

**That Was The Week That Was ... In Australia**

By Our Man In Oz

Minews. Good morning Australia, it looks like you went for an exciting ride this week.

Oz. Very much so. A reasonable start, followed by a bit of shake-out mid-week, and then a very strong finish thanks to that remarkable recovery in commodity prices. You can see the effect in a number of shares. Jubilee Mines (JBM) went from opening sales on Monday at A\$8.08, before falling away to a low on Thursday at A\$7.47, and then rocketed up on Friday to close the week at A\$7.84. The net result was a modest fall, but the trend at the close was up.

Minews. Presumably you can see that across the different sectors?

Oz. Precisely. Zinc was a classic. Zinifex (ZFX) opened at A\$10.50, rose to A\$11.65 on Wednesday before slumping to A\$11.10 on Thursday, and up and away on Friday with the stock hitting an all-time high of A\$12.05, before taking a breather at the close to sign off at A\$11.90. Technically, the rise on Friday was A69 cents, or 6.1 per cent, about what the zinc metal price did on Thursday. If you want to look ahead a bit, Monday's opening for Zinifex and the rest of the zinc sector could be a bit weaker because the metal price retreated a little in London after we had closed on Friday.

Other members of the zinc fraternity performed in harmony with the metal price. Kagara (KZL) was up A11 cents (2.6 per cent) on Friday to close at A\$4.36, though the rise for the week was just A7 cents after a slide on Thursday to an intra-day low of A\$4.15. Both Perilya (PEM) and CBH Resources (CBH) enjoyed strong support on Friday with rises of 4.7 per cent and 11 per cent respectively.

However, the stand-out success among the zinc sector was a new player in the game, Lodestone Exploration (LOD). It announced plans to farm into the Karinya zinc project in South Australia, and promptly rose by A15 cents, a 33 per cent gain which took the stock from A45 cents to A60 cents.

Minews. Zinc has certainly been the hot metal for the past few months, but what about gold. Is there any life yet in your gold sector?

Oz. Not much, I'm afraid to say, despite last week's continued upward march of the bullion price. Bendigo Mining (BDG) is shaping as one of the more interesting stocks for the remainder of the year with its namesake project getting close to production. It managed a modest A4 cents rise for the week to A\$2.39, and that was totally due to a rise of A6 cents on Friday, until then it was down. Newcrest (NCM) was up A33 cents, which is actually a very modest 1.4 per cent, to close the week at A\$23.31, Lihir (LHG) was up A12 cents (3.8 per cent), but all of that came from a surge of A13 cents on Friday.

Among the gold explorers, Avoca (AVO) managed a gain of A3 cents to A79 cents, De Grey (DEG) was down A1 cent to A16 cents, St Barbara (SBM) which is both a producer as well as working up the Gwalia Deeps project, was up A1 cent

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at A66 cents.

Minews. That gold sector of yours really is a bit of worry. It's almost as if Australia has lost interest in the metal.

Oz. Perhaps you're right. It is a hard trend to explain because there's no shortage of gold to be found, just too much choice among the other commodities.

Minews. Time for a quick wrap up of any interesting situations, and any bad news that might have been about.

Oz. A stock you've probably never heard of before was the most interesting. Great Western Exploration (GWE) which said it was off to explore for uranium in eastern Europe. Adding to the magic word uranium was the magic name of Kiernan because it seems young Michael has found yet another new role in life as chairman of Great Western. He's being joined on the board by Kate Hobbs who is making yet another corporate move, this time from Hindmarsh Resources, which she seems to have only just joined. The net result of all that is that Great Western shot up from A12 cents, the price before a trading halt was called on Tuesday, to a closing price on Friday of A43.5 cents, generating one of those marvellous percentage moves which you only see in a dinkum boom, 262.5 per cent over two trading days.

Minews. Remarkable stuff. I was trying to get in touch with Kate last week, but she is in the States. I think Hindmarsh is merging with a Canadian stock so that gave her an opportunity to join Michael. Anyway I gather they plan to list Great Western On AIM. We will be following up on that, meanwhile any bad news?

Oz. Not a lot really, though you would have to say that last week was saved by the Friday rush. Until then, a definite downhill trend was evident. Kingsgate Consolidated (KCN) which we took a close look at on Friday was the worst performer, down A59 cents (10.1 per cent), and dear old Kimberley Diamond Co (KIM) went into one of its cyclical downward moves, shedding A14 cents (8 per cent) to close at A\$1.59.

Minews. Thanks Oz. Hopefully, we'll be speaking next week while you're on your road trip?

Oz. We'll do our best. Perhaps an abbreviated report to keep the news flowing.

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## Changes for Great Western

GREAT Western Exploration's Mt Gibb nickel joint venture, south of Southern Cross, has taken a back seat with the company gearing up to transform itself into an international uranium player and providing a massive 250 per cent hike to its share price.

After rising almost 150 per cent to 29.5c Thursday, yesterday it hit 43.5c. The company's prime focus before a dramatic change in direction was the Mt Gibb joint venture with Jindalee Resources in which it holds a project stake of 80 per cent.

Great Western is also planning a name change, pursuing a listing on London's AIM exchange, evaluating advanced uranium production projects in Eastern Europe and has taken on board outgoing Consolidated Minerals chief Michael Kiernan. Mr Kiernan has been entrenched in Goldfields mining operations at the sharp end, moving in as head of gold explorer Monarch Resources and Croesus Mining chairman.

Appointments and changes to the board of Great Western are the first move in the new direction for the junior explorer with restructuring including a name change to Uran (Russian for uranium).

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## insider



### **BOLD PUSH TO EU-RANIUM**

SHARES in Great Western Exploration glowed the colour of money yesterday after the company unveiled ambitious plans to jump on to the uranium bandwagon through the purchase of operating uranium mines in eastern Europe. At one stage GWE paper was trading almost 60 per cent on strong volume as punters embraced the company's intention to rename itself Uran Limited and the appointment of Consolidated Minerals honcho Michael Kiernan as new chairman. The shares closed up 14c to 43.5c

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## There's life in the old dogs

A lacklustre past doesn't necessarily mean that a stock has nothing to offer, writes **Tim Findlay**.

**T**hey were once the outcasts of the Australian sharemarket but some junior mining and exploration stocks are getting a second chance to shine in a new wave of investor enthusiasm, courtesy of the commodities boom.

The latest example of newfound popularity for mining minnows is Great Western Exploration.

A little over a year ago shares in the company slid to below 10c, but news it is set to join a growing band of mineral explorers entering the search for uranium has helped the share price soar.

Last week the stock jumped 263 per cent and closed at a record 43.5c following the appointment of former Hindmarsh Resources managing director Kate Hobbs and Consolidated Minerals director Michael Kiernan to the board.

The company is changing its name to Uran Ltd and has laid out plans to acquire uranium assets in Eastern Europe (Uran is Russian for uranium).

Another stock enjoying a run is gold explorer Alliance Resources. The stock rarely rose above 5c between 2001 and 2005, but has climbed more than 700 per cent to 41.5c since April 2005 after discovering uranium in South Australia.

Investors have thrown lifelines to other companies revamping their mining production to take advantage of higher commodity prices, such as gold producers Resolute Mining, Ballarat Goldfields and Hill End Gold,

The managing director of small-sized resources specialist Far East Capital, Warwick Grigor, says superannuation inflows into the sharemarket is the unlikely saviour of the shares of struggling companies.

"The sharemarket is a beneficiary of superannuation money constantly coming into it, so your background is a positive stockmarket," he says.

"At the same time, your resources market is going through a particularly strong boom and there is no resistance to it. There doesn't seem to be any fear in the sharemarket."

Grigor says that while soaring commodity prices have been a well-timed elixir for smaller miners, the effect has trickled down to companies such as specialty steel mill Boulder Steel.

"That's been basically a dog for 10 years, and a couple of months ago they did a deal with a Dubai investment fund and suddenly that stock has gone from 10c to around 80c," he says.

"You have got a shortage of commodities so prices are going up, so basically anything starting from commodities and going down the chain."

Fund managers point out that resource companies aren't the only ones getting a new lease on life, although it has been a longer road.

Wallace Funds Management portfolio manager Michael Birch says business restructuring at companies such as Brambles and Foster's Group has also attracted new investors.

Brambles shares hit rock bottom at \$3.81 a share in March 2003, but now trades at over \$11, its highest level in four years.

Foster's Group has also restructured, most recently selling its European brands to British brewer Scottish & Newcastle for \$750 million.

"I think what was happening

at the beginning of this year, was that when people were struggling to find value in the sharemarket, there was definitely money seeking turnaround stories," he says.

"These stocks are benefiting from that moment. They have been seen to be dogs, they have significantly underperformed, management has come to the market with restructuring plans and the market has responded."

Wilson Asset Management's Matthew Kidman highlights direct marketing group Salmat's fall from grace with investors throughout 2005 as an example of mispricing by the sharemarket.

Salmat's shares dropped 47 per cent between April and December last year to a low of \$3.30, but have already risen 28 per cent in 2006.

"Salmat had a bad year last year, the reason being that they were on a very high multiple and people factored in a lot of growth," he says.

"One of their businesses was high growth, another one was a start-up and the third one was quite mature and quite competitive. So it wasn't just a growth stock, but it was trading at a premium and when there was printing capacity problems... it got exposed very quickly."

Wallace Funds Management's Birch says investors are becoming more willing to give certain companies a second chance as the sharemarket, and risks of a correction, continue to rise.

"If you are a believer in the resources story it's fine. But if you aren't a believer in resources or you are happy to ride the wave but want to have a plan B in store, for a lot of these guys plan B is to look at these potential turnaround stories."

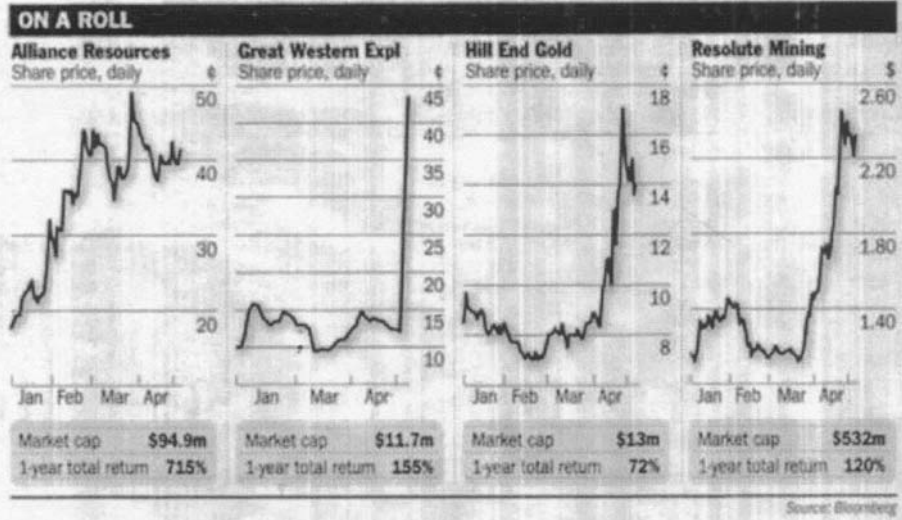
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