EUREKA report

The Speculator

By David Haselhurst
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PORTFOLIO POINT: The Speculator may be underwater in this market, but having perused the recent crop of quarterly reports now lodged there's not one stock I would dump at these prices.

In these uncertain times, half the stocks in our portfolio of 17 speculative investments are selling for less than half their 12-month highs.

Most of those stocks, however, were bought at big discounts to their 12-month peaks. More than a few will prove to be cheap at current prices, particularly those with supportive major shareholders, adequate cash to support their development programs and near-term income earning targets. Among such stocks is Austpac Resources NL (APG).

Austpac on target for plant commissioning

Austpac (APG) is a minerals technology company with no debt, two major shareholders – BHP (5%) and Kronos International Inc (7%) – and first income from a new project scheduled for the first half of 2012.

The Speculator bought into Austpac on March 2 of this year at 6¢ a share on the strength of a likely deal to be completed with Kronos that could open the doors to worldwide markets for the small Australian company.

Austpac is a minerals technology company focused on titanium, steel and iron ore industries. As we reported on March 2, the company was originally listed on the ASX in 1986. It emerged as an epithermal gold prospector and in the years following it managed to accumulate losses now totalling $54 million. That leaves a lot of scope for future tax offsets against emerging profits from its more recent direction.

Austpac's key technology transforms ilmentite into high-grade synthetic rutile, a preferred feedstock for titanium dioxide pigment and titanium metal production. The technology is also being used to recycle waste chloride solutions and iron oxides produced from steel making to recover hydrochloric acid and high-grade iron.

In April of this year, Auspac confirmed the signing of an agreement with Kronos, a major titanium dioxide pigment maker, to provide $12.5 million to build Auspac's Newcastle iron recovery plant, with construction beginning in May.

The initial funds were provided through two share issues totalling $6.5 million and a further $6 million as a licence fee for Austpac's Enhanced Acid Regeneration System and Austpac iron processes Kronos may use at its plants around the world. Austpac retains ownership of the plant and there is no project finance.

Austpac managing director Mike Turbott confirms in the latest September quarterly report, released on Monday of this week, that the Newcastle plant on Kooragang Island is now 55% complete, with a three-month commission program to begin in late December.

"We are on target and on budget," he added. "We have money in the bank and are debt free."

After the Kronos deal was confirmed in April, Austpac shares soared to a year's high of 10.5¢ (up from a year's low of 3.1¢), but have since declined like the rest of the market to trade this week at 5¢. At that price, Austpac's 1067 million shares carry a market capitalisation of $51.35 million. At September 30, remaining cash stood at

$6,655,000 with expectations that a further $6 million will be expended in the current quarter.

-The Speculator portfolio, as at November 2, 2011

Company	ASX	No of shares	Bought	Purchase price	Current price	Current value
Image Resources	IMA*	15,000	31/12/2010* *	0.362 av	$0.325	$4,875
Viralytics	VLA	7,500	31/12/2010*	$.552 av	$0.460	$3,450
Trafford Resources	TRF	10,000	31/122010*	$0.425	$0.285	$2,850
Robust Resources	ROL	6,000	31/12/2010*	$1.49 av	$1.400	$8,400
Scotgold Resources	SGZ	25,000	31/12/2010*	$0.053	$0.083	$2,075
Scotgold Resources Options ex30/4/12 @ 8c	SGZO	2,500		$0.000	$0.020	$50
Coalworks	CWK	10,000	31/12/2010*	$0.830	$0.495	$4,950
GoConnect Ltd	GCN	200,000	31/12/2010*	$0.038	$0.018	$3,600
Minemakers	MAK	20,000	25/01/2011*	0.425 av	$0.355	$7,100
Platsearch	PTS	20,000	8/02/2011	$0.130	$0.100	$2,000
Broken Hill Prospecting	BPL	20,000	22/02/2011	$0.160	$0.125	$2,500
Austpac Resources	APG	40,000	2/03/2011	$0.060	$0.050	$2,000
Potash West	PWN	11,050	30/03/2011***	$0.200	$0.220	$2,431
Cortona Resources	CRC	20,000	13/04/2011	0.146 av	$0.115	$2,300
Golden Gate Petroleum	GGP	180,000	20/04/2011	0.011 av	$0.017	$3,060
Magnetic Resources	MAU	12,000	25/05/2011	$0.150	$0.140	$1,680
TNT Mines	TNT	4,440	22/07/2011	$0.000	$0.250	$1,110
Orpheus Energy	OEG	19,250	17/08/2011	0.164 av	$0.150	$2,888
x						
Total value of portfolio						$57,319
Cash at bank						-$18,017
Total						$39,302
x						
Portfolio change since January 5, 2011 (started with $50,000)						-21.40%
All Ordinaries change since January 5 2011 (then 4846.9)						-11.34%
x						

* Shares held from previous year, carried at their December 31, 2010 closing price. * * Bought extra 4000 Image March 15, 2011, at 42.5¢. Bought extra 5000 Minemaker, March 16 at 36.5¢. *** subscribed for 10,000 shares at 20¢ each - plus free 1050 entitilement from Image Resources. April 13: Bought 5000 CRC @ $0.165; sold 25,000 CRC options @ $0.05. April 20: Bought 60,000 Golden Gate Perro GGP @0.017 + $20 brokerage = $3,120. May 11: Bought extra 50,000 Viralytics @ 6.2¢ = 0.046 av price. May 18: Sold 25,000 at $0.10; $2500 (less brokerage) = $2480. May 25: Bought 20,000 MAU @ $0.15 + $20 brokerage = $3020. June 1: Sold 8,000 MAU at $0.25.5; $2020 (less brokerage). Will buy 50,000 VLA @ .069 plus brokerage ($20) = $3,470. July 13: Bought 100,000 GCN @ 0.08 plus brokerage ($20) = $820. July 20: Bought 15,000 CRC @ 0.14 plus brokerage ($20) = $2,120. July 22: Free TNT Mines allotted = $1,100. August 10: Bought 3,000 Robust Resources @ $1.25 plus brokerage = $3,770. August 17: Subscribed for 8,000 Orpheus Energy @ .25 (no brokerage) = $2,000. August 31: Bought 7000 IMA @ 0.31 + $20 brokerage = $2,190. September 21: Bought 120,000 GGP @ 0.009 $1080 + brokerage = $1,100. September 28: OEG 1250 from free 1 for 8 distribution from parent Coalworks (Sep 23) plus on-market purchase Sep 25 10,000 at 11.5 ($1150 + brokerage) = $1,170. October 26: Consolidated VLA holding, 12,500 shares @ average 55.2c. NOTE: TNT not listed yet (deferred); but issue was "shares worth 25c).

Green challenge to Cortona's gold development