

Investors go for African gold stocks



PURE
SPECULATION

ROBIN
BROMBY

SWISS financial behemoth UBS reported on Friday that its sales desks in Zurich and Geneva had seen "exceptionally strong demand" for small gold bars and coins, buying on Thursday being the highest since 2008.

"All size bars up to 1kg are wanted by retail investors," the bank added.

Sometimes *Pure Speculation* gets faint-hearted about the gold story, then you see what happens to the yellow metal when we have a week like the last one. Primeval instincts take over and investors seek the security of gold, now back over \$US1200/oz.

However, we expect investors to prefer gold stories located outside Australia at present. Forget the rights and wrongs of the so-called super tax; the bottom line is that investors will desert companies subjected to that tax regardless of whether it is equitable. (This

will, incidentally, drive down the share prices of our producers, making them cheaper for foreign predators. Did that occur to anyone in Canberra?)

Which is why the West African gold story will go from strength to strength, the combination of high grade deposits and mining-friendly governments proving irresistible.

More companies are joining the land rush, the latest being **Bendigo Mining (BDG)**. It has taken a 20 per cent holding in London-listed Goldstone Resources, which is exploring for gold in Ghana and Senegal.

Howard Carr at **Vital Metals (VML)** will be relieved he has just completed a \$1 million placement. If markets turmoil continues, the financing doors will start slamming shut in the faces of junior explorers. Vital saw a nice spike in its price last month after adding gold

exploration in Burkina Faso to its portfolio.

One African story that has received little attention, although we mentioned it briefly last year, is **Shield Mining (SHX)** in Mauritania. There's not a great deal of interest in this stock. At the market's close on Friday, there were just two buyers and four sellers.

Yet on Tuesday there was an interesting 19.8 per cent jump in the share price, but no news to trigger it. Someone may have been on the ball and noticed that Canada's Kinross Gold spent \$C600m (\$650m) buying a 9.4 per cent stake in Toronto-listed Red Back Mining. Kinross's interest is Red Back's Tasiast mine in Mauritania, which is targeting 1 million ounces a year by 2013. Its resource stands at 7.7 million ounces.

Shield's Tijirit project is just 35km northwest of Tasiast. Shield

maintains its deposit is a Tasiast look-alike. Drilling there has produced intersections up to 6m at 17.63 grams/tonne gold.

Juniors off the radar

SOME African explorers, though, are not being rushed off their feet.

At last glance, there were only seven buyers for **NGM Resources (NGM)**. The waning uranium price hasn't helped, but the sector may appeal to contrarian investors. NGM is beaver away in Niger and its resources are encouraging, especially the new 3.6m intersection at 1.53 per cent U3O8.

Mount Burgess Mining (MTB), whose primary asset is a zinc-lead-silver project in Botswana, is another junior off most radars. The company listed in 1985, and a share price of 1.3c is not exactly a rich reward for 25 years

of hard work. Now London-based Hardman & Co has taken an interest in the tiddler.

MTB has suffered from the drop in base metal prices, and zinc is not exactly a good story to be trying to sell these days. But Hardman analyst Ian Falconer sees a positive future for zinc projects aiming at getting going between 2012 and 2016, when a supply gap is expected. He also notes the project has Botswana government support.

Hardman points out that MTB is an unusual junior — it is a survivor, with consistent leadership since 1985. And that zinc's and lead's time will come again.

Central's coal hopes

CENTRAL Petroleum (CTP) is a junior with a big footprint (270,000sq km of permits in the Red Centre) and big ideas (oil and

gas, coal-seam gas, liquefied natural gas and helium).

It has an estimated coal resource, according to its statements, of somewhere between 600 billion and 1 trillion tonnes.

The company's preference is for various gas scenarios from those coal seams, but we hear one potential customer has asked CTP to look into mining the coal, removing impurities on site, and then railing it to Darwin for export as thermal coal. This would mean a 180km spur from the Darwin rail line, but it's another potential string in CTP's bow.

brombyr@theaustralian.com.au

The Australian implies no investment recommendation. This report is speculative in nature. Investors should seek professional investment advice. The writer does not own shares in any company mentioned.