

HD MARKET SHARPLY LOWER AT MIDDAY, LED DOWN BY THE MINERS

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The S&P/ASX200 is down 46.5 points to 5415.8 at midday on almost average volume worth \$1.7 **billion**. There are 372 issues higher and 455 down. The SPI Futures is down 54 points to 5418 on light volume of 7961 contracts.

Aussie 10 year bond yields are steady at 4.16%. The EA is at 90.36US c, down about 30 points on Saturday levels.

*The banks have contributed 9 negative points to the index, resources have contributed 27.9 negative points, property trusts have contributed 0.7 negative points, retailers have contributed 0.8 positive points, Telstra has contributed 1.2 negative points.

*The Nikkei Dow futures is down 170 points to 15,120 points, Shanghai CSI physical is down 23.20 points to 2034.71, Hang Seng futures is down 348 points to 22,243 points. S&P futures is down 4.10 points to 1873.90, Nasdaq futures is down 4.45 points to 3699.75. Dow futures is down 31 points to 16,417 points.

Gold futures are down \$4.40 to \$133.80. Crude futures are down 15c to \$102.43.

*Japan's GDP rose 0.7% in the 4th quarter from the September quarter vs the preliminary estimate of 1% and the 0.9% median forecast in a Bloomberg survey of economists.

Our miners may be falling on South Africa, as well as **China** jitters - below "in news of the day". Meanwhile **copper** plunged on Friday on the LME on concerns after the **solar company** default on Friday - **copper** is also used as collateral for loans in **China**, apart from its use in manufacture.

"Probably going to give back about 25 on the day"

"Maree" said, "We are probably going to give back about 25 on the day, with volumes thinned by Labor Day holidays in Victoria and South Australia. The RBA Governor has said rates will probably be stable for awhile. The numbers we received last week were better than expected, showing that the low interest rates are filtering through into the economy". Maree added, "If the \$A drops, our inflation rate is likely to rise above 2% because of the amount of goods we import".

Meanwhile, she said, "We are very dependent on our trading partners, **China** and Japan. Japan is still in diabolic trouble. The **Chinese** export numbers were lower than expected - the slow down there may be bigger than even the **Chinese** government expects.

"In the US, although the employment number was higher, the economy is not picking up as rapidly as expected and interest rates are likely to remain low for a considerable length of time".

The S&P/ASX200 closed up 16.4 points to 5462.3 on Friday.

TOP STOCKS

*Leighton is the story of the day (interesting to note over last week Leighton rose 15% of 265c) following Hochtief's proportional bid at \$22.15 per share, cash.

Leighton is up \$2.32 to \$23.04 on 3.67m shares.

*Austal rose 8c to 88c on 978,839 shares on the report below.

*LNG rose 5c to 47.5c on 4m shares on last week's report.

Among the financials, AMP is up 1c to \$5.02 on 3.9m shares, ANZ is down 25.5c to \$32.32.5 on 1.2m shares, CBA is down 53c to \$75.47 on 689,881 shares, NAB is down 15c to \$34.59 on 1.23m shares. Westpac is down 5c to \$33.75 on 975,498 shares.

Among the TMT's Telstra is down 2.5c to \$5.04.5 on 11m shares, Telecom NZ is up 1c to \$2.31 on 594,516 shares, SingTel is down 1c to \$3.15 on 35,788 shares.

Among the resources BHP is down \$1.27 to \$36.45 on 5.57m shares, RIO has shed \$3.10 to \$61.84 on 2.5m shares. Fortescue fell 46c to \$4.97 on 33.58m shares, Atlas fell 9c to \$94.5 on 15m shares, OZL fell 18c to \$3.74 on 1.15m shares, Paladin fell 3.3c to 57.2c on 6.9m shares. Sirius fell 26c to \$2.54 on 639,923 shares, Western Areas fell 17c to \$3.45 on 541,457 shares.

Among the oils, Woodside rose 5c to \$38.71 on 503,267 shares. Santos was down 22c to \$14.10 on 747,365 shares, **Oil** Search is down 3.5c to \$8.85.5 on 1.1m shares.

Among the golds, stocks were down across the board - Regis an exception. Newcrest fell 49c to \$1.51 on 2.1m shares, Northern Star fell 7c to \$1.17.5 on 1.4m shares, Regis rose 13c to 42.46 on 2.1m shares, Resolute was down 1.3c to 65.7c on 1.2m share. Alacer fell 4c to \$3.13 on 296,448 shares.

AT THE SMALLER END

*Lucapa traded steady at .7c with 17m shares dealt.

Cannacord Genuity report on Lucapa Diamond Co as a 'speculative buy' posted separately.

NEWS OF THE DAY

*Miners may also be falling on South Africa news

As reported by OzEquities on Saturday, the Financial Times in London reports that on Friday South Africa approved amendments to its Mineral Development Act which gives far reaching implications to petroleum and **coal** miners in South Africa (more below in Other News), confirmed by us in a search of South Africa's government website.

*The Financial Times commented, "Anglo American currently sells thermal **coal** for just \$17 a tonne in South Africa against \$74 to export markets and **iron ore** for \$62 a tonne against \$115 internationally".

"Mineweb" in Johannesburg last Friday carried the following report,

Author: Ayanda Mdluli

Posted: Friday , 07 Mar 2014

" According to Lizel Oberholzer, director and head of **oil** and gas at pan-African corporate law **firm** Bowman Gilfillan, "Some of the most significant changes to the Bill were rushed through this week, including provisions for state participation in petroleum licences," she said in a statement.

Oberholzer noted that earlier versions of the Bill entitled the State to a free carried interest of 20% and a further participation interest of 30% with the total state interest capped at 50%.

"The version that was approved yesterday removed the reference to a 30% participation interest as well as the limit of 50%, effectively giving the State the right to take over an existing petroleum operation," she explained.

While previously the State was obligated to pay "a fair market value" for any participation interest that it acquired, it now only needs to pay "an agreed price" which would present major problems in the future as the Bill does not make any provision for a situation where price cannot be agreed upon".

The Bill also introduces the notion of 'production sharing agreements', a system employed in other countries with mature upstream industries. However, South Africa currently implements a tax royalty

system in the minerals and petroleum sector and it is unclear how this system will be combined with a production sharing regime," she said.

James Lorimer, shadow minister for mineral resources at the Democratic Alliance (The country's official opposition in government) referred to the bill as a 'crony enrichment bill', because of the power to designate **mining** licence beneficiaries it will provide the Minister.

Also, the state will be entitled to take over 100% of **oil** and gas companies, 20% for free and the other 80% at a forced, 'fire **sale**' price; which will allow the Minister to rule the sector by making regulations which can easily be changed at short notice, he said (our italics)

The ruling African National Congress (ANC) has used its majority muscle to override any opposition to amendments of the Mineral and Petroleum Resources Development Act, effectively opening the door for the nationalisation of the **oil** and gas sector.

The act will effectively govern South Africa's entire mineral resources sector, including the nascent **oil** and gas sector that aims to explore for and extract shale gas in the Karoo.

On Thursday, Parliament's mineral resources committee finalised its clause-by-clause deliberations on the bill in a meeting characterised by sniping between ANC and Democratic Alliance MPs.

The votes on contested clauses were always eight to two in the ANC's favour.

The most contentious of the clauses was introduced by the ANC on Wednesday evening and concerned the state's participation in **oil** and gas production.

While the DA bitterly opposed the changes, saying they would smother investment in the sector, the ANC overrode its concerns by claiming that the changes were based on the ideology of those who voted for them.

The two clauses fall under section 86 of the draft law.

The first clause gives the state, through a designated organ of state, the right to a 20% free carried interest on all new exploration and production rights of **oil** and gas.

The second clause now says that in addition to the free carry interest, the state is "entitled" to a further participation of up to 80%.

Currently the clause imposes a ceiling on the state for an additional **acquisition** of 30% of the venture.

The **oil** and gas sector has opposed strongly the proposed free carry interest and the 30% ceiling. A number of **oil** and gas sector **company** representatives left Thursday's meeting in a sullen mood and refused to comment, only indicating they would prepare a statement on the matter.

Webber Wentzel law **firm** partner Peter Leon said that while the bill had been improved considerably, especially in terms of the beneficiation issue, he found the **oil** and gas provisions troubling.

"Those provisions are clearly undesirable and will have a negative effect on the sector," he said.

On Friday, the committee will finalise its report on the bill for the National Assembly and it may be debated next week, which will be the last parliamentary session ahead of the May 7 national and provincial elections.

Mining laws:

On February 21, publication 'African Law and Business' had said "the proposed changes include reserving 20% of all new **energy** ventures for state ownership, free of charge and forcing **mining** companies to sell a certain percentage of minerals and precious metals to local businesses.

(The publication had not expected the decision to be made until after the May election, and expected it would come into force next year).

More than 150 weather reports broken in the 2013/14 summer - Climate Council

ABC News reports the Climate Council in its "Angry Summer" report says more than 150 weather records were broken this summer.

Adelaide experienced 13 days over 40 degrees Celsius, including five days in a row over 42C.

The South Australian capital also had its hottest ever February day of 44.7C.

While South Australia was described as the summer's "ground zero", it was also the driest summer on record for 38 spots in New South Wales and 45 in Queensland, while Sydney had its driest summer in 27 years.

Melbourne had its hottest 24-hour period, with an average temperature of 35.5C, and Perth had its hottest-ever night and its second-hottest summer on record.

The council's Lesley Hughes says the hotter, drier weather conditions are heightening the risks of bushfires.

Victoria's February fires burnt 280,000 hectares of land.

Ms Hughes, a Macquarie University professor, says the weather patterns are clearly due to climate change and governments need to address it as an issue.

"We're having difficulty dealing with it now; our children and grandchildren will be having a great deal more difficulty dealing with it in decades to come," she said.

"It's consistent with the predictions of what happens as the globe warms up.

"Climate change is making the whole weather system different to what it used to be and along with that is an increase in extreme events."

The council says the nature of heatwaves is changing, and they are now tending to start earlier, last longer and occur more frequently.

Some of the records were for above-average rain which fell over parts of Cape York Peninsula, the Northern Territory, Western Australia and along South Australia's coast.

The report called for "urgent and deep reductions in the emissions of greenhouse gases" to stabilise the climate.

LARGE CAP INDUSTRIALS

*ASB: Wins \$US124.9 **m** contract for two 72m Hi Speed Support Vessels

Austal Ltd announced it has been awarded a contract from a naval customer in the Middle East for the design, construction and integrated logistics support of two 72m High Speed Support Vessels. The value of the contract is approximately \$US124.9 **million**.

*CPA: CPA removed from the board/DEXUS moves to compulsory **acquisition**

Commonwealth Property Office Fund has been suspended from quotation at close of trade today following despatch of compulsory **acquisition** notices by DEXUS Funds Management Ltd as trustee for DEXUS Office Trust Australia.

*EHL: \$US335 mln Senior Secured Note offering over subscribed

Emeco Holdings Ltd announced it is refinancing its existing debt facilities with the successful pricing of a \$US335 **million** Senior Secured Note offering in conjunction with a new \$A50 **million** secured Australian bank facility.

Emeco announced the pricing by its wholly owned subsidiary Emeco Pty Ltd of \$US335 **million** in aggregate of 9.875% Senior Secured Notes due 2019 to qualified institutional buyers in the US is expected to close on March 17.

The offering was oversubscribed with a high quality order book.

Emeco reduced the Notes offering from \$US360 **million** to \$US335 **million** due to continued repayment of debt from operating cash flow which reduced the borrowing needs.

*IAG: 26 year subordinated debt issue

Insurance Australia Group Ltd announced its wholly owned subsidiary Insurance Australia Ltd will commence marketing a proposed new subordinated debt issue to wholesale investors on March 11.

IAL is seeking to raise a minimum of \$200 **million** of subordinated debt which is expected to qualify as Tier 2 Capital under the Australian Prudential Regulation Authority's (APRA) capital adequacy framework.

Terms include a term of 26 years, maturing March 2040 subject to various rights of conversion or redemption, including an option for IAG to redeem the securities at face value between years 5 and 6 and for certain tax and regulatory events, fully convertible by holders on certain dates from year 8. If APRA determines IAG or IAL to be non viable the securities will convert into IAG Ordinary Shares or if that is not possible, the securities will be written off.

The number of IAG ordinary shares received on conversion will be based on a volume weighted average price over a certain period, less a discount of 1%.

No shareholder approval is needed for the issue.

*LEI: Hochtief makes proportional offer at \$22.15 cash

HOCHTIEF Aktiengesellschaft advised it intends to make a conditional, proportional off market offer to acquire 3 out of every 8 shares held by Leighton shareholders other than itself for \$22.15 cash per share, an 18.8% premium over the dividend adjusted 5 day volume weighted average price of \$18.55 per Leighton share up to and including March 7 2014.

Leighton shareholders on the register on March 1 will be entitled to a 50% franked dividend of 60c per Leighton share declared by Leighton on February 20. The dividend will not be deducted from the offer price payable to Leighton shareholders who accept the offer.

If all Leighton shareholders accept the offer, HOCHTIEF will increase its **stake** from 58.77% to a maximum of 74.23% for a total cash consideration of approximately \$1.155 **billion**. HOCHTIEF also announced it intends to increase its representation on the Leighton Board to reflect its majority interest in Leighton.

*MRM: \$160m to \$500m contract to design, operate 2 supply vessels for Ichthys

Mermaid Marine Ltd announced with regard to the Letter of Intent to commence detailed design for two xPlatform Supply Vessels that had the potential to **lead** to the award of a long term material contract, subject to the client's internal approvals process, this process has now been completed and MRM has been awarded a contract for two PSV's for long term production support **operations** with INPEX **Operations** Australia Pty Ltd. MRM will operate two x newbuild Vard 1 08 PSV's for the INPEX-operated Ichthys LNG Project with a fixed term of 5 years plus 2 x 5 year options.

The PSV's will be built in Asia to INPEX's specifications for delivery to MRM in late 2015 and early 2016. They will be operated by Australian resident crew and will supply the Ichthys Project's offshore facilities from Darwin and Broome. The contract value for the **firm** period is \$A160 **million** at today's exchange rate and \$A500 **million** should all the options be exercised.

LARGE CAP RESOURCES

*AUT: Waiting period for **acquisition** by Baytex terminated/change of CFO

Aurora **Oil** & Gas Ltd announced the US Federal Trade Commission has granted early termination of the waiting period under the Hart Scott Rodino Antitrust Improvements Act of 1976, so that Baytex can move to implement of the Scheme **acquisition** of Aurora. Aurora and Baytex continue to work collaboratively to satisfy the remaining conditions precedent to the scheme.

Aurora also announced the Finance Director Graham Dowland has been appointed CFO effective March 9. He replaces David Lucke who has resigned to pursue other opportunities.

MID TO SMALL INDUSTRIALS

*IMF/Other: Conditional settlement with Great Southern

Bentham IMF Ltd announced conditional settlement of claims against Great Southern and various of its officers. The terms of the settlement are confidential and yet to be the subject of a formal Settlement Agreement. It is also subject to the support of 50% by value of the plaintiffs.

If the settlement becomes unconditional it is estimated that IMF will generate revenue of \$12.2 **million** and a profit after capitalised overheads but before tax of about \$10 **million**.

*LAU: Raises \$8.938 mln at 28c per share

Lindsay Australia Ltd announced it has completed a placement of 31.9 **million** shares at 28c per share to raise \$8.938 **million**. CCZ Corporate Finance Pty Ltd assisted the **company** in raising the capital. Funds will be used to increase working capital and fund investment in logistic and warehouse facilities.

MID TO SMALL RESOURCES

*AXM/BLK: **Sale** of Wiluna **gold** project to Blackham extended to Mar 14

Axiom Minerals NL advised the conditional **sale** and **purchase** agreement entered into by the companies with Blackham Resources Ltd and related entity Matilda **Operations** Pty Ltd for the **sale** of the Wiluna **Gold** Project has been extended from March 7 to March 14 by mutual agreement of all parties.

*BML: Extension to three of BML's Botswana exploration licences

Botswana Metals Ltd announced the Botswana Government has granted an extension to three of BML's exploration licences for a period of two years effective from April 1 2014. The grant of the extension to PL110/94, PL111/94 and PL54/98 now activates a Farm-In j/v agreement with BCL Ltd, a world class Botswana **mining** and smelting operation owned by the Botswana Government and Russia's Norilsk.

Under the agreement BCL can fund up to the completion of a Bankable Feasibility Study to earn a 70% interest in the three prospecting licences that cover approximately 185 km, of BML's 1,500 km exploration portfolio.

*CSD: Investee **company's** Surveyor Project commences **copper** processing

Consolidated Tin Mines Ltd announced processing of **copper ore** from Snow Peak **Mining's** (SPM) Surveyor Project commenced on March 7. CSD has a 9.85% free carried interest in Snow Peak and manages the SPM project.

*GLM: Seeking to divest Leonora **Gold** project

Gulf Mines Ltd advised following a review of the **company's gold** tenements directors have resolved to divest the Leonora **Gold** Project consisting of the Mt Stewart and Braemore tenements. Although prospective for economic **gold** discoveries the size and scale was considered insufficient to support a standalone operation.

*OEL/NDO/Others: Prod since Phase II start up on track on Galoc **oil** field

Otto **Energy** Ltd in an update on the Galoc **oil** field reserves net to Otto said 1P Reserves are 2.75MMstb and 2P Reserves are 3.77 MMstb. Production since Phase II start up are within the range of pre-drill expectations.

The Galoc **oil** field is expected to remain in production beyond 2020 and is a key asset for Otto.

OEL 33% and operator, Kuwait Foreign Petroleum Exploration Co 26.844%, NDO 22.897%, Oriental Petroleum & Minerals Corp and Linapacan 7.78%, the Philodrill Corp 7.25, Forum **Energy** Philippines Corp 2.275%.

*SWE: Selling 25% in Block 12B, to be free carried for its 25% for 2 expl wells

Swala **Energy** Ltd announced a binding farm out agreement for a 25% working interest in Block 12B (Kenya) with an international integrated **oil** and gas **company** will see SWE free carried through two exploration wells. Following the transaction SWE will retain a 25% net working interest in Block 12B, the Farminnee will own a 25% net working interest and Tullow **Oil** will hold a 50% net working interest and continue to act as operator.

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