

# Mediaportal Report

## Press

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- ▶ **Mining boom lives on but in Africa**  
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Uranium and gold lead the way as Aussie miners do well in a different environment

# Mining boom lives on – but in Africa

## Bystander



TIM TREADGOLD

The mining boom, contrary to what has been happening on the stockmarket over the past few days, did not die. It migrated to Africa.

While most Australian companies have been suffering from the after-effects of the “mother of all dead cat bounces” that Bystander warned about on June 13, a curious group of stocks has been surging higher.

Uranium, or more accurately the ability to develop uranium discoveries unhindered by excessive government regulation, is one of the major reasons why “Aussies in Africa” are doing well.

Gold is another driver of the boom which has seen the share prices of a sample of 10 African-focused Australian miners rise an average of 174 per cent over the past six months.

During the same time the all-ordinaries index on the Australian Securities Exchange has risen 12.5 per cent, the metals and mining index is up 15 per cent and the gold index has fallen 0.5 per cent.

The worst performance from the

sample of Aussies in Africa was Resolute Mining, which managed a rise of 33 per cent between early January and this week.

Uranium stocks Mantra Resources and Extract Mining led the way up with rises of 330 per cent and 381 per cent respectively. Paladin, the most prominent Australian uranium company with a mine in Africa, rose 95 per cent.

Other moves were by a collection of gold stocks: Perseus, up 66 per cent, Centamin, up 89 per cent, Adamus, up 92 per cent, Azumah, up 160 per cent, Chalice, up 226 per cent, and Ampella, up 275 per cent.

There are reasons specific to each company for its rise. But those percentage increases are what you expect to see in a boom, and they all occurred in companies which have two common links: they’re doing business in Africa and their head offices are in Perth.

What that means is a handful of head office jobs have been created here, but most of the work and investment is occurring there.

Less government is one reason, especially when it comes to gaining access to exploration targets and encouragement to start a mine. Attractive geology and lower

operating costs are also enticing Australian companies to do business in Africa, even with its traditional health and safety issues.

Whatever the reasons, the stockmarket is sending a signal to all levels of Australian government, unless a better regulatory environment is created here we will soon be left with a handful of big mines (mostly controlled by BHP Billiton) while growth among the small-to-medium miners occurs in Africa.

The irony is obvious. Australian money is flowing west across the Indian Ocean to where it is most welcome, at the same time as South African professionals continue to migrate east — perhaps they wave to each other as they fly by!

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Not all of the good news in the small end of the Australian mining sector is confined to Africa. There are early signs of hot money returning to one of the less attractive commodities, manganese.

Over the past few weeks the share prices of four stocks with exposure to manganese have risen strongly, thanks to strong sales of manganese-hardened steel essential in “long products” such as



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construction girders and railway track — two products in heavy demand as China stimulates its economy.

Another reason for the interest in OM Holdings (up from a low of 66¢ to recent trades at \$1.35), Shaw River (3.5¢ to 19.5¢), Spitfire (5¢ to 11¢), and Aquila (\$1.90 to \$5.65) is that high-quality manganese is in short supply.

It was a combination of demand from steelmakers and declining reserves which triggered a spectacular bidding duel for Consolidated Minerals in 2007.

It's too early to say that a similar situation is emerging, but it is significant that Gennadiy Bogolyubov, the Ukrainian billionaire who won the Consolidated Minerals brawl, has acquired an 11 per cent stake in OM which, in turn, reported a 5.4 per cent stake in Shaw River on June 1, and an increase in that holding to 8.3 per cent on Monday.

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Getting the price right when issuing new shares is one of the

hardest jobs in business, with investors now looking at two examples of under-pricing and over-pricing.

The under-pricing was forced on Rio Tinto and Wesfarmers because they were labouring under heavy debt burdens and needed the fresh capital to pay their banks.

The result is new Wesfarmers shares priced at \$13.50 when the stock was trading at \$15.70 and now around \$22, a handsome win for shareholders.

Rio Tinto was been forced to be even more generous, offering shares at an effective \$28.29 when the on-market price was around \$51.

At the other end of the pricing spectrum is last year's crop of new floats which has produced a 10 per cent success rate, that is only four of the 38 floats in 2008-09 are trading above their issue prices, with the average float down by close to 50 per cent.

Interestingly, of the seven (yes, just seven) stocks floated between January and June 30 four are trading higher than their issue price.

Seasoned investors will be keeping an eye out for the first of the next crop of floats because the earlier they are in an upturn the more generous the pricing to attract investor support.

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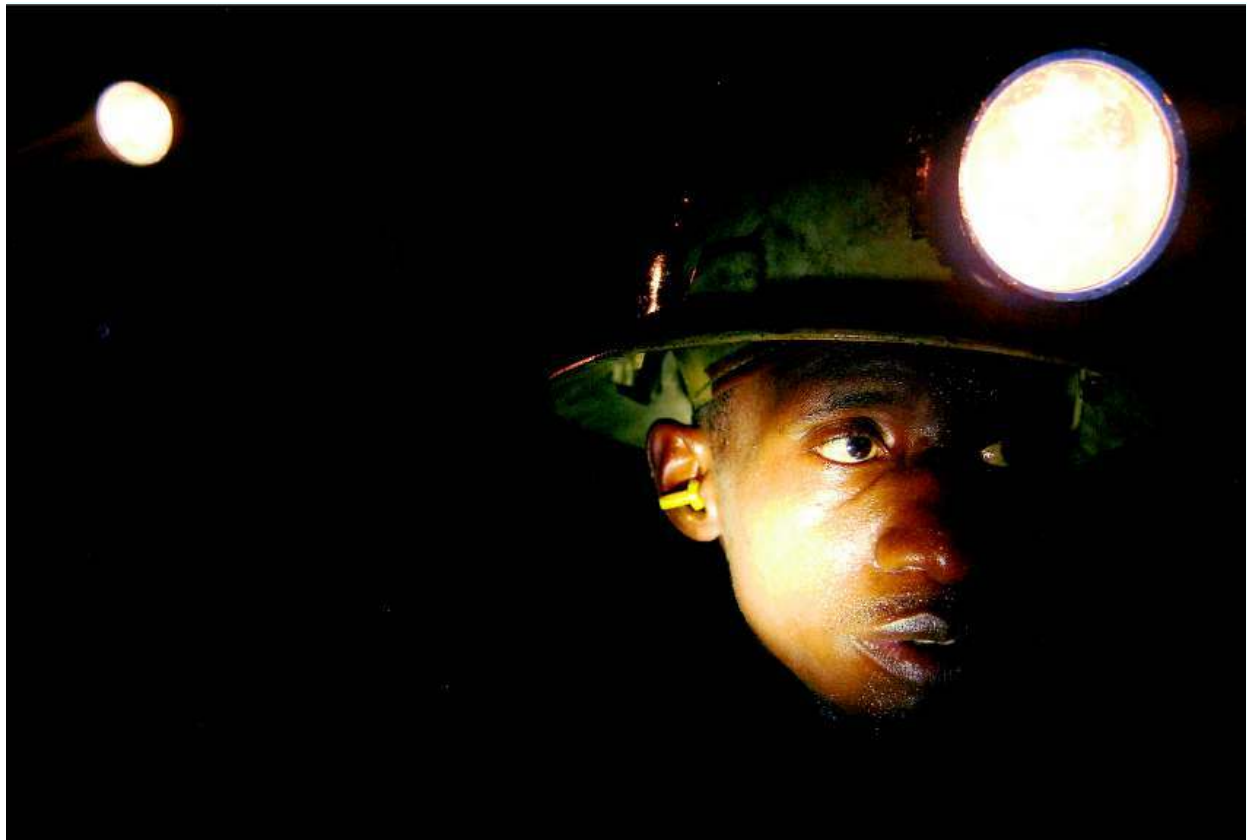
If hunting for silver linings in today's economic clouds look no further than the Coppock Curve, a curious tool which tries to measure the depth (and length) of a downturn in order to forecast the next upturn.

Boiled down to a complex mathematical equation, its origins lie in the time spent mourning a death in the family with a survey of bishops suggesting 11-to-14 months as the mourning period.

If the men of God are right, we are close to the end of our stockmarket "mourning" period, though other forecasting tools, such as tea leaves and sheep's entrails, might prove to be just as good.

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*"The only function of forecasting is to make astrology look respectable."*  
 John Kenneth Galbraith.



Shift of focus: The ability to develop uranium discoveries unhindered by excessive government regulation is one reason why 'Aussies in Africa' are doing well