

The Australian

ALL ORDS 4946.80	↑ 7.30 +0.15%	DJIA 10572.02	↓ 11.94 -0.11%	\$AUD/\$USD \$US0.9139	↑ 0.0024 +0.2633%	GOLD \$US1118.5	↑ \$US0.20 +0.02%
S&P/ASX 200 4921.40	↓ 2.90 -0.06%	S&P 500 1136.52	↑ 3.53 +0.31%	€EUR/\$USD \$US1.4349	↓ 0.0016 -0.1114%	OIL \$US81.8	↑ \$US0.26 +0.32%

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Stocks to watch in the year ahead

- **PURE SPECULATION: Robin Bromby**
- From: **The Australian**
- December 28, 2009 12:00AM

WE were all very down in the dumps this time last year, weren't we? Metal prices had collapsed, share prices had gone through the floor and no one -- least of all your clinically gloomy correspondent -- foresaw that the big bounce was only a few months ahead.

Pure Speculation was in full glass-is-half-empty mode, noting -- only slightly tongue-in-cheek -- that the lesson of 2008 was not to invest in any exploration story, or any production story, not to believe the China story and not to believe any commodity price forecast. In other words, we were dark on everything and everybody connected with resources.

Just as well you took no notice. This year we thought we might leave the forecast to an expert.

Resources analyst Gavin Wendt, who now runs his own show as Mine Life, is very positive about 2010. Gold, copper and coal are his metals of choice, with iron ore thrown in. Nickel, oil and aluminium should also return to favour -- there is little evidence of any substantial world-class finds on the horizon for those commodities. He believes that Asian and South American growth will offset the tribulations in Europe, the US and Japan.

"I can easily envisage a scenario where we see gold prices hit \$US1500/oz driven by a complete breakdown with respect to confidence in the US currency," Wendt says.

The other theme for 2010 will be continuing takeover and consolidation activity, with the Chinese in the forefront. Wendt says there is a new wave of money coming out of China, with wealthy private interests increasingly active after the initial thrust by government-owned entities.

And the stocks to watch?

Wendt takes a particularly bullish view on iron ore, believing that prices could rise more than the expected 20 per cent or 30 per cent. So he likes Western Desert Resources (WDR) with its Roper Bar project in the Northern Territory. The style of mineralisation, with grades over 60 per cent, and it being just 40km from the coast with the option to barge the ore, are all in its favour.

Marenica Energy (MEY) is on his list.

First, there's the nuclear energy story and, second, there's the extraordinary success story of that other Namibian uranium play, Extract Resources (EXT). Extract last traded at \$8.50, Marenica at 14c. During the week Emmerson Resources (ERM) reported a gold intersection of 2m at a bonanza grade of 50.6 grams/tonne. It and Westgold Resources (WGR) have been in the spotlight when it comes to Tennant Creek exploration, but Wendt thinks the overshadowed Excalibur Mining

Corp (EXM) has similar exploration appeal.

It has already reported high-grade gold results from its Tennant Creek ground, and EXM expects to be in production by 2011 -- way ahead of its neighbours.

The key asset is Juno, which closed in 1977 after producing at an average grade of 56.1 grams/tonne. EXM last traded at 1.8c.

Tanami Gold (TAM) is fancied at Mine Life, too. After some stumbles, this gold story has been turned around, with two quarters now of improving production.

Finally, one of Pure Speculation's favourite metals -- tin. Wendt sees a looming supply crisis caused by falling grades at several major mines causing a massive headache for tin consumers and smelters. Kasbah Resources (KAS) will develop its Morocco deposit in 2012 with grades double those of any other deposits on the development horizon. Plus, unlike some of those others, it's not in Rwanda, Uganda, Kazakhstan or the wretched Democratic Republic of Congo.

Rare-ing to go

AND here's something else to watch in 2010: rare earths. We hear that a few companies are working on putting together new projects, believing this is one of the waves to ride in the next few years. Rare earths are critical for so many technologies these days, and the Chinese have a stranglehold on their supply.

One of the early cabs off the rank is Northern Uranium (NTU).

The company has reported finding rare earths at its Browns Range project, just on the West Australian side of the border with the Northern Territory.

Exploration work hit xenotime, a mineral that contains yttrium, which has a range of applications from producing the colour red on your TV or computer screen to strengthening glass.

NTU and its major shareholder, French nuclear group Areva, plan to step up the rare earths hunt in tandem with the present uranium drilling.

Haynes is back

MIKE Haynes has been around the block a few times, working for BHP Minerals and the then separate Billiton. He was on the boards of the former Iberian Resources (taken over in 2007) and Bellamel Mining, swallowed in 2008 by Norton Gold Fields (NGF).

Now he's running Black Range Minerals (BLR), which hopes to become a uranium producer in Colorado, and two months ago relaunched the former listed Mobilesoft as Coventry Resources (CVY).

Haynes got a bit of a surprise. He had expected the Canadians to be on their game, technically and financially, when it came to gold mining. But no. Gold companies there are having trouble raising cash and, while they do a lot of underground mining, the Canadians are not up to speed on open-pit mines. He believes the Aussies can teach them a thing or two.

Coventry has \$5.6 million in the bank. It relisted with the Ardeen project in Ontario, where recent drilling has returned gold grades up to 27 grams/tonne. Last week it picked up the Cameron Lake project with 447,421 contained ounces of gold at an average grade of 5.42g/t.

Ontario has some pluses, says Haynes. Its mining law is fantastic, it's well endowed with gold targets and the grades are higher than most in Australia.

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