

HOT STOCKS

Trent Barnett
Hartleys

**SPECULATIVE BUY****Emmerson Resources (ERM) \$0.10**

Exploration drilling has recommenced at the Edna Beryl project area at Tennant Creek, NT. Drilling will test potential extensions to the ironstone-hosted gold mineralisation and new "look-a-like" targets to the north. Exploration continues to be fully funded by earn-in partner Evolution Mining (earning 65 per cent interest). ERM remains leveraged to exploration success and is rated a speculative buy.

BUY**Base Resources (BSE) \$0.26**

Our interest in Base follows recent improvements in mineral sands prices. Rising profitability has improved the balance sheet. We estimate that net debt should be repaid within about 18 months. BSE trades on low earnings multiples with a five-year visible mine life (we assume increased to eight years), and with a management team and balance sheet capable of developing further mineral sands projects. Key risk is mineral sands prices and sovereign risk operating in Kenya.

SPECULATIVE BUY**Avanco Resources (AVB) \$0.10**

Over the past 18 months, the Antas Mine was built, commissioned and ramped up ahead of schedule, and under budget. The company produced 11,000t of copper and almost 8000oz of gold at Antas in CY16, and we expect CY17 production of 14kt and 10koz. AVB aims to produce 50kt and 35koz a year, and will approach this goal with its second mine, Pedra Branca by early-2020.

Alan Hill
State One

**BUY****Metals X (MLX) \$0.71**

MLX recently announced a positive DFS on its Renison Tailings Retreatment Project in Tasmania which could expand group tin production to 12,400tpa from 7000t at present. With a lack of meaningful production coming online globally, the tin market appears structurally sound in the medium term. At \$0.70, MLX offers a 3 per cent dividend yield plus some 54 per cent upside relative to an IRESS consensus target price of \$1.08.

SPECULATIVE BUY**Neometals (NMT) \$0.305**

Last week NMT announced it had secured a 12 per cent price hike for 6 per cent spodumene (lithium) concentrate from its Mt Marion operation. We believe market concern over price is to blame for the broad-based sell-off in lithium stocks. As these fears are allayed, lithium stock prices could rebound significantly. At \$0.29, the stock offers 45 per cent upside potential relative to State One's target of \$0.42.

BUY**Oz Minerals (OZL) \$7.42**

OZL is well positioned to take advantage of any uptick in the underlying copper price. First-quarter production was weaker than expected while weaker gold price momentum in the June quarter dampened the share price. Growth is focused on Prominent Hill, Carrapateena, and a pipeline of base metal assets. At \$7.43, the stock offers a 1.8 per cent dividend yield and 14 per cent upside to an IRESS consensus target of \$8.44.

Romano Sala Tenna
Katana Asset Management

**HOLD****Mineral Resources (MIN) \$11.23**

When we wrote up MIN a fortnight ago, the stock was at \$9.22. Two weeks later and the share price is \$11.23. While this is a spectacular rise and traders are likely to lock in profits, we see further upside from this level for patient investors. To re-cap, MIN is on track to be the biggest lithium producer in the world, and will close out the coming financial year with \$300 million-plus net cash.

BUY**Janus Henderson Group (JHG) \$41.89**

The merger of Janus out of the US with Henderson Group in the UK/Europe has created a global fund manager with \$330 billion in funds under management and nearly 600 distribution staff. The opportunities for cost-savings and cross-selling are both substantial, and are likely to drive profit growth for the next two to three years. After that, a recovery in performance fees and fund in-flows will add another layer to earnings.

WATCH**Beach Energy (BPT) \$0.585**

We have had a high degree of success trading BPT over the past decade, and with the share price hovering around the 60¢ level, it looks to be somewhat oversold. And BPT is trading on a consensus PER of 7.5x with a strong net cash position. But there is the possibility that they may make a sizeable acquisition which would necessitate a capital raising. So for now we watch and wait.

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