queensland, to acquire 100% of Ecopropp shares paid for in scrip following the achievement of three agreed milestones.

The deal provides exposure for coretrack shareholders to the booming Hydraulic fracturing market. With many horizontal deep **oil** and gas wells now requiring approximately \$1/3 **million** worth of proppants during hydraulic fracturing, Coretrack Chairman Matt Birney said in the report "We feel that the unique proppant developed by Ecopropp has the potential to **lead** the industry given its ultra light weight and ability to withstand the very high pressures in deep wells".

Ecopropp MD Siegfried Konig said in the report Ecopropp's proppant technology now meets the American Petroleum Institute and ISO certifying authority guidelines and is more than ready to be taken to the next level via public listing. He said "Ecopropp's ceramic proppants have been specifically engineered for **oil**

and gas wells that are deeper than two kilometres, not for shallow **coal** seam gas or **coal** bed methane wells which are often only 300/500m deep".

Coretrack will own 100% of Ecopropp after three milestones have been achieved. The two companies have agreed a budget of \$2.1 **million** for which Coretrack subject to certain conditions, will provide working capital for the period to October 2016, also other terms.

Ecopropp proppants can be produced anywhere in the world where a **coal** fired power station and related resources exist, which dramatically lowers the logistics costs of transporting proppants.

*NSP: Xeraya capital, JP Asia Prime Capital invest \$S16m in PrIME Biologics

NuSep Holdings Ltd announced its Singapore based subsidiary PrIME Biologics Private Ltd has signed an investment agreement with Xeraya Capital Labuana Ltd, part of a Malaysian sovereign fund while JP Asia Prime Capital is a Singapore based private **equity** fund. Both entities have agreed to make an aggregate investment of \$S16 **million** via the acquisition of Series A preference shares in PrIME Biologics.

Following the investment Xeraya Capital and JP Asia Prime Capital will hold 37.21% of the **company** with NuSep holding the balance and the remaining 2.57% held by independent third party contributors.

Also Ms Alison Coutts, currently Executive Chairman of NuSep Holdings has been appointed a non executive director of PrIME Biologics, replacing Andrew Goodall, who remains a non executive director of NuSep Holdings. Also Mr Thee Woon Goh has stepped down as a non executive director of PrIME Biologics. (May 9)

*ONT: Acquires BOH Dental Group for \$7.75m cash +\$2m within 2 yrs

1300 Smiles Ltd announced it has entered into a conditional contract to acquire one of the most highly respected general and specialist dental practices in Australia - the BOH Dental Group. Founded in Brisbane's CBD 38 years ago by Drs Brain, O'Brien and Holzgreffe, all since retired, BOH Dental has grown into one of the largest practices in Queensland with ten dentists and a team of hygienists, consulting dentists, laboratory and support staff.

All seven partners of BOH Dental have agreed to extended contracts with 1300 Smiles.

The acquisition is expected to contribute approximately \$1.2 **million** EBITDA during the full 2015 year. It will be funded from a mix of cash reserves (\$7.75 **million** on completion) and vendor finance (\$2 **million** payable over five years).

*SHV: Almond demand rising/harvest 85% complete/wet conditions may impact

Select Harvests managing director Paul Thompson reported world almond prices have firmed following the release of the US April Almond industry position report on May 9 reflecting the continuing strong demand for almonds. US domestic market shipments are up 11.3% year to date and export shipments are up 1.3% with total shipments up 4.3%. The current forecast shows the carry over inventory will be 261.7 **million** pounds, 17.4% lower than last year end.

Global demand remains strong from food processors, food service and confectioners.

With regard to Select Harvests' current crop, Mr Thompson said with additional investment in harvest equipment in 2013, the **company** had been able to harvest 84% of its farms by April 29 despite rain disruption, resulting in increased harvesting and processing costs. Continued rainfall in NSW since then has prevented the harvesting of the remaining 16% of the crop. The wet, cold conditions have resulted in some nut drop, further increasing the probability of product deterioration.

Until all of the remaining 2013/14 crop is harvested and processed, SHV is not in a position to determine with any certainty the impact of this year's wet harvest conditions on yield and quality.

*TGA: James Marshall becomes CEO and MD on June 1

Further to the ASX announcement on May 5, Thorn Group Ltd advised James Marshall will take on the role of managing director and CEO on June 1. John Hughes will remain on the board as an executive director until June 30 2014, the date of his retirement. (May 9)

MID TO SMALL RESOURCES

*BKP/Others: OzBeta-1, first of 3 wells spudded, Statoil 60% and operator

Baraka **Energy** & Resources Ltd announced the OzBeta-1 well has now spudded and drilling is underway. The OzBeta-1 is a vertical exploration well located in EP 127 in the Georgina Basin. This is the first of a

pto 3 vertical test wells to be drilled as part of the 2014 Work Plan and Budget under the Joint Operating Agreement for each permit. Baraka holds a 25% participating interest in each JOA on the tenements EP127 and EP128 with Statoil Australia Theta BV holding 60% and Petrofrontier Australia Pty Ltd 15%.

*DTE: Recommended scrip **acquisition** by Igas **Energy** Plc equiv to 18.98Ac

Dart **Energy** Ltd announced a recommended **acquisition** by Igas **Energy** Plc of Dart for approximately \$A211.5 **million** equivalent to 117.1 **million** Pounds via an Australian Scheme of Arrangements on a share exchange basis. Dart shareholders will receive 0.08117 Igas shares for each Dart share equivalent to \$A18.98 per share on the \$A/British pound exchange rate and closing share price of Igas on May 8 and will hold approximately 30.5% of the enlarged **company** on a fully diluted basis.

The combination of Igas and Dart will create a market leading onshore UK **oil** and gas **company** with the largest area in the UK under licence of over 1 **million** net acres including major UK shale basins.

The Dart Board unanimously recommends shareholders vote in favour of the scheme.

Significant shareholders representing 30.55% of the total voting rights of Dart including 16.3% held by New Hope Corporation Ltd, have indicated their intention to support the transaction.

Directors of Igas plus significant shareholders representing 43.54% of the total voting rights of Igas have indicated their support for the transaction.

Dart has cancelled its planned listing on the AIM Market. However on implementation the transaction will provide Dart shareholders with Igas consideration shares that will be admitted to trading on AIM. (May 9)

*MAT: Second Ni-Cu target identified at Symons Hill

Matsa Resources Ltd announced a second Ni-Cu target has been identified at Symons Hill directly beneath significantly enriched aircore Ni values including 13m at 1.52% Ni, 0.01% Cu, 0.04% Co in weathered olivine Metagabbro. The target is along strike of high RC Ni values including 56m at 0.39% Ni, 0.025 Cu, extending into unweathered olivine metagabbro.

*NXS: Shareholder query on valuation of Crux asset

Nexus **Energy** Ltd advised with regard to the proposed scheme of arrangement announced on March 31 under which Seven Group Holdings Ltd will acquire through its wholly owned subsidiary SGH **Energy** (No2) Pty Ltd, all of the shares in Nexus.

Following release of the Scheme Booklet there have been two shareholder queries received in relation to the valuation of the Crux asset in the independent expert report. In response to these queries, Deloitte has provided an explanation, tabled in the report.

*OGH/GDA: Conditional offer at 8.2c per share for Gondwana Resources

Ochre Group Holdings Ltd announced it intends to make a conditional off market cash offer of 8.2c per share for all the shares in Gondwana Resources Ltd. OGH is the largest shareholder in Gondwana with 17.65%.

The offer is conditional on the rights issue issued on April 15 either not proceeding or if it does proceed, being on a 1 for 1 basis at 3.2c per share with free options exercisable at 5c per share for every two shares offered. (May 9)

*WEC: Preferred tenderer for EPC 25623 in Middlemount, Queensland

White **Energy Company** Ltd announced it has been advised by the Queensland Department of Natural Resources and Mines of its appointment as the preferred tenderer for exploration permit EPC 25623, covering an area 15 km south of the town of Middlemount in the central Queensland coalfields.

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