

## MEDIA COVERAGE



### Nervous investors pile into commodities in a big way

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- \* From: The Australian
- \* April 11, 2011 12:00AM

EXTRAORDINARY is the only way you can describe what is happening in commodities.

And -- we argue -- there is only one explanation: investors are increasingly concerned about the explosion of debt and money-printing, and are intent on grabbing any hard assets going.

When you read that the US government has \$US75 trillion in unfunded social security and medical liabilities (with its Medicare system paying out three times in benefits what it collects), that interest rates in the US and elsewhere are negative after inflation, and there is every prospect of a third round of quantitative easing, then you can see why money is flowing into metals.

You can talk about industrial demand for metals until you are blue in the face, but that misses the point. What is going on is a fear-driven rush to hard assets.

Friday's action was astonishing. Tin rose \$US500 a tonne in London to close at \$US33,050/tonne. Copper got within \$US4 a tonne of smashing back through the \$US9900 level. Nickel was up 3 per cent on the day -- and that's a metal meant to be facing surpluses.

Gold put on \$US15 an ounce to close at \$US1476. The talk is that it will go through \$US1500/oz this week. Silver was up 7 per cent on the week to \$US40.61/oz.

So far, Australian resource shares have not been able to keep up. We've seen a few bolters -- Sandfire Resources (SFR) and a few of the rare-earth hopefuls -- but these are particular cases.

However, at some stage more investors must move into shares as they see an ounce of gold getting too expensive for them to put in their bottom draw, and they can't really put their hands on a tonne of copper to put in the garage (although we met a professional chap a few weeks ago who wants to do just that).

So, as we have been doing here since Pure Speculation first launched itself on to an unsuspecting world, we will keep looking for stocks that have been largely overlooked. But it is important to stress that there's no guarantee anything mentioned here will come good -- so tread very, very carefully. In coming weeks, just to keep everything in perspective. We will also remind you of some salutary experiences in resource share investing.

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### Seeing Red

RED Metal (RDM) is a company we keep meaning to mention in various contexts, but space always seems to be the enemy. But the company -- which closed at 22c on Friday -- has put out an investor presentation that is a reminder of what seems (on paper) to be an impressive portfolio. It lists 11 copper-gold projects (one involving a joint venture with Xstrata), three uranium projects (one where Canada's Cameco is paying for the drilling), five silver-lead-zinc projects, along with potash in Colorado.

In view of silver's price at present, Red Metal is obviously keen to get to grips with its Maronan silver-lead project 90km north of the Carrington mine, the world's biggest producer of silver. BHP Billiton (BHP) did some drilling at Maronan, but pulled out in 2010. Not that we are suggesting for a moment that there's anything in common between the two projects, but we would remind you that BHP pulled out of the Prominent Hill project in South Australia because it thought it wasn't going to be a winner. Last year, Prominent Hill produced 112,171 tonnes of copper and 196,400 ounces of gold. Red Metal has a new geological concept at Maronan, and drilling this year will test its validity. The Queensland government is kicking in part of the drilling cost.

### Hot copper

SEVERAL weeks ago, we drew attention to the copper belts traversing the Papua New Guinea island of New Britain and the land rush going on there.

One of the companies mentioned in passing was Coppermoly (COY) and now Intersuisse has put a "speculative" tag on the stock, but then headed its report with "huge potential", which sounds somewhat more enthusiastic.

Barrick Gold is farming into its three New Britain tenements with a spend of \$20 million and, before that, one-third of the area in just one of those three had yielded a resource of 200 million tonnes at 0.47 per cent copper equivalent, with an in-ground value of \$8 billion. Coppermoly has applied for two other areas totalling 1500sq km.

Barrick drilled its first hole last July and hit 214m at 0.92 per cent copper and 0.33 grams/tonne gold. Intersuisse analyst Pieter Bruinstroop notes that porphyry deposits can be large and very valuable, and that Coppermoly has the potential to find such a deposit. But, while the resource so far seems economic, financing development could be an issue.

Barrick will have spent its \$20m by the end of 2012 and then will need to decide whether to push on for a full feasibility study. The main risk for the junior is that Barrick does not find enough initially and then delays its final spending under the agreement.

### Briefly

I ACTIVEX (AIV) is in a trading halt as part of raising \$3m, which is quite an achievement seeing market cap on Friday stood at just \$6m (and shares last traded at 5.5c). It has some promising copper-gold-cobalt ground near Cloncurry, one of the prospects neighbouring the large Merlin molybdenum-rhenium discovery owned by Ivanhoe Australia (IVA). At another, rare earth indications have been found. What's more, ActivEx looks like it might be able to revive its mothballed Lake Chandler potash deposit, possibly with Chinese help. Potash prices are robust at present.

I NOW that Transit Holdings (TRH) has walked -- run would probably more accurate -- away from a coal deposit in Colombia, the focus is back on potash in Utah. The company expects to get approval very soon to cross federal land to gain access to its four blocks.

The writer implies no investment recommendation and this report contains material that is speculative in nature. Investors should seek professional investment advice. The writer does not own shares in any company mentioned.