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HD **Sustained rally needed before investors will return to mining sector**

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The low interest rate environment and an aversion to high-risk stocks has "sucked" the confidence out of the retail investor market for ASX-listed miners, Patersons Securities head of research Rob Brierley said March 26 at Mines and Money Hong Kong.

"A lot of investors at the moment are steering away from resources and probably won't enter back in until there's a sustainable rally and confidence returns," he told delegates.

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In 2013, ASX-listed companies managed to raise just A$2 billion, a 32% drop from 2012.

"The last 12 months has been tough, undoubtedly," Brierley said. "The small resources sector, in particular, has been savaged.

"There's no appetite out there for exploration funding, which is a shame because as we all know exploration is the lifeblood of the industry and needs to be sustained at levels where we can keep on replacing our resources."

The Australian market for IPOs also has been in decline, with just nine resources listings completed in the past year. Brierley said that figure is very low for the ASX, which historically has done a lot more IPOs.

"Investors are more likely to back discoveries when they occur rather than back greenfields exploration, and we've seen a modest improvement in the mid-cap space," he said.

Gold was a brief exception to the rule, with a handful of junior Australian gold explorers able to raise more than A$400 million collectively between late January and late February.

"There was a little bit of appetite that came into the market and it was gobbled up quite quickly by gold equities that were looking for fresh capital," Brierley said, adding that "A$400 million might not sound like much, but for some of these small gold companies it was a lot."

Brierley said the equity-raising "window" opened for a short period, but is now probably less open than it was recently.

So far in 2014 the Australian market for capital raisings is moving forward at a run rate above 2013, which Brierley said is a positive.

"Clearly there is money on the sidelines looking for the next big mover, but they're less likely to make that jump unless there is something compelling," he said.

Meanwhile, while M&A previously had been trending down, the forecast for the year ahead is a substantial increase in deal activity due to the overabundance of resource companies in the sector.

"We expect that [M&A] will become more prevalent in 2014 and 2015 as there is some general consolidation in the market," Brierley said.

Of the 497 ASX-listed companies that have to release quarterly cash flow reports, a staggering 238 companies have less than A$1 million of net cash in the bank currently.

"You could argue that the resources sector as an investment class has probably not served itself that well, tending to make [M&A] at the top of the market rather than at the bottom of the market," Brierley said.

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