

EUREKA *report*



The Speculator

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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 Auspac Resources NL (APG).

Auspac on target for plant commissioning

Auspac (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 Auspac 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.

Auspac 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.

Auspac's key technology transforms ilmenite 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 Auspac's Enhanced Acid Regeneration System and Auspac iron processes Kronos may use at its plants around the world. Auspac retains ownership of the plant and there is no project finance.

Auspac 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, Auspac 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, Auspac's 1067 million shares carry a market capitalisation of \$51.35 million. At September 30, remaining cash stood at

