

EUREKA *report*



The Speculator

By David Haselhurst

July 7, 2010

PORTFOLIO POINT: Buyers before the end of tax-loss selling on June 30 are mostly in front by week's end and the heat out of the resources tax controversy.

With the majority of our portfolio stocks up from their weekly lows last week, three finished on weekly highs with robust gains.

Heavy minerals prospector Image Resources (IMA) stood out with a gain of 25.5% from a week's low of 39.5¢ to a closing high of 50¢ at week's end.

Gold/iron ore prospector Trafford Resources (TRF) achieved a gain of 13.1% from a low of 50¢ to a closing week's high of 56.5¢, with very light turnover in rights trading in the company's one-for-10 issue of new 50¢ shares.

Only 1020 rights traded for the week, all at 0.005¢. That suggests an overwhelming majority of shareholders are likely to take up the issue which will contribute to the development of the Wilcherry Hills iron ore/gold project on South Australia's Eyre Peninsula.

By early this week, the rights had moved up ten-fold, to trade at 5¢.

Our third encouraging performer last week was the early-stage coal-seam gas driller Coalworks Ltd (CWK), which added 13.1% from its week's low of 33.5¢ to a week's high of 38¢ at the close.

Last week Coalworks announced drilling was under way on its 90%-owned Ferndale project in NSW's Upper Hunter, with a target resource of 250–300 million tonnes of coking/thermal coal. (Coalworks entered this column on March 9 at 27.5¢.)

Coalworks managing director Andrew Firek, in announcing the renewed drilling program at Ferndale last week, said his company was further encouraged by Nucoal's nearby Doyle's Creek project.

Nucoal recently increased its resource on that project to 420 million tonnes and it's predicted that the project shares coal seams present in the Ferndale

project. The Ferndale exploration licence area (EL7430) is about eight kilometres south-west of Denman near Muswellbrook, is close to rail and road infrastructure, and is within 125 kilometres from the port of Newcastle.

Despite the encouraging improvement in the above three stocks at week's end, they've eased a bit on the opening of this week and are all well off their 12-month highs. Image's high was \$1.28, Trafford's \$1.09 and Coalworks' 56.5¢.

-The Speculator portfolio, as at July 6, 2010

Company	ASX	No of shares	Bought	Purchase price	Current price	Current value
Cortona Resources options ex. 20c by 31/01/2012	CRCO	25,000	31/12/09	\$0.053	\$0.090	\$2,250
A1 Minerals	AAM	20,000	31/12/09*	\$0.370	\$0.215	\$4,300
Image Resources	IMA	8,000	31/12/09*	\$0.830	\$0.435	\$3,480
Golden Gate Petroleum op ex. 8c by 31/8/2012	GGPO	6,665	31/12/09*	\$0.017	\$0.011	\$73
Viralytics	VLA	50,000	31/12/09*	\$0.037	\$0.038	\$1,900
Trafford Resources	TRF	20,000	31/12/09*	\$0.760	\$0.520	\$10,400
OBJ Limited	OBJ	100,000	31/12/09*	\$0.029	\$0.022	\$2,200
OBJ options ex. 1c by 31/12/2010	OBJO	11,111	21/01/10	Free	\$0.012	\$133
Beacon Minerals	BCN	200,000	13/01/10	\$0.024	\$0.017	\$3,400
Quickstep Holdings	QHL	20,000	14/01/10	\$0.520	\$0.255	\$5,100
Golden Gate Petroleum	GGP	120,550	25/01/10	\$0.038	\$0.028	\$3,375
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Robust Resources	ROL	3,000	9/02/10	\$1.15	\$1.355	\$4,065
Scotgold Resources	SGZ	20,000	16/02/10	\$0.105	\$0.088	\$1,760
Coalworks	CWK	10,000	9/03/10	\$0.275	\$0.340	\$3,400
Queensland Mining Group	QMN	50,000	23/03/10	\$0.125	\$0.075	\$3,750
Austex Oil	AOK	10,000	1/06/10	\$0.120	\$0.130	\$1,300
Total value of portfolio						\$50,887
Owe the bank						-\$19,004
Total						\$31,883
Portfolio change since January 4, 2010 (started with \$40,000, now raised to \$50,000)						-36.23%
All ordinaries change since January 4, 2010 (then 4889.8)						-10.62%

Current value based on last sale June 22, 2010

* Shares held from last year. They are carried at their December 31, 2009 closing price.

Cash boost for cancer-cure hopeful Viralytics

Our cancer cure hopeful's option expiry on June 29 was well-supported with 87% of the company's listed options exercised raising a total of \$2.4 million.

The remaining 13% of options not exercised (12,135,448) lapsed, but under a put/call option announced on March 25, 2010, they've been placed at the options exercise price of 4¢ a share to raise a further \$500,000. That boosts Viralytics (VLA) cash at bank to \$5.6 million.

Ahead of the options exercise, Viralytics reportedly had sufficient funds to cover its research and clinical trials programs for as much as two years. The new cash injection gives it a very comfortable margin as it prepares to launch Stage II clinical trials of its virotherapy technology with the approval of the US Food and Drug Administration (FDA) on patients with advanced melanomas.

On June 22, the company met the FDA for a Pre-Investigational New Drug (IND) hearing to review a dossier that summarised Viralytics proposed trial and its planned application for an IND authorisation. (That is a requirement to conduct clinical trials in the US and should also short-circuit any requirements to repeat trials in many other countries.)

Last week, Viralytics' managing director Bryan Dulhunty said: "The company will start the new financial year on a very firm financial footing. This funding and following the pre-IND meeting with the FDA on June 22, the company is positioned to aggressively advance its clinical trials program."

As reported in this column previously (May 19), oncology virotherapy is the treatment of cancer by infecting cancer cells with a virus that results in the destruction of those cancer cells.

Viralytics patented cocksackievirus, with a diameter of just 25nm (nanometres), is many times smaller than some half-dozen viruses under test by potential rivals worldwide and has the capacity to offer therapy to patients resistant to existing treatments.

Following the options exercise Viralytics has an issued capital of 508 million shares, which at 4¢ each gives it a market capitalisation of \$20.32 million shares. Success in the impending Stage 11 trials should see Viralytics shares rocket.

Cortona raises \$2.7 million with goldmine sale

The return of some certainty to the tax status of many miners will enable stalled deals to be executed. With no new tax to be imposed on gold miners, our portfolio stock Cortona Resources was able announce this week the sale of its 90%-owned North Monger gold project in WA for \$2.7 million.

This will enable it to accelerate development of its high-grade Dargues Reef gold mine, 60 kilometres south-east of Canberra in NSW (see my **April 14 column**).

Buyer of the North Monger is neighbouring gold producer Silverlake Resources (SLR), which has a treatment plant within 40 kilometres of North Monger project, five kilometres southeast of Kalgoorlie.



David Haselhurst writes a monthly column for Money magazine. Please note that he is not able to provide personal replies to emails.
