



## Capital Raisings

### **Galaxy looks for partners, raises \$6.65m**

**14-May-09 by Rebecca Lawson**

Galaxy Resources will look for a project partner to help develop its \$68 million Mt Cattlin lithium project as it completes a \$6.65 million capital raising. Managing director Iggy Tan said the company has opted to divest a minority interest in the project as a "way of generating funds that will represent Galaxy's equity contribution to the project finance". Meantime the company has raised \$6.65 million book build to investors of State One Stockbroking. Around 19 million shares were issued at 35 cents each.

### **Western Areas completes \$35m raising**

**14-May-09 by Rebecca Lawson**

Nickel miner Western Areas is expecting \$100 million to come its way shortly after the company raised over \$35 million through a slightly discounted share placement. In a heavily oversubscribed placement, the company issued 7 million ordinary shares priced at \$5.05 each to domestic and international institutions. The placement follows a \$45 million financing deal with BHP earlier this year and the recently agreed to mine access deal with Kagara which will see Western Areas initially pocket \$20 million. Western Areas managing director Julian Hanna

said the placement will support the miner's expansion plans at its Forrestania nickel project and help underpin its growth strategy.

### **Liquefied Natural Gas raises \$10.5m**

**14-May-09 by Edited announcement**

West Perth-based Liquefied Natural Gas has raised more than \$10 million which will be used in the ongoing development of its Fisherman's Landing gas project in Queensland. The company said it has placed 17 million shares at a discounted 56 cents each to raise \$9.52 million. A further \$997,000 was raised from company directors exercising options.

### **Macmahon confirms \$60m raising**

**14-May-09 by AAP**

Macmahon Holdings plans to raise up to \$60 million from the issue of new shares under a capital raising that will be supported by key stakeholder Leighton Holdings. Macmahon said Leighton, which holds 16.99 per cent per cent of the Perth-based engineering contractor, will participate on a pro-rata basis and sub-underwrite part of the retail leg of the raising. This could increase Leighton's stake to a maximum of 19.9 per cent of Macmahon's share capital. Macmahon chief executive Nick Bowen said the proceeds of the equity raising will be used to reduce debt, improve working

capital flexibility and strengthen the balance sheet to help the company to weather current challenging market conditions.

### **Mirabela raises \$11m for Santa Rita**

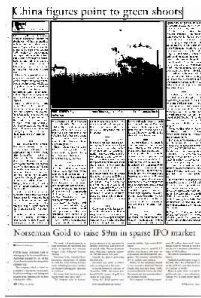
**13-May-09 by Rebecca Lawson**

Mirabela Nickel has added a further \$11 million to its war chest to provide additional working and development capital for its Santa Rita nickel project in Brazil. The company said it placed 5 million shares priced at a discounted \$2.15 each to institutional investors to raise \$10.75 million. In March this year, the company raised nearly \$180 million, which was a condition laid down by a consortium of banks that agreed to provide a \$US190 million (\$A248 million) debt facility.

### **Tiger Resources launches \$9m raising**

**12-May-09 by Rebecca Lawson**

Balcatta-based Tiger Resources plans to raise \$9 million through a share placement to help pay for a majority interest in a copper project in the Democratic Republic of Congo. The company has entered into an agreement with RBC Capital Markets to place 90 million shares at a discounted 10 cents to institutional and high net worth clients. Funds generated from the placement will be used to acquire a 60 per cent interest in SEK, a company that owns the Kipoi copper project in DRC.



# China figures point to green shoots



LAST week, the Baltic Dry index, which is a benchmark measure for freight costs of bulk commodities including iron ore, coal and grains, rose 22.5 per cent to hit near the highest levels seen since October 2008, on signs of stronger demand for imports of commodities from China. This move supports the market's current optimistic recovery and backs up recent data out of China, suggesting a strong pick up in industrial production is under way.

Meanwhile, a spate of heavy primary share issues is killing the secondary trading market for shares. New issues from stocks of all sizes are putting pressure on the market's 29 per cent rebound. In the oil sector, Horizon, Otto, Pancontinental and now Blue Energy have all come to the market for additional equity support.

Latest to come in with a large issue is Santos, which took \$3 billion out of the market to support its PNG and Gladstone LNG projects. In the US, banks that failed the stress test will be sucking money out of that market over coming weeks, with a raft of new equity raisings. *Briefcase* remains cautious of the market. Equity raisings and tax loss selling appear to have set a top for the moment, ahead of profit reporting in July.

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Local gas development company Transerv has reported some positive news from its Warro gas field appraisal drilling. Gas was flowing nicely from the Warro-3 well at over 2 million cubic feet (mmcuft) per day as the well cleans up. Gas flow and flowing pressure is increasing as the fracture stimulation fluids are returned, so a commercial result now looks more likely. This is an excellent result for partners at Warro, Latent Petroleum, Transerv and

Alcoa, which will be pleased that this project looks likely to provide it with a secure source of gas from the Perth Basin.

Final dynamics of the field are yet to be established. A final flow of over 4 mmcuft per day would provide a reasonable and commercial result, but further testing is required. The project's technical expert predicted that 6 mmcuft per day was possible.

Fracture stimulation is as much an art as a science. If the project goes ahead, we should expect a learning curve would result in better outcomes over time. *Briefcase* sees that the risks at Warro are now substantially reduced, but not completely resolved. Transerv has value up to 5 cents per share, if 600 billion cubic feet (Bcf) of gas is proven and more than nine cents per share if the target of 1,100 Bcf is seen as being technically possible.

The stock is now fairly priced at 3.4 cents per share, ahead of drilling at Warro-4 during Q4 2009. Heavy turnover indicates that some patient holders are hedging their bets.

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The global financial crisis looks like it has spilled out into social conduct. Police report that wealthy neighbourhoods are becoming a target for break-ins and bag snatchings as poorer folk, apparently acting in desperation, resort to crime to support their personal balance sheets.

Past experience at times of major global economic downturn provides plenty of guidance for a trend to social unrest and disorder at times of rising unemployment.

Ultimately, the Second World War was the culmination of the Great Depression and its aftermath in Europe during the 1930s. Recent instability in The Middle East might also be exacerbated by social pres-

ures arising from population pressure, substantial levels of youth unemployment, exacerbated by more recent economic strictures, which then flow out to other nations such as Pakistan, Bangladesh and The Philippines.

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Those in charge in China have long been aware that it needs to keep its huge population of under-25 year olds occupied in order to maintain government control. Recent economic weakness, resulting in factory closures, has put pressure on China's social order. While the situation appears to be stable, we may see further problems emerge, especially if the nascent recovery falters.

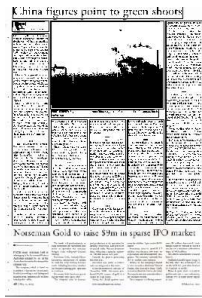
*Briefcase* expects that there will be a growing trend of civil disorder throughout the world as 2010 proceeds. Much will depend on stable crop yields. Drought in Argentina and potentially in Australia this summer, combined with low yields in India, floods in Brazil and other problem areas, could put additional pressure on social order as the global financial crisis takes its inevitable toll.

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One oil company that has not benefited from the recent strength in the oil price is Oilex. The company's Indian oilfield development program continues to strike technical hurdles and it is running low on cash and lacks the financial power to repair its results. A farm-out of Timor Sea interests would be a positive, but terms are likely to be poor and drilling could be some time off, leaving shareholders with a sad wait.

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The Australian government is about to introduce paid parental leave. Introduction of this excellent measure provides a great opportunity for Australia to lead by example,



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offering taxpayer support for a primary carer for a woman's first two children. *Briefcase* believes that it is in the long-term interests of the community at large to provide maximum support for parents with newborn children. While women should be free to have as many children as they wish to support, it is not incumbent on the taxpayer to support that urge. *Briefcase* sees this as a matter of fairness. In a caring society, we should be prepared to provide 36 weeks of paid parental leave for a primary carer of the first two children, but should we pay for two years of parental leave if a woman wants to have six children? I don't think so.

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Galaxy Resources, which *Briefcase* first recommended last October, is making great headway towards establishing a lithium and tantalum project in the South West of Western Australia, under its new managing director Iggy Tan.

Mr Tan has set conditions for the establishment of a lithium carbonate refinery in China to process spodumene concentrate from the company's proposed mine at

Ravensthorpe. Final engineering and financing negotiations are under way. *Briefcase* expects that the project will be funded by September with development commencing by the end of this year and first production late in 2010. Galaxy has raised enough equity to complete its feasibility work, but additional cash will be required by mid-year to fund its \$130 million development, both at the mine site and in China. Funding could be assisted by the introduction of a cornerstone investor and even an industry partner in the project, most likely from China.

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Surprisingly, given weak fundamental demand and ample, if not overflowing inventories of oil, the WTI crude price appears to have moved up and away from its recent trading level, around \$US53/bbl to trade at over \$US60/bbl. This upwards price break sets up a target of \$US65/bbl for WTI crude. *Briefcase* had not expected the oil price to move up that far until later in 2009.

Given volatile market conditions, a pullback towards \$US53/bbl or even \$US50/bbl is likely, prior to a

further upward move.

In Australian dollar terms, the oil price has recovered from its lows of around \$A50/bbl to trade at between \$A70 and \$A78/bbl. This is a comfortable price for most local producers that will be welcomed by new entrants, such as Horizon, Cue, Otto and Nido, as they work towards paying off development capital.

The gold price in Australian dollar terms is hovering around \$A1,200/ounce. The chart looks weak, with potential for a move down to \$A900/oz.

In the longer run, *Briefcase* has a negative watch on the US dollar, which should support the gold price in that currency, but may leave the \$A gold price within a trading range. The expectation is that the \$US gold price will move ahead to \$US1,200/oz by early 2010, translating into an \$A price of \$1,600/oz with an exchange rate of around 78 US cents.

■ *Peter Strachan is the author of subscription-based analyst brief StockAnalysis. Further information can be found at Stockanalysis.com.au.*



**FIRST STEPS?:** Signs of demand from China suggest a pick-up in industrial production is under way.