The Speculator

By David Haselhurst
January 19, 2011

PORTFOLIO POINT: We start the new year by halving the number of stocks in the portfolio to create an opening portfolio of shares and cash worth $50,000.

The NSW mine developer Coalworks (CWK) proved to be our best bet in 2010, trebling in price from a purchase last March at 27.5¢ to close at 83¢.

Even better, this week it has traded above 90¢ as investors warmed to a joint venture announced last month with Hunter Valley coal magnate Nathan Tinkler. But more on that later.

Offsetting that good fortune were our investments in seven companies carried over from 2009 at their closing prices at the end of that year. All but the NSW gold prospector Cortona Resources declined significantly from their high closing prices of the previous year.

The Speculator portfolio closed 2010 down 22.28%, while the All Ordinaries share price index was down 0.87%.

That is not an good performance in anybody's language, last matched in its severity by my result in 1992, when I finished 19.5% down, compared with the All Ordinaries' –4.5%.

To put the result in some perspective, however, readers might compare the outcomes each year in the table.

nSpeculator vs All Ordinaries

Year	Speculator	All Ords	Year	Speculator	All Ords
1973	7.60%	–29.10%	1992	–19.50%	–4.60%
1974	4.90%	–32.80%	1993	217.40%	38.20%
1975	123.60%	50.00%	1994	1.10%	–9.00%
1976	11.50%	–2.00%	1995	86.50%	13.70%
1977	48.10%	7.40%	1996	104.40%	9.40%
1978	101.40%	17.10%	1997	–5.60%	8.40%
1979	67.80%	35.80%	1998	35.50%	6.40%
1980	239.50%	37.20%	1999	305.50%	11.50%
1981	–26.90%	–15.10%	2000	29.00%	1.90%
1982	23.40%	–18.20%	2001	66.70%	8.80%
1983	120.30%	55.50%	2002	59.10%	–11.20%
1984	67.40%	–6.70%	2003	256.50%	11.10%
1985	56.20%	37.50%	2004	64.30%	22.60%
1986	176.60%	43.30%	2005	82.30%	16.10%
1987	32.20%	11.80%	2006	193.90%	19.80%

1988	71.00%	12.60%	2007	141.60%	13.70%
1989	6.10%	10.80%	2008	–30.40%	–32.00%
1990	–17.50%	–22.50%	2009	242.20%	33.56%
1991	56.50%	–25.90%	2010	-22.28%	-0.87%

As long-term readers of this column will recall, I've written the Speculator column for 38 years now, first in the *Bulletin* magazine until its closure in January, 2008, before joining Eureka Report in April 2009. For 32 of those 38 years the column outperformed the All Ordinaries – more than doubling its gains 12 times.

The table to be published in next week's Eureka Report will detail the nine stocks carried over to open the Speculator's 2011 portfolio at their closing prices on December 31. At the time of writing the value of the carry-over stock is $28,975, which I've topped up with cash at bank of $21,035 from previous profits to open the new portfolio comprising $50,000 in shares and cash.

The nine companies we'll keep in our opening portfolio are:

Cortona Resources (CRC). Developer of the Dargues Reef gold project in NSW, 60 kilometres south-east of Canberra. We retained at an end-of-year price of 8.5¢ our 25,000 options exercisable at 20¢ by January 31, 2012.

Image Resources (IMA). We carry over 4000 shares at 49¢, now pregnant with a planned free issue plus an entitlements offer in the spin-off float of Potash West NL to be conducted in coming months. The Speculator tipped Eureka Report readers on December 22 of the impending spin-off with Image share's to be quoted ex-entitlement to the new issue after the close of trading today, January 19. We'll be taking up our entitlement to the spin-off with a fuller report on its prospects as the prospectus nears completion.

Viralytics (VLA). Our cancer-cure hopeful is awaiting approval for a planned 54-patient Phase II melanoma trial from the US Food and Drug Administration. We retain our 50,000 Viralytics shares at their end-of-year price of 3.3¢.

Trafford Resources (TRF). We'll carry over 10,000 Trafford shares at their end-of-year price of 42.5¢. Trafford shares have slipped from their 12-month high of 93¢ despite the progress of its former 50.1%-owned subsidiary IronClad Mining (IFE) in developing its Wilcherry Hills iron ore deposit in South Australia.

Trafford's equity in IronClad was watered to 43.6% last month after IronClad completed a $28.6 million capital raising through a placement to institutional investors to be followed by a renounceable rights issue totalling 38,160,920 shares at 75¢. The new capital will fund the $26 million budget to bring in first export production later this year. Trafford retains a 20% free-carried interest in the project through to production plus ownership of all other minerals including gold in the tenement areas.

On January 12, Trafford announced a capital raising of $1,007,000 (before costs) through a placement of 2.65 million shares at 38¢ to clients of Barclay Wells Ltd. Trafford reported the placement closed heavily oversubscribed. Cash raised will fund a planned drilling program in the current quarter on Trafford 100%-owned Telephone Dam lead/zinc/silver project, also in South Australia.

Robust Resources (ROL). Our precious metals/base metals prospector is well -funded to continue its promising exploration project on Indonesia's Romang Island, 500 kilometres northwest of Darwin (click **here**). We'll retain our holding of 3000 shares at their end-of-year price of $1.73.

Scotgold (SGZ). On November 3 we took up our entitlement to a one-for-four issue of new shares at 3.5¢, plus a free option for every two shares subscribed for, exercisable at 8¢ by April 30, 2012.

The company is hopeful of successfully appealing the rejection of a mining application within a parkland within Scotgold's gold/silver deposit at Tyndrum, 80 kilometres north of Glasgow. Meanwhile, exploration continues on a larger part of the project area that lies outside the park boundary. We'll retain our holding of 25,000 shares at their closing price of 5.6¢ plus 2500 free options.

Coalworks (CWK), As indicated in the opening paragraphs of this column, we'll retain our 10,000 shares at their end-of-year price of 83¢. The shares are pregnant with a proposed one-for-eight issue to shareholders of free shares in the planned spin-off and listing of its Indonesian coal mining subsidiary Orpheus Energy Ltd, scheduled for the first half of 2011.

The company announced on January 18 that trial shipments were planned to begin in February and an off-take agreement for the first 25,000 tonnes had been entered into with an advance of $500,000 already paid.

Shareholders will meet on January 24 to approve joint venture arrangements, including share placements and issues, associated with the $25 million deal announced last month with Nathan Tinkler's Broadwalk Resources Pty Ltd to develop Coalworks' Ferndale coking/thermal coal project in the Hunter Valley of NSW (click **here**).

Broadwalk will spend up to $25 million to provide a bankable feasibility study for an open-cut mine and complete a pre-feasibility study for underground mine development. If the $25 million is fully expended, the commitment will deliver Broadwalk a 50% stake in the Ferndale project with an exploration target of 350 –530 million tonnes of coking/thermal coal.

GoConnect (GCN). We'll carry over our 100,000 shares in this internet entertainment company to see if its IPTV service subsidiaries and associates reach their audience targets in the coming months. The shares, purchased in July, closed with an end-of-year price of 3.8¢.

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The end-of-year abandonment of other listed shares in the portfolio should not be seen as a dismissal of their future prospects, particularly for Quickstep (QHL) and Queensland Mining Corp (QMN). But they had to go to reduce the size of the portfolio for a new start in 2011 and to raise cash for the future trades we have in mind.

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