Metals up ahead of Japan rebuild

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METALS traders became very excited when they heard the latest estimate of Japan's reconstruction cost coming in at $US308 billion ($300bn).

Up went the base metals on the assumption, presumably, that to get started you just need to write a few cheques.

Not quite, we fear. There's that small matter of public debt representing more than 200 per cent of Japan's GDP. And one hears spoken only in whispers the thought that the Japanese might start selling billions of US Treasury bonds as the quickest way to lay their hands on the necessary folding stuff -- but better not to ruin your Monday by thinking about the consequences of that on the already strained US.

If everything is going to be so hunky-dory for the metals, how come British consulting firm ITRI is predicting that Japanese tin demand will drop by about 10 per cent this year? The country last year consumed about 32,000 tonnes, about 9 per cent of world production.

But this tells us more about Japan's constraints than tin's overall position. In fact, ITRI says the market will be in deficit anyway with no easing until 2013. On Tuesday, tin rose $US1200 a tonne in one session and ended the week at $US31,800 a tonne.

China eyes asset

WE hear that a contingent of eight from China Shandong Jinshunda had a close look last week at the mothballed Hillgrove antimony-goldmine in NSW owned by Straits Resources (SRQ).

Hillgrove is about 100km from the Wild Cattle Creek antimony deposit owned by Anchor Resources (AHR), which Jinshunda is trying to take over, although it has so far acquired only 6 per cent of the target.

Anchor has thought about combining the two operations using the existing plant at Hillgrove, so perhaps the Chinese have the same in mind. China produces 90 per cent of the world's antimony. The metal, whose main use is as fire retardant, has been making huge price gains, up from about $US4000 a tonne in 2009 to nearly $US15,000 a tonne now.

Anchor has turned down the 28c-a-share offer and the board and friends hold more than 50 per cent of the stock. Once the Chinese have ticked off the regulatory conditions to the takeover, which is now in progress, it will be a Mexican standoff. It's probably a matter of the price being right.

We have two new tin floats.

Lithex Resources (LTX) plans to reopen a historic mine near Marble Bar in Western Australia, while mining veteran Bill Ryan is behind Taronga Mines (no code yet), which will be seeking $12 million. It has picked up the Taronga project near Emmaville in northern NSW, explored around 30 years ago and with an estimated 57,000 tonnes of contained tin, and two projects from YTC Resources (YTC) bought for a "substantial" parcel of Taronga shares.

Ryan once ran former nickel miner Titan Resources and was among the founders of Ampella Mining (AMX), Brumby Resources (BMY) and Vital Metals (VML). Among the other directors are Nicholas Mather, who runs D'Aguilar Gold (DGR) and has experience with coal, coal-seam gas and mineral sands discoveries, and John Bovard, whose CV includes being project manager for Kennecott Copper.

Oilies tank

IT seemed to be heartbreak time at a couple of small oilies during the week. The news hit on Wednesday that the latest well at the Amazon project in Louisiana had reached the targeted zone but that it turned out to have "extremely low porosity and permeability".

Tango Petroleum (TNP) has a 17.5 per cent stake, and it felt the brunt of market anger: down 59 per cent on the day, down another 14 per cent on Thursday and a further 8.1 per cent to finish the week, at which point its market cap sat at just $3m. It will a long, hard pull out of that hole.

Quest Petroleum (QPN), with its 15 per cent stake in the project, took a 53.3 per cent savaging on Wednesday, another 14.3 per cent whacking on Thursday but managed to bounce by 16.7 per cent as the week ended.

Transerv Energy (TSV) is probably glad it had only 5 per cent of the play, so took only a minor battering. The partners had high hopes when they farmed into the Amazon and another project in Louisiana in May last year when they were targeting between 450 billion and 650 billion cubic feet of gas and 45-65 million barrels of oil. It looked so much easier in the 1956 movie Giant, when all James Dean had to do was drill one hole and then stand, arms outstretched, as the gusher covered him in black gold.

El Dore's hopes

WHEN you have 1.23 billion shares on issue and a share price of 1.2c, you can't expect the market to get excited about a copper project in Transylvania, Romania, where they can get very touchy about foreign mining companies. We remember, as if it were yesterday, the then Perth-based Esmeralda Exploration discharging cyanide from its Romanian gold tailings into the local river system in 2000, which brought the mining operation to a very sudden end.

The price actually dropped the day ElDore Mining (EDM) announced it had acquired the Baita copper mine, which was opened as a government operation in 1948, privatised after the communists fell and then closed down last year. The mining and recovery circuits are described as inefficient and dilapidated, but ElDore plans to restart the mine within 90 days of the deal being concluded, the first task being refurbishment of the operation.

There are also 4.6 million tonnes of tailings containing copper, gold, silver, molybdenum, wolfram, zinc and lead, with an estimated value of between $80m and $100m. Sounds do-able but, however, we have trouble getting past the Romania thing.

Yellowcake blues

SUMMING up the uranium conference held in Adelaide during the week, Foster Stockbroking says "the blue sky has been knocked out of the sector", adding that there will be significant delays in approving new projects. Italy's Council of Ministers has placed a one-year moratorium on any new nuclear plants.

Fosters said the key stock picks from the conference were Peninsula Energy (PEN), UraniumSA (USA) and Deep Yellow (DYL), with an honourable mention for Impact Minerals (IPT) with a greenfields project but "one to keep on the radar".

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