

*Locantro's Life*

# **“Top 20 Small Cap Stocks with huge upside potential”**

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Locantro's Life – Speculative Newsletter 30<sup>th</sup> July 2015

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# WHAT IS HAPPENING?

- ▶ Property bubble in Sydney/Melbourne the key **risk** to our economy. Median price in Sydney now \$1m and when you take an income of \$80,000 the PI is 12.5x. The long-term average is 5-7x, Miami and other parts of the US crashed at 7x. Bear market 3-4x.
- ▶ Perth property market languishing, I expect to correct another 10-15%, then become the **best buying opportunity in Australia**. Like John Farnham, Danny Green, and Pauline Hanson “Resources always comes back”

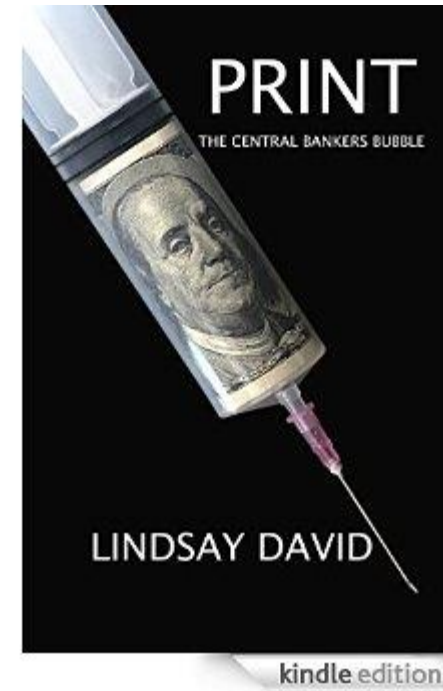
# WHAT IS HAPPENING?

- ▶ Our banks are overexposed to residential and investment loans. Balance sheets to rival Lehman Brothers before its collapse. It is always an easy bull market “Until it isn’t”
- ▶ Highest risk bank is **Westpac (WBC)**
- ▶ **PREDICTION 1: Providing he is still alive Warren Buffett to come in and effectively bail out one of our major financial institutions.**

# ESSENTIAL READING ON THE ECONOMY



AUSTRALIA:  
BOOM TO BUST  
LINDSAY DAVID



*Locantra's Life*

# MAKING THE CALLS

- ▶ Live in a world of “compliance” where the fear of being wrong, sued, or different to everyone else means we are devoid of opinion and calls. Some mainstream press/commentators as sterile as a private hospital.
- ▶ My instinct tends to be 80%+ correct, held off many calls due to listening to others. Also made some bad calls listening to others as well! A few of my career shockers I owe just to 1 person.
- ▶ If I am **WRONG** on these stock calls we are all stuffed and I will go back to my old job of Filet/Nugget station at Maca’s.
- ▶ **PREDICTION 2: Gold doesn’t need war or a currency crisis, it simply needs a rise in the participation rate. It could prove to be the “Bradbury” of investment classes.**

# MAKING THE CALLS

- ▶ **ZINC** is a “supply” story and is my favoured of the base metals. “Zinc stinks”, yep just like Buffett hates airline stocks and **everyone hates Nickelback!** Chad and the crew have made a poultice, more lays than a battery hen or Big Island resort.
- ▶ **NICKEL** is being played like a baby grand is in the “BUY” zone. The rewards for finding a major nickel sulphide deposit are always ginormous (IGO and SIR).
- ▶ **COPPER** is getting harder to find (4km above sea level), grades are falling and once the speculators stop dicking with it, it will have its day. Perhaps even to rival the nickel bubble that saw IGO \$10.00+ during the 2006/2007 bubble.
- ▶ **PREDICTION 3: Quality zinc juniors to provide multiple share price upside and mid-majors make corporate plays to diversify.**

# MAKING THE CALLS

- ▶ **IRON ORE** was a winner in the great China GDP race. Keep building cities to house the rats and cockroaches. Settle at \$120US tonne, yep and I am Dave Grohl!
- ▶ **Lindsay David** in Australia Boom to Bust calls for \$25 tonne, more accurate than those in the industry and the great Greek forecaster “Con Sensus”
- ▶ **COAL** is the ultimate contrarian play now. Quality low-cost operations to come in for attention. Sentiment shot to pieces. I have some targets and happy to discuss with clients.
- ▶ **URANIUM** to come back strongly, however the upside will not be anywhere like the great bubble of 2005-2007. The worst thing Paladin ever did was enter production 0.08c (yes 8/10’s of once cent) to over \$10.00 per share.
- ▶ **PREDICTION 4: Shadow banking to unravel further in China, just like their “Punterama” stock market. Australian links to do some damage.**



# THE TOP 20 SMALL CAPS!

- ▶ Law of averages would suggest that **5-6 will go apeshit, vertical, ballistic, to the moon etc etc.**
- ▶ **7-8** will do jack long-term but will have a strong rally that many will regret not selling into.
- ▶ **3** will go more sideways than the “Bolshoi Ballet”
- ▶ **1-3** will have more recon’s than the Kardashian family and eventually 1 or 2 will go into Admin and liquidation.

**Prediction 5: One of the stocks on the top 20 list will increase 20x+ in value on a major discovery**

# RAMELIUS (RMS) 11.25C



- One of my greatest career wins. Stock was 6c June 2004 under a barrage of selling then >50x with 48m @ 154 g/t gold. Stock went over \$3.00 equivalent
- Stock has been a “dog” since then, but has had mechanical, pit failures but is now meeting and exceeding guidance.
- **Stock looks “stupid cheap”** around 12c
- Potential for cash in the bank in 2-3 years to dwarf the current market capitalisation and DIVIDENDS?
- Super impressed with Mark Zeptner, getting on with restoring value and has done a great job since 4.3c lows.
- **MEDIUM TERM TARGET 25C-30C**

# RED METAL (RDM) 4C

- ▶ High quality junior explorer. Rob Rutherford well respected in the industry.
- ▶ Maronan Project delivered “Exceptional” metallurgical results on 29<sup>th</sup> July, the ore is “soft” and would be an ideal blend for South 32’s Cannington deposit. Maronan appears to “mill” well but the key now is the mining costs.
- ▶ “Small company with a big share price” is always Rutherford’s goal. Terry Allan Herald the last MD to say this to me and he delivered. Serious bang for your buck and near an all-time low.
- ▶ **MEDIUM TERM TARGET 12C-15C**

# MINOTAUR (MEP) 7.2c

- ▶ Found Prominent Hill and then an amazing run of “technical successes”. Talented geologists, geoscientists and geophysicists (try saying that UTI)
- ▶ Super high quality diversified explorer. Artemis discovery in mid 2014, 9.2c to 30.5c. Stock now near its all-time low.
- ▶ JV dispute, GFR kicked out and some selling in angst?
- ▶ Industrial minerals division unknown, unloved, underappreciated and yet is valuable.
- ▶ Structure still conducive for serious upside.
- ▶ **MEDIUM TERM TARGET 25C-30C**

# HERON RESOURCES (HRR) 11.5C



- ▶ Woodlawn Project only 30km from Goulburn, close to Sydney and Canberra. I have been to site and TRO ran to \$1.72 on the back of this project.
- ▶ One of very few **ZINC** stocks on the ASX. Valuations from Canadian broking houses around 30c (3x).
- ▶ PEA delivers strong business case for Woodlawn as well as outstanding drilling results on-going.
- ▶ Management the most upbeat I have ever seen.
- ▶ Neat corporate target and potentially a fit for a cashed up mid-major looking for zinc exposure
- ▶ **MEDIUM TERM TARGET 30C-35C**

# TALGA RESOURCES (TLG) 37c

- ▶ “Real” graphene/graphite story in Nth Sweden and pilot plant being built in Germany. Site visit anyone?
- ▶ Strong run from 8c and holding vindicates this view.
- ▶ Now a technology materials company with a unique, simple and cost effective process to liberate graphene from graphite. Worlds highest grade graphite resource.
- ▶ Mining in Sweden is great, nightclub ratio as well (3:1)
- ▶ Graphene growth to come in Li-ion batteries.
- ▶ Commercialisation held back by “supply” factors. TLG natural ore advantage.
- ▶ **MEDIUM TERM TARGET \$1.20 to \$1.50**

# HRL HDGS (HRL) 7.2C



- ▶ One of only 3 industrial stocks on the list.
- ▶ HAZMAT company with a strong presence in New Zealand. Major contract with Chorus (major NZ telco) to service 800 assets.
- ▶ Backed by Kevin Maloney (Tulla) worth \$480m according to BRW rich list. No profile yet!
- ▶ More growth potential in NZ than many expect, could HRL become an environmental clean up/HAZMAT roll-up model. If so enormous upside potential from here.
- ▶ Key now is to become cash flow positive, market cap of \$11m far from onerous. The next NEA. AJX, EGH?
- ▶ **MEDIUM TERM TARGET 35C TO 40C**

# CARAVEL (CVV) 0.007c

- ▶ Massive copper potential only 125km from Perth. Similar to South American deposits but not 4km ASL!
- ▶ Tony Poustie fmr exp manager for DOM, Marcel Hilmer FQM. Top shelf team, stock yet to develop a profile.
- ▶ Copper-moly low grade bulk tonnage with a target > 1m contained copper tonnes.
- ▶ FQM right to acquire 50.1% by spending \$3.6m. A win/win deal but doesn't factor in Calingiri upside. FQM converted loan to debt at 1.3cps. CVV funded through CY16
- ▶ PDN 0.008c before uranium bubble. CVV has multiple upside potential from here. State One 9c valuation?
- ▶ **MEDIUM TERM TARGET 2.5C-3C**



# HIGHLANDS PA (HIG)8.3C

- ▶ PNG focus, has a mixed reputation but proving to be a great place to do business.
- ▶ 20% interest in ginormous Freida River Project (8<sup>th</sup> largest undeveloped copper-gold project). Cash flow and exposure to nickel through Ramu Project. (8.56% minority interest)
- ▶ Star Mountains JV with Anglo offers significant exploration upside potential. Compelling JV with another \$5m payment due in February 2016.
- ▶ Exceptional growth potential underpinned by stakes in massive mineral assets. Stock has come back nicely and now in the BUY zone.
- ▶ **MEDIUM TERM TARGET 18C-22C**

# FINDERS RES (FND) 15.5C



- ▶ One of the “finds” of the 2015 Noosa Mining Conf.
- ▶ First major conf promotion, compelling presentation.
- ▶ Wetar Copper Project Indonesia to produce from Q1 2016. USD\$165m finance facility conditions met allowing for first drawdown.
- ▶ Potential for debt to be repaid within 18 months, then based on production post debt repayment a **PE of 1**
- ▶ Near mine exploration success straight to the bottom line, however potential cash bonanza could allow growth via acquisition. Trades via appointment!
- ▶ **MEDIUM TERM TARGET 30C-35C**

# RENASCOR RES (RNU) 2.2C

- ▶ Just raised capital at 2c. Acorn an interesting taker considering RNU's micro-cap.
- ▶ Chris Anderson was responsible for telling Rudi Gomez where to drill (Carapateena). Strong management ex Heathgate Resources (Uranium).
- ▶ Drilling at Extension Tank IOCG, plus a copper province in the Eastern Eyre Pen SA.
- ▶ Uranium portfolio a “contrarian” play but of no real value until uptick in price.
- ▶ Plethora of targets to drill, limited by funding.
- ▶ **MEDIUM TERM TARGET 4C-5C**

# SYNDICATED MET (SMD) 2.2c

- ▶ Emerging QLD copper producer, backed by CopperChem (WH Soul Patts).
- ▶ Barbara Copper Deposit proposed 7yr mine life with the real upside to come from repetitions.
- ▶ Major exploration potential regionally and near-mine.
- ▶ Strong management team/expertise, market yet to appreciate upside potential.
- ▶ Mining targeted qtr 2 2016, Beer & Co report with a target price of 11c.
- ▶ **MEDIUM TERM TARGET 8C-10C**

# TORIAN RESOURCES (TNR) 20C

- ▶ Fmr Cluff Resources which most speculators would have owned at some stage. Reconstructed, cleaned up and now with a structure conducive to some **explosive** upside potential.
- ▶ Great land position in the Zuleika Shear (subject of corp activity and discovery). Likely to become the next “hot” address for gold. Kundana/Pegasus/Norton/PXG
- ▶ Matthew Sullivan MD has found 3m ounces twice, and has to his name circa 12m ounces of gold discoveries.
- ▶ To drill very shortly, capital raising \$2.8m and from an early stage are we looking at the next Northern Star (NST) or Metana from those who remember the mid 80’s gold bubble. (Please note my fund took \$99,830.08 at 19.17c in the current capital raising)
- ▶ **MEDIUM TERM TARGET 50C-60C**

# STAVELY MIN (SVY) 23.5C



- ▶ Md Chris Cairns fmr Integra Mining, 9c to 70c (twice) prior to Silver Lake (SLR) takeover. Very experienced geologist out chasing elephants.
- ▶ Victorian copper-gold focus, with a combination of lower risk projects and the Thursday Gossan target (Powerball). \$2.98m just raised to fund the next phase with drilling supplied for equity.
- ▶ Compelling copper and gold targets, (Stawell style + emerging VMS).
- ▶ Free running stock and conducive to exploration success. One of the few mining IPO's of 2014 > 70c.
- ▶ **MEDIUM TERM TARGET 45C-50C**

# CRUSADER RES (CAS) 14C

- ▶ Emerging Brazilian gold producer with a profitable iron ore mine to underpin growth. \$3.3m cap raising, Dir SITG!
- ▶ CAS are chasing targets like Pegasus the 1m ounce discovery from TBR/RND/NST. Serious targets in a mining friendly area. (11 g/t)
- ▶ Juruena Gold Soil Anomaly is “**giant**” 8km x 4km > 50ppb.
- ▶ Posse Iron Ore asset is valuable despite sentiment, assists in covering overheads and reducing dilution. Ability to source new projects in Brazil not be underestimated.
- ▶ Share price near 52 week lows, no value for growth potential factored in. Always felt like a 40c-50c solid stock and this hasn't changed. (Only enhances upside potential)
- ▶ **MEDIUM TERM TARGET 35C-40C**



# BRAIN RESOURCE (BRC) 25C

- ▶ Worlds largest brain database, 15+ years.
- ▶ Cognitive depression test now at final stages with the FDA. Gives the best anti-depressant to take out of top 3 in the US.
- ▶ Sales of brain training games/programs in the US, plus adding addition clinics at a rapid rate.
- ▶ Cognitive depression test is massively scalable and could lead to new products in ADHD and addiction.
- ▶ Brain health, training and re-wiring starting to gain interest. US a huge market, contract with Boeing.
- ▶ **MEDIUM TERM TARGET 70C-80C**



# GLOBAL GEO (GSC) 0.005C

- ▶ Strong management and technical team. Rob Reynolds ex Delta, Avoca and currently Dacian (DCN)
- ▶ **Stock busted up** and indicative of the junior resource market. Struggling for cash, however mgt have 25% of the company at higher prices. Easier to ride it out.
- ▶ Big copper target Peru, highly prospective land holding in Nevada in one of the most mining friendly areas. Have been unlucky with JV's, Osisko and others.
- ▶ Mid's and majors still looking for grass roots projects with potential, and GSC's potential isn't reflected in the share price. **Will need to raise or JV to move ahead.**
- ▶ **MEDIUM TERM TARGET 0.008C TO 1.3C**



# METALLICA MIN (MLM) 4.7c

- ▶ Mix of mineral sands, bauxite, graphite and scandium.
- ▶ Share price close to an all-time low after being a constant 17-18c stock with the odd run into 30's/40's.
- ▶ “Side of the boot” upside to come from Graphite in Granite Project in Nth QLD? Mineral sands project the company “keeper” not “maker”.
- ▶ Scandium off the boil, SCONI far too big/capital intensive but might yet have it's day. Scandium bubble forecast by major newsletter writer, Vancouver conference 2015.

**MEDIUM TERM PRICE TARGET 8.5C-12C**

# CLEVELAND (CDG) 4.8C

- ▶ Brazilian gold and iron ore stock, that has released two years of delays and bad news. Stock MASSIVELY overshoot to the upside >90c and then into the 3's.
- ▶ Ex FMG management with SKIT. Finally getting its act together and the risk now appears to the upside.
- ▶ Major issues have been mechanical and not the orebody. Premier Gold Mine in prolific mining region with 7m ounce resource near-by. Strong regional potential.
- ▶ Trial mining to commence at Lavra following successful capital raising.
- ▶ Iron ore assets on ice following BC Iron's withdrawel.
- ▶ **MEDIUM TERM PRICE TARGET 12C-15C**

# CHINALCO (CYU) 2C



- ▶ QLD copper focus. Mt Isa with some exciting targets to be drilled in the near-term. Ex Xstrata geologists have assisted with major campaign. Big bulls-eye targets hunting massive resources.
- ▶ Strong financial backing from Yunnan Copper/Chinalco who are major shareholders at much higher prices.
- ▶ International hunt for new projects to see CYU develop into a mid-tier mining house. Ambitious yes, impossible no!
- ▶ Distressed opportunities and growth potential. CYU previously 40c+ during REE bubble and has been on the downward hurdy gurdy through lack of success.
- ▶ **MEDIUM TERM PRICE TARGET 5C-6C**

# THREAT PROTECT 2C IPO

- ▶ New IPO with Argonaut leading, 2c issue price RTO of East Africa Resources (EAF).
- ▶ Security monitoring, alarms, advice/guards and personal protection apps.
- ▶ Highly fragmented business model with the bulk earning under \$2m pa.
- ▶ Threat Protect aiming to be the “roll up” model for security with high barriers to entry and costs with call centres (must be in Australia).
- ▶ Growth through personal apps for families and those in dangerous situations and/or one out.
- ▶ **EMAIL IF INTERESTED [tlocantro@argonaut.com](mailto:tlocantro@argonaut.com)**

# THANKS EVERYONE!

- ▶ Webinars will continue for clients of Tony Locantro and this will include a live Q@A
- ▶ Will also be used to introduce new stocks, IPO's and to discuss results.
- ▶ Unique business model that has taken 20 years to build and cannot be replicated.
- ▶ Brokerage rates standard i.e doesn't cost more to deal with me. Can tidy up portfolios at reduced rate where possible.
- ▶ Next YMYC episode is 20<sup>th</sup> August 2015 and then 23<sup>rd</sup> September 2015.
- ▶ [tlocantro@argonaut.com](mailto:tlocantro@argonaut.com) for further information.