

02-January-2019

# Morningnote

## Contents

Overseas Market Report	1
Australian Market Report	4
Market Sensitive Announcements	5
Research Report Summaries	7

## Flashnotes

**Viagold Capital Limited (VIA)** -Viagold Capital Reinstates to Official Quotation

**Galaxy Resources Limited (GXY)** -Galaxy Resources Provides Sal de Vida Update

### Coolgardie Minerals Limited (CM1)

-Coolgardie Minerals Provides Geko Project Update

**Syrah Resources Limited (SYR)** -Syrah Resources Announces Regarding First Production of Spherical Graphite from BAM Facility

**NRW Holdings Limited (NWH)** -NRW Holdings Announces Regarding Preferred Contractor for Fortescue's Eliwana Rail Project Stage 1

### Westgold Resources Limited (WGX)

-Westgold Resources Accepts an Offer for Lithium Royalty Sale

### Northern Star Resources Ltd (NST)

-Northern Star Resources Provides Update Regarding EKJV Offers

**Tribune Resources Limited (TBR)** -Tribune Resources Rejects Northern Star's Offer

**Rand Mining Limited (RND)** -Rand Mining Rejects Northern Star Offer

## Overseas Market Report

Foreign Equities	Latest Price	Time/Date (AEST)	Change	% Change
▲ Dow Jones (US)	23327	9:20am 01/01/2019	265	1.15
▲ S&P 500	2507	9:20am 01/01/2019	21	0.85
▲ NASDAQ	6635	9:31am 01/01/2019	51	0.77
▼ FTSE 100 Index	6728	11:50pm 31/12/2018	-6	-0.09
▲ DAX 30	10559	12:30am 29/12/2018	177	1.71
▲ CAC 40	4731	4:15am 01/01/2019	52	1.11
▼ Nikkei 225 (Japan)	20015	5:20pm 28/12/2018	-63	-0.31
HKSE	0	3:24pm 31/12/2018	0	--
▲ SSE Composite Index	2494	6:15pm 28/12/2018	11	0.44
▲ NZ 50	8811	11:19am 31/12/2018	28	0.32

## International Markets Roundup

[Morningstar with AAP]: In China, industrial metals prices were set for their biggest annual fall in years after signs of slowing growth in China's commodities-hungry economy and a US-China trade war reversed a two-and-a-half-year rally.

### Asia

In China, industrial metals prices were set for their biggest annual fall in years after signs of slowing growth in China's commodities-hungry economy and a US-China trade war reversed a two-and-a-half-year rally.

Copper, aluminium, zinc and nickel are down between 16 and 26 per cent this year as concerns that weaker growth will require less metal overpowered the effects of supply shortfalls and dwindling stockpiles, which generally support prices.

China, which consumes close to half the world's industrial metals and is therefore key to setting prices, has had a run of worsening economic data, with figures on Monday showing the first monthly fall in factory output in two years.

In his new year's day address, Chinese President Xi Jinping China said the country was still on track to hit its growth target of about 6.5 per cent in 2018, down from 6.9 per cent in 2017, but the economy is expected to lose further momentum in 2019.

The mainland Chinese markets will resume trading today. The Shanghai Composite Index closed on Friday down 25 per cent for the year, making it the worst performing major market in the world.

Hong Kong stocks dropped 13.6 per cent during 2018 - the worst performance in seven years - despite surging on the last trading day on the back of signals of trade talk progress.

**Metro Mining Limited (MMI)** -Metro Mining Announces 2018 Production Guidance Achieved

The Hang Seng Index rose 1.3 per cent, or 341.5, to 25,845.7 to close at Monday noon. Trading resumes today.

Europe

Eurozone stocks posted their worst performance since 2011, with falls of close to 20 per cent.

**Centrex Metals Limited (CXM)** -Centrex Metals Announces Sale of Port Spencer Land Holding

The Stoxx 50 was down 14.3 per cent, London's FTSE lost 12.5 per cent. France's CAC fell 11 per cent, while in Germany, the DAX was down 18.3 per cent.

**Silver Mines Limited (SVL)** -Silver Mines Reinstates to Official Quotation

In a shortened session before New Year's Eve, the STOXX 600 was up 0.5 per cent, continuing to claw back from multi-year losses hit on Thursday.

**Astro Resources NL (ARO)** -Astro Resources Announces Issue of Shares Under Placement

France's CAC 40 was up 1.1 per cent, Spain's IBEX was up 0.5 per cent while Britain's FTSE 100 was dragged lower by a stronger pound.

**Birimian Limited (BGS)** -Birimian Trading Halted, Pending Company Announcement

The pan European STOXX 600 had its worst year since the GFC.

North America

Wall Street has advanced in relatively low-volume trading on New Year's Eve as revellers gathered to ring in 2019, marking the end of the worst year for US stocks since 2008.

The Dow Jones Industrial Average rose 265.06 points, or 1.15 per cent, to 23,327.46, the S&P 500 gained 21.16 points, or 0.85 per cent, to 2,506.90, and the Nasdaq Composite added 50.76 points, or 0.77 per cent, to 6,635.28.

Wall Street was challenged for much of 2018 by tariff jitters, rising interest rates, and fears of diminishing corporate profits.

December was a particularly trying month for US equities. The S&P 500 saw its worst December since the Great Depression and the Nasdaq confirmed it was in a bear market, or 20 per cent below its high. All three are down about nine per cent since the beginning of the month.

In the new year, investors hope for the removal of question marks that acted as significant headwinds in 2018, including US-China trade negotiations, the path of US Federal Reserve interest rate hikes, slowing corporate growth and economic fallout from the upcoming departure of Britain from the European Union, or Brexit, among other concerns.

On Monday, renewed hopes for a resolution to the US-China trade dispute provided a glimmer of optimism for investors.

US President Donald Trump indicated on Twitter that progress had been made toward a potential settlement of trade tensions between the US and China which have plagued stock markets for much of the year.

Trading volume was relatively light, owing to the holiday as the US federal government shutdown entered its 10th day.

Healthcare and tariff-sensitive technology stocks, led by Boeing Co and Caterpillar, provided the biggest boost to the S&P 500 on Monday.

All 11 major sectors in the S&P 500 ended the session in positive territory. But for the year, only healthcare and utilities ended 2018 higher.

Energy, materials, communication services, industrials and financials were the biggest percentage losers of 2018, down between 14.7 per cent and 20.5 per cent from the beginning of the year.

The 20.5 per cent drop of energy stocks in 2018 was largely attributable to crude prices plunging 38 per cent since early October.

Commodities	Latest Price	Time/Date (AEST)	Change	% Change
Aluminium	1863	10:30am 01/01/2019	0	--
Copper	5949	10:30am 01/01/2019	0	--
Nickel	10605	10:31am 01/01/2019	0	--
Gold	1282	8:59am 01/01/2019	0	--
▲ Silver	15.5	8:59am 01/01/2019	0.1	0.88
Oil - West Texas crude	45.4	9:10am 01/01/2019	--	--
Lead	2007	10:31am 01/01/2019	0	--
Zinc	2519	10:31am 01/01/2019	0	--
Ore	71	9:10am 01/01/2019	0	--

Currency	Latest Price	Time/Date (AEST)	Change	% Change
▲ \$A vs \$US	0.7046	9:20am 02/01/2019	0.0011	0.16
▲ \$A vs GBP	0.5523	9:20am 02/01/2019	0.0003	0.05
▲ \$A vs YEN	77.25	9:20am 02/01/2019	0.12	0.16
▲ \$A vs EUR	0.6147	9:20am 02/01/2019	0.0023	0.37
▲ \$A vs \$NZ	1.0482	9:20am 02/01/2019	0.0030	0.29
▲ \$US vs Euro	0.8720	9:20am 02/01/2019	0.0021	0.24
▼ \$US vs UK	0.7845	9:19am 02/01/2019	-0.0005	-0.06
▼ \$US vs CHF	0.9818	9:20am 02/01/2019	-0.0015	-0.15
▼ \$A vs \$CA	0.9607	9:20am 02/01/2019	-0.0005	-0.05

### Australian Market Report

Australian Equities	Latest Price	Time/Date (AEST)	Change	% Change
▼ All Ordinaries	5709	2:31pm 31/12/2018	-7	-0.12
▼ S&P/ASX 200	5646	2:31pm 31/12/2018	-8	-0.14
▼ 10-year Bond Rate	2.30	9:19am 02/01/2019	-0.03	-1.08
▼ 90 Day Bank Accepted Bills	1.93	9:18am 02/01/2019	-0.01	-0.52
SFE-Day				
▼ 3-yr Bond Rate	1.77	9:19am 02/01/2019	-0.03	-1.67

## Local Markets Are Expected to Open Lower

Ahead of the local open SPI futures were 46 points lower at 5,561.

[Morningstar with AAP]: Australian shares are set to slide on the first trading day of 2019, while a late New Year's Eve rise on Wall Street couldn't steer the US market away from its worst year since 2008.

US, European and UK markets were closed overnight. Wall Street yesterday drifted higher but closed out 2018 with its steepest declines since the GFC.

The ASX took a late dive in the final session of 2018 on Monday, capping its worst quarter since September 2011 and its worst year in seven, down 6.9 per cent amid wider global volatility.

Wall Street climbed in low-volume New Year's Eve trade as revellers gathered to ring in 2019, but it will still go down as worst year for US stocks since the height of the global financial crisis.

Further stoking global growth concern is Monday's report showing China's manufacturing sector contracted in December.

Gold traded near a more than six-month peak, but was still headed for its first annual decline since 2015, having lost this year to dollar strength due to trade tensions and rising interest rates by the US Federal Reserve.

Spot gold was up 0.1 per cent at \$US1,281.25 an ounce on Monday. It hit its highest since June 15 at \$US1,284.09 earlier in the session.

Oil prices ended with full-year losses for the first time since 2015, after a desultory fourth quarter that saw buyers flee the market over growing worries about a supply glut and mixed signals related to renewed US sanctions on Iran.

For the year, US West Texas Intermediate crude futures slumped nearly 25 per cent, while Brent tumbled more than 19.5 per cent.

Meanwhile, the Aussie has edged lower, buying 70.57 US cents from 70.62 US cents on Monday.

### Companies Reporting Today (ASX 300):

ASX Code	Company Name	Report
----------	--------------	--------

\* Estimated based on release date of previous report

## Market Sensitive Announcements

08:19 AM

### **Viagold Capital Limited (VIA) -Viagold Capital Reinstates to Official Quotation**

The securities of Viagold Capital will be reinstated to Official Quotation as from the commencement of trading on 31 December 2018 following lodgement of its Half Year Financial Report for the half year ended 30 September 2018.

08:34 AM

### **Galaxy Resources Limited (GXY) -Galaxy Resources Provides Sal de Vida Update**

Galaxy Resources provided an update on the progress of development activities and strategic initiatives for the Sal de Vida Project. Recent project development activities have been largely focused on the Front-End Engineering Design (FEED) and optimization phase, as well as improving its operational readiness in order to minimize executional risks and maximize financial returns. It recently announced that the final tenement transfer deeds in relation to the sale of the northern tenement package at Salar del Hombre Muerto have been executed with POSCO. The Company continues to focus on advancing Sal de Vida in the short term. The Project development will continue to advance independent of the ongoing strategic process.

09:00 AM

### **Coolgardie Minerals Limited (CM1) -Coolgardie Minerals Provides Geko Project Update**

Coolgardie Minerals announced that the third Parcel of oxide ore from the Geko pit has been sold to Northern Star Resources for net revenue of \$1.668m. The sold oxide ore represented part of the high-grade supergene zone located in the western area of the pit. The final physical results were 7,980t at 5.94g/t Au sold for contained gold of 1524oz. The 35% increase in the mined grade above the Mining Reserve grade of 4.40g/t to 5.94g/t Au in this ore zone is a direct result of a comprehensive review conducted by the Company following poor reconciliation of the mined grade of the Geko operations in November 2018 and early December 2018.

09:02 AM

### **Syrah Resources Limited (SYR) -Syrah Resources Announces Regarding First Production of Spherical Graphite from BAM Facility**

Syrah Resources announced that it has achieved first production of unpurified spherical graphite at its Battery Anode Material (BAM) facility in Louisiana, USA using Balama natural graphite. Installation of 5ktpa milling equipment completed and initial production achieved as planned. Spherical graphite production volumes to be initially focused on customer qualification and ongoing product development.

09:22 AM

### **NRW Holdings Limited (NWH) -NRW Holdings Announces Regarding Preferred Contractor for Fortescue's Eliwana Rail Project Stage 1**

NRW Holdings announced that it has been selected by Fortescue Metals Group as the preferred Contractor to deliver the Stage 1 Earthworks, Roadworks and Drainage Works of Fortescue's Eliwana Rail Project. Fortescue and the Company will move to finalise outstanding matters prior to formal contract execution. The project value is \$57m.

09:36 AM

### **Westgold Resources Limited (WGX) -Westgold Resources Accepts an Offer for Lithium Royalty Sale**

Westgold Resources announced on 7 December 2018 that it had entered into a conditional agreement to sell its non-core Mt Marion and Buldania lithium royalties to SilverStream SEZC. Since the announcement, it has received an offer from Cobalt 27 Capital, with which it had previous discussions to acquire the Mt Marion lithium royalty, for a total consideration of A\$250,000 and 200 metric tonnes of physical cobalt metal in a warranted LME warehouse. It believes that this is an offer with current cobalt metal prices at US\$54,500/t.

09:40 AM

**Northern Star Resources Ltd (NST) -Northern Star Resources Provides Update Regarding EKJV Offers**

Northern Star Resources advised that it has received written rejections of the legally binding offers made by the Company. It made legally binding offers on 13 November 2018 to acquire the 49% stake in the East Kundana JV (EKJV) it does not already own, from Tribune Resources (ASX: TBR), Rand Mining (ASX: RND) and Rand Exploration, for A\$150m in cash.

10:11 AM

**Tribune Resources Limited (TBR) -Tribune Resources Rejects Northern Star's Offer**

Tribune Resources announced that it refers to the announcement on 13 November 2018 by Northern Star Resources in relation to its unsolicited \$112.5m offer for Company's 36.75% interest in the East Kundana JV (EKJV) (Offer) and its unsolicited offer for Rand Mining 12.25% interest in the EKJV. It further refers to the newspaper article published in the Australian newspaper on 27 December on the Company's intension with respect to the Northern Star Offer. The Company's Board of Directors (Board) has resolved to reject the Offer and has communicated this to Northern Star.

10:33 AM

**Rand Mining Limited (RND) -Rand Mining Rejects Northern Star Offer**

Rand Mining announced that it refers to the announcement on 13 November 2018 by Northern Star Resources in relation to Northern Star's unsolicited \$37.5m offer for the Company and its Exploration's 12.25% interest in the East Kundana JV (EKJV) (Offer) and its unsolicited offer for Tribune Resources 36.75% interest in the EKJV. The Company's Board of Directors (Board) has resolved to reject the Offer and has communicated this to Northern Star.

10:42 AM

**Metro Mining Limited (MMI) -Metro Mining Announces 2018 Production Guidance Achieved**

Metro Mining advised the market that it has achieved its production guidance for 2018 and has shipped 2,037,106 Wet Metric Tonnes (WMT). As planned the 33rd and final vessel for 2018, MV Sadlers Wells, completed loading on the 28 December 2018 and has departed for China. As per the operating strategy at Bauxite Hills, production ceases during the wet season of far north Qld. It also wishes to advise that it has decided to transition to Owner/Operator for the mining operation, and as a result it has terminated the Mining Services Agreement with SAB Mining.

10:55 AM

**Centrex Metals Limited (CXM) -Centrex Metals Announces Sale of Port Spencer Land Holding**

Centrex Metals announced that it has entered into a contract with local rural investment business FREE Eyre for the sale of its Port Spencer land holding for \$1.4m. Importantly for the Company the land sale completes the exit of its iron ore interests and transformation to a fertiliser business. The sale will also provide additional funds to support the ongoing development of the Company's flagship Ardmore Phosphate Rock Project in North West Qld which is fast approaching production stage with the Company having recently signed its first contract with a major fertiliser manufacturer in the local region for a 5,000 wet tonne trial shipment of phosphate rock concentrate.

11:09 AM

**Silver Mines Limited (SVL) -Silver Mines Reinstates to Official Quotation**

The suspension of trading in the securities of Silver Mines will be lifted immediately, following receipt of the response to ASX's price and volume query.

11:43 AM

**Astro Resources NL (ARO) -Astro Resources Announces Issue of Shares Under Placement**

Astro Resources advised that it has completed the placement announced on 14 December 2018, raising a total of \$905,800 before costs and expenses (Placement). In addition, the Company has paid an entity the amount of \$21,607 by way of its shares. Pursuant to the Placement, it has issued a total of 386,419,463 of which 9,002,800 was used to pay the external consultant its fees FPO shares to certain strategic investors identified by the Board. The outcome of the Placement particularly as all available shares have been issued and look forward to moving the Company forward to meet its stated objectives outlined in the Prospectus dated 13 December 2018.

11:45 AM

**Birimian Limited (BGS) -Birimian Trading Halted, Pending Company Announcement**

The securities of Birimian will be placed in trading halt session state at the request of the Company, until the earlier of the commencement of normal trading on 3 January 2019 or when the announcement is released to the market.

**Research Report Summaries****Morningstar Rating**

★★★

**Share Price**

3.180

## Hotel Property Investments (HPI) - Coles' Reported Attempt to Exit Its Pub Business Drives a Reduction in Hotel Property's FVE

**Analyst Note**-A change in analyst prompts a reduction in narrow-moat Hotel Property Investment's fair value estimate to AUD 3.05 per stapled security from AUD 3.40. The reduction is driven by the risk that Coles will circumvent Queensland's restrictive liquor licensing legislation, enabling it to exit its pub business. The defensive characteristics of inflation linked rents, restrictive liquor licensing laws, and investment-grade tenant in Coles are the main reasons to invest in Hotel Property. However, there are growing risks to these defensive characteristics. At our new fair value estimate, it trades on a fiscal 2019 price to fund flow from operations of 15.1 times and distribution yield of 6.5%.

If Coles can extricate itself from its pub business by circumventing Queensland's licensing laws, Hotel Property may not only lose an investment-grade tenant, but the value of its commercial hotel licenses is likely to fall. Coles is undertaking a strategic review, including a potential transaction that, if successful, would lead to the economic separation of its liquor and gaming revenue. Coles has not revealed details on this transaction, but media speculation points to Coles attempting to circumvent the Queensland licensing laws by entering into a synthetic joint venture with firm Kohlberg Kravis Roberts, or KKR. KKR will receive earnings from the pubs and Coles from its liquor stores. It appears to us that Coles is seeking to remove the potential reputational damage of continuing to be a poker machine operator via its pub businesses.

FYE Jun	2018A	2019A	2020E	2021E
Reported Npat \$m	26.38	28.44	27.22	28.79
EPS c	18.05	19.47	18.65	19.71
P/E x	17.38	16.18	17.05	16.13
EPS Growth %	4.91	7.84	-4.20	5.67
DPS c	18.00	19.60	19.60	19.70
Yield %	5.74	6.22	6.16	6.20
Franking %	0.0	0.0	0.0	0.0

## Recommendation Updates Over the Last Week

ASX Code	Company Name	Morningstar Rating	Date Changed	Latest Report
▲ BWP	BWP Trust	★★★	31/12/2018	Upgrade due to price change
▼ DOW	Downer EDI	★★	31/12/2018	Downgrade due to price change
▼ MND	Monadelphous	★★	27/12/2018	Downgrade due to price change

This Research report has been prepared by Morningstar Australasia Pty Ltd (ABN 95 090 665 544) ("Morningstar"). Morningstar is the holder of an Australian Financial Services License (AFSL 240892).

iInvest Securities Pty Ltd (ABN 44 246 838 283) ("iInvest") does not guarantee or take responsibility for the accuracy, completeness, estimates or appropriateness of any information or statement of opinion (any of which may change without notice) set out in this Research report.

This document has been provided to you for your general information and does not take into account your objectives, financial situation and needs and must not be relied upon by you as personal financial product advice that has been provided to you by iInvest. If you require advice regarding any aspect of the information and statements of opinion set out in this document, particularly as to whether you should base an investment decision upon the information or statements of opinion set out in this document, please contact your financial adviser.

### Distribution

The material contained in this communication is prepared for the exclusive use of clients of iInvest. iInvest is an Authorised Representative (#431611) of Zodiac Securities Pty Ltd (AFSL #398350, ABN 76 142 982 554).

The information contained herein is confidential and may be legally privileged. If you are not the intended recipient, confidentiality is not lost nor privilege waived by your receipt of it. Please delete and destroy all copies. You should not use, copy, disclose or distribute this information without the express written authority of iInvest.

### Disclaimer & Disclosure

iInvest, its related companies, officers, employees and agents may have a relevant interest in some of the securities mentioned but those holdings are not material unless disclosed in this communication. These holdings (or absence of holdings) may change at any time after publication of this communication, without notice.

iInvest, its related companies, officers, employees and agents may earn income, fees, brokerage or commissions or other benefits as a result of recommendations, dealing or transactions in the securities mentioned in this communication. These interests do not influence iInvest in giving the general advice contained in this communication. iInvest, its related companies, officers, employees and agents may trade in financial products which is contrary to the recommendations given in this communication.

You should not act on any recommendation made in this document without first consulting your investment adviser in order to ascertain whether the recommendation (if any) is appropriate, having regard to your investment objectives, financial situation and particular needs. Nothing in this communication shall be construed as a solicitation to buy or sell a financial product, or to engage in or refrain from engaging in any transaction.

We cannot guarantee that the integrity of this communication has been maintained, is free from errors, omissions, misstatements, virus interception or interference.