



Minefield *By Tim Treadgold*

Good news hard to find but quality shines through in a bumpy week

Anyone who enjoyed playing hide and seek as a child found themselves doing it again this week with the objective being to find a gold stock which went up in a down week – and I did, well done me!

OreCorp was the winner, just, with a rise of 1.5c to 27.5c, but it was a very lonely winner with the gold sector painted red from top to bottom thanks to a sharp correction in both the US dollar and Australian dollar gold price.

Quality is what seems to have helped OreCorp shrug off the gloom with investors steadily warming to the stock – which is the comeback vehicle for Craig Williams, the geologist who made billions for investors the last time he was busy with Equinox, a copper producer.

Most other sectors of the wider mining complex also lost ground over the past five trading days though the background news was not as bad as the prices with optimistic views starting to surface about nickel and zinc.

Apart from Williams attracting more followers, two other mining executives were in the news: Northern Star's Bill Beament for wowing the crowd of septuagenarians at the annual *Resources Rising Stars* conference on the Gold Coast and David Flanagan, who gave a "never surrender" talk about the prospects of Atlas Iron that would have brought a smile to the face of Winston Churchill.

Gold first, because that's been the hot topic of the past few weeks; however, this week the gold sector dropped into the icebox with a number of hefty falls, though it should also be noted that most losses simply returned stocks to where they were a couple of weeks ago, as these examples show:

- Northern Star at \$4.42 when the *Resources Rising Stars* conference wrapped up on the Gold Coast on Wednesday, was down 28c over the week, but still up 39c on where it was three weeks ago;
- Saracen, which also impressed the 630 attendees at the Gold Coast conference, was down 20c on the week to \$1.14, but essentially back to where it was two weeks ago; and
- Gold Road, down 4c to 59.5c, a Wednesday closing price which is up 6c on two weeks ago.

If gold had an off week the same cannot be said for the surprise return of coal stocks, which have spent the past few years in the cellar.

Whitehaven, which was trading at a 10-year low of just 35c in mid-January, added another 4c last week to reach the almost giddy heights of 75c, a 114% gain for anyone with the courage to have jumped aboard at the low point – but still a long way back to the stock's 2011 peak of \$7.20 (those were the days!).

New Hope Corporation, a company which the controlling Milner family once rubbished as “No Hope Corporation”, continued to dig itself out of a hole, adding 3c to \$1.50, a useful 29c higher than the January low of \$1.21.

News flow from most listed stocks dried up last week, perhaps because it can be counter-productive to say too much during an election campaign with the net result that not many people are saying anything.

The best source of news, though you probably had to be there, was *Resources Rising Stars* on the Gold Coast, though even there most of the companies presenting came away with only modest price rises, or price falls as their underlying commodity drifted lower.

A complicating factor, and one which caught out potash hopeful Goldphyre was the crack-down by corporate regulators on companies saying too much about early-stage financial projections, a rule which leaves investors in the dark, and management frustrated as it's the financials which play a key role in future fund raising.

Despite a well-received presentation at the Gold Coast conference Goldphyre saw its shares drift lower, though at 9.7c the stock is actually back to where it was three weeks ago – cold comfort as that might be after hitting 11c last week.

With corporate news flow drying up it was up to the investment banks to make up the shortfall, with some of their comments falling into the extremely interesting category, including these thoughts from Macquarie, Deutsche Bank and UBS.

- Macquarie, much to the surprise of other investment banks, is warming to nickel, noting in a report that there are “signs of life in the physical market”, which is analyst speak for steel mills buying more nickel. In theory, Macquarie reckons the nickel supply/demand equation has already flipped from surplus to deficit with the world starting to consume stockpiles – which should mean a higher nickel price from next year. That could be why BHP Billiton is thinking about developing a new mine for its Nickel West division, which it has been trying to sell, or give away, if anyone wants it.
- Deutsche Bank had a different view of another metal, the enormously popular material used for power storage, lithium. In a report which is the antithesis of Macquarie's view of nickel, Deutsche reckons a wall of lithium is heading for the market with a shortfall today likely to become a surplus next year, with a corresponding depressing effect on the price. It really could be a case of getting into production fast before the window of opportunity closes.
- UBS, in perhaps the most optimistic of all the commodity views this week reckons China will not disappoint resource stock bulls. The risk, UBS reckons, “is slanted towards an upside price scenario” – analyst speak for demand matching or exceeding supply as the

Chinese Government does what it takes to ensure that there is no social dislocation as the country's economy is re-balanced.