

Locantra's Life

Special Edition

11 May 2015

A WINDOW OF OPPORTUNITY?

“At the start of the bull market we have all the paper and they have all the money. At the end of the bull market we have all the money and they have all the paper”.



The Australian Junior Resource Sector is often cyclical in nature and will undergo a number of booms, busts, fads and during other times only a ballerina will be trending more sideways. The charts above serve to highlight just how tough the last four years have been, but also show that it is resilient and will eventually recover before hopefully overshooting to the upside. As with other lengthy downturns we are now witnessing a number of exploration companies discover the cloud, social media apps, biotech, and more recently a number have swooped on the opportunities emerging in medicinal cannabis. Whilst this trend is likely to continue has juniors switch back and forth to catch the next wave, there will be those who continue to toil away at the mining industry in the hope of one day leaving the junior ranks.

TEN ACTIVE JUNIORS TO OWN NOW!

One of the best ways of growing from a junior is to drill, discover and develop a precious or base metals deposit. As the major mining companies slash exploration budgets another way to achieve outstanding returns is to sell the project and return the funds to shareholders. If you are not out doing some serious target generation work and drilling the chances of discovery tend to be quite low. In the current market malaise it is all about reducing overheads, however junior explorers are expected to get on with exploring as major discoveries can still occur when sentiment is poor as we witnessed with the likes of Sandfire (SFR) and Sirius (SIR). Here are ten junior explorers who are focussed on getting on with the business of exploration and/or project development who have the real potential of providing multiple share price upside from their current low bases.

CHINALCO YUNNAN COPPER RESOURCES (CYU) 1.5c

CYU's share price has continued to languish following a failed "elephant" hunt for a major discovery in Chile and the general weakness that has engulfed the junior resource sector. CYU's largest shareholder is China Yunnan Copper (Australia) Investment and Development and is a wholly owned subsidiary of Kunming-based Yunnan Copper Industry (Group) Co Ltd, the third largest producer of smelted copper product in China. CYU's relationship with its largest shareholder provides access to substantial funding and project finance support and a gateway into potential and future projects.

Despite the lacklustre share price and lack of market appreciation, CYU has remained steadfast on its corporate objective of becoming a substantial mid-tier mining group. In early 2015 CYU appointed two former Xstrata/Mount Isa Mines geologists to conduct a thorough review of CYU's exploration portfolio. Following the review a \$1.8m exploration budget has been approved, with the emphasis on targeting large previously recognised but underexplored alteration systems.

CYU's exploration criterion is "To identify copper projects with the potential to establish at least one (1) million tonnes (Mt) contained copper (and/or copper equivalent). This seems a very ambitious target for a junior with a market capitalisation below \$10m, however the lack of interest doesn't discount the potential of the Mt Isa region to host major copper discoveries, nor does it dampen the impact of CYU's access to substantial financial support to fund its next growth phase.

Whilst CYU may appear ambitious with its corporate and exploration goals it is ultimately the ability to fund a transformational deal and/or to find a major mineral deposit that will see CYU enjoy a meaningful re-rating. The best times to accumulate high quality juniors is when they are going unnoticed by the market and with a share price trading around 1.5c that time may be now.

The May Investor Presentation highlighting the Mt Isa exploration potential can be [accessed here](#).

TYCHEAN RESOURCES (TYK) 0.002c

TYK's Managing Director, Joe Houldsworth has no doubt seen the exhilarating highs and frustrating lows of the gold industry. Joe was at the helm of Ramelius Resources (RMS) when they reported a stunning gold intersection at Wattle Dam of 48m @154 g/t gold in May 2007. In June 2004 RMS was trading around 6c and following the excitement of the discovery it increased >50x to trade over \$3.00 equivalent. Joe is now running TYK which is raising capital again at 0.002c with free attaching options to fund the next phase of the drilling program at the Redback Prospect in Western Australia that is only 700m from the old Wattle Dam Gold Mine. The gold results at Redback thus far have been "solid without being spectacular" with hits of 8m @ 9.29 g/t, 2m @ 12.2 g/t, and 16m @ 3.31 g/t.

The real excitement from Redback, could yet come from the high-grade Eastern Zone mineralisation in the south that is interpreted to display geological, structural and grade characteristics comparable to that of the high grade Eastern Zone mined at the high grade Wattle Dam Gold Mine 700m to the northwest. The next program of drilling at Redback will be designed to test for depth and plunge extensions to the high grade Eastern Zone mineralisation in the south.

The key now is for TYK to establish a small but potentially profitable gold resource at Redback that will enable self-funded exploration on the other highly prospective projects. Despite the challenging conditions for junior explorers, Joe Houldsworth is getting on with high-impact exploration and whilst another "bonanza" intersection will help the cause when it comes to attracting funding, the strategy has always been about profitable gold production.

MITHRIL RESOURCES (MTH) 0.007c

Since listing in 2002, MTH has been another junior that has ridden the highs and lows of the junior resource sector. MTH through the most recent drilling conducted in February 2015 have confirmed the copper-nickel-PGE potential with Stark now emerging as a genuine discovery. A high powered ground EM survey to define the next round of drilling targets has been completed with results expected in the immediate-term. The EM survey results are eagerly anticipated as they will greatly assist in identifying the “bulls-eye” with the aim of identifying massive sulphides.

MTH have announced a range of cost cutting measures designed to allow for maximum expenditure in the ground and despite the difficult conditions have remained extremely active. There are 30km of strike with very little exploration and one of the most pleasing aspects is that the EM “Sees the mineralisation” and has been validated as an effective technique.

One to watch for the next round of drilling at Stark with any exploration success likely to see a flurry of trading activity based on MTH’s low share price and market capitalisation of only \$2.9m.

Further background information on the Stark discovery is [available here](#).

CLEVELAND MINING (CDG) 4.9c

CDG are currently in the process of expanding its Brazilian gold production to 40,000oz pa, which is expected to be completed by the end of CY 2015. The ramp up has been plagued with mechanical issues and in particular the ball mill over the past 12 months. Towards the end of the March 2015 quarter it was pleasing to note that repairs to the existing ball mill had seen capacity increase to 50tph-60tph with further improvements expected over the coming months. CDG plan to install and commission a 100tph ball mill (currently being renovated) by July 2015 and along with the 100tph jaw crusher and cone crusher, CDG may finally be entering a phase of steady state production.

The real growth potential in CDG is the regional exploration close to its operating Premier Gold Mine. A significant new gold prospect has been discovered on the Premier Gold Mining Lease, characterised by a 2km gold-in-soil anomaly. The prospect is less than 1.5km south of Premier and has been named “Vanuza”. This represents a high priority exploration target for CDG over the coming months. The 7 million ounce Serra Gande Mine (Anglo Ashanti) is located just 2000m north-west of Vanuza with a common structural corridor.

CDG is increasing its interest in the Premier JV to 60% and this is expected to be achieved through a combination of vendor financing and production cash-flows. Following BC Iron’s decision to withdraw from the Brazilian Iron Ore JV, CDG to remain focussed on the gold expansion have announced its intention to divest the iron ore assets into a separately funded entity.

Whilst CDG have struggled with mechanical issues at the Premier Gold Mine it isn’t the case with the orebody and based on the serious potential to add further inventory through regional exploration, CDG’s growth aspirations may finally be realised albeit a little later than expected.

SYNDICATED METALS (SMD) 2.2c

SMD’s achievement of raising \$1.996m in April 2015 in a difficult market serves to highlight the potential of the junior that is still only capped around \$8.2m. SMD are managing the feasibility on the Barbara Copper Project QLD that is due for completion in September 2015. CopperChem a wholly owned subsidiary of W H Soul Pattinson (ASX:SOL) are funding the feasibility it as part of the earn in on 50% of the JV areas. The plan is to prove 5 to 7 years of mine life to feed a transportable processing facility that will be sited at the Barbara mine site.

Apart from delivering an on-going flow of solid drilling results into a disinterested market, SMD have been diligently working towards establishing its first growth platform at Barbara. The next phase could well come from finding repetitions of Barbara on its 100% owned projects where drilling is planned to commence in June

2015.

Often with junior resource companies that are able to graduate through the ranks it is all about getting one operation underway and then the prudent use of cash flow to either discover or acquire the next one. Providing all goes to plan with SMD we could see copper production in March 2016 which will be a major achievement for a junior capped below \$10m.

An in-depth research report on SMD was released on 4 May 2015 that provided a 12cps valuation that is multiples of the current share price. The report can be [located here](#).

TALISMAN MINING (TLM) 14c

One of the catch phrases to come out of the junior resource market recently is that, “Sideways is the new up” and that has been the case with TLM that has been very well supported in the market. TLM were previously a considerable amount in the Bryah Basin in the hope of finding another DeGrussa (Sandfire), and needed to come up with a plan B. That plan B has been the acquisition of the Sinclair Nickel Project and associated infrastructure from Xstrata Nickel for \$8m (\$120m replacement value). Whilst there is significant near-mine potential, TLM are excited by the lure of regional targets considering the Agnew-Wiluna belt is “elephant” country for nickel sulphides. The move into nickel could prove timely for TLM if the bullish forecasts following a period of weakness prove to be correct.

Whilst the acquisition of the Sinclair Nickel Project has been a major focus for TLM, the exploration activity by Sandfire has just gained serious traction with diamond drilling commencing on 11 May 2015 at TLM’s Springfield copper-gold project (Monty Prospect), with the diamond rig to be moved to the Homer prospect to follow-up a 1099m diamond hole that Sandfire drilled in 2014. The new diamond drilling programme forms part of a multi-pronged exploration effort by Sandfire as part of the \$15m exploration farm-in joint venture entered into by TLM and Sandfire in December 2013. The exploration efforts are being focussed within close proximity to Sandfire’s DeGrussa Copper Mine and are targeting the accumulation of massive sulphides at depth.

With a combination of high risk/high reward exploration in the Bryah Basin, and the timely acquisition of a nickel project in an exciting region to host further discoveries, there is the real potential for TLM to break well clear of its current “sideways” pattern.

TANGA RESOURCES (TRL) 1.8c

TRL (formerly Argentina Mining AVK) are a small WA junior with a 100% focus on gold exploration in Tanzania. Tanzania has a transparent Mining Act, a stable political and social environment, excellent infrastructure, is Africa’s third largest gold producer (2014) is a major Archaean gold province with 60Moz gold endowment. TRL’s major focus is pretty simple and that is based on finding the next multi-million ounce gold deposit. At the Singida Project, a strong gold soil anomaly has been defined at the Winston Prospect with outcropping gold mineralisation and no artisanal mining or previous work. An interpretation of a detailed ground magnetic survey has been completed and Winston is now drill ready.

At the Geita Project, TRL have three strong gold anomalies at Mimbili (drill ready and near the Bulyanhulu Mine), Dhahabu, and Mwamazengo. It is worth noting that the Bulyanhulu Mine is around 12 g/t gold and TRL have rock chip samples at Mimbili at 11.5g/t.

John Stockley, TRL’s Technical Director has extensive African experience, and the share register is very tight with the top 20 shareholders accounting for 51% and the top 200 shareholders 95%. TRL’s cash position at the end of the March 2015 quarter was at \$166,000 and for an acceleration in exploration activity to occur a capital raising would be expected, however with a loyal shareholder base and two serious exploration projects in a prolific gold area, TRL could be well supported. The recent takeover of Orbis Gold (fmr: OBS) by SEMAFO

Inc has shown the value in building resource ounces in Africa and the shareholder returns available to those who are prepared to back the right stories at an early stage.

AURORA MINERALS (ARM) 3.8c

Based on ARM's holdings in the ASX listed Golden Rim (GMR) (13.4%), Predictive Discovery (PDI) (43.9%) and Peninsula Mines (PSM) (37.5%) and a cash balance of \$5m at the end of the March 2015 quarter the stock is undervalued. With cash and investments of circa \$9m, ARM's market capitalisation of \$4.438m is around half the total value and more importantly lower than ARM's cash balance. ARM's major project interests through its holdings are in Burkina Faso with PSM holding projects in South Korea.

Whilst the market will often discount the value of listed investments in other companies, a 50% discount to cash and investments could well provide to be an opportune buying opportunity. GMR reported on 11 May 2015 significant drilling results from Guitorga Burkina Faso with one intercept of 21m @ 5.6 g/t gold, that included 8m @ 11.8 g/t gold from only 13m. PDI have also reported encouraging auger results near its Bangou gold discovery (184,000oz at 2.6 g/t) in Burkina Faso and are currently planning a major drilling program to target large scale gold deposits.

PSM are set to become active in South Korea with near-term drilling of the Daewha molybdenum-tungsten project (100km SE of Seoul) and plans to drill a copper-gold magnetic anomaly. PSM over the last three years has enjoyed strong funding support from Korean Resources Corporation KORES with results of applications expected shortly on three projects.

Whilst ARM is certainly a higher risk investment based on the African and South Korean projects the portfolio approach to generating value and growth has merit and whilst the market has discounted the holdings each of the three major investments has merit in their own right. An in-depth research report released on 13 April 2015 covers ARM's investments and the level of near-term activity from each. That report can be [downloaded here](#)

TORIAN RESOURCES (TNR) 20c

The Zuleika Shear which Northern Star's MD Bill Beament labelled, "The corridor of riches" is now becoming one of the hottest addresses for gold exploration and/or corporate activity following recent success in the region. Over 15m ounces has been discovered and mined in the region to date and more importantly the gold mined tends to be of the high-grade variety with open cut mines running between 3 g/t-5 g/t and underground operations typically 7 g/t- 20 g/t gold.

TNR through a JV with Cascade Resources has the right to earn 49% of Cascades Zuleika Project by spending \$5m over 4 years with TNR committed to spend a minimum of \$1.25m in the first year. One of the most exciting recent discoveries in the region has been Pegasus (Kundana) 3mt @ 11.6 g/t for 1.1m ounces which is part of the EKJV between Northern Star (NST), Tribune (TBR) and Rand (RND) where in February 2014, NST purchased 51% for \$75m. With the recent interest in Phoenix Gold (PXG) by Evolution Mining (EVN) and Norton Goldfields (NGF), and EVN set to acquire LaMancha's Australian operations the Zuleika Shear could be the scene of further corporate activity has a number of companies vie for their place.

TNR through the Cascade Resources JV have secured the right to explore some highly prospective and strategic ground that surrounds a number of major operations. TNR's Managing Director, Matthew Sullivan is one of six geologists credited with finding 3m ounces twice at Kanowna Belle (6m ounces) and East Kundana (3.5m ounces) with a total discovery track record of circa 12Moz's of gold.

A share purchase plan for TNR is set to close on 22 May 2015, which will be the lower of 20c or a 5% discount to the VWAP over the 5 days leading up to and including the closing date of May 22 2015. Any share price weakness could prove to be an outstanding buying opportunity, however TNR shares can be illiquid and

patience may be required to build a reasonable holding. Based on the exploration/corporate activity surrounding the Zuleika Shear and the experience of TNR's Managing Director, Matthew Sullivan this could well turn into a very exciting gold exploration story.

TNR's April 2015 presentation can be [downloaded here](#).

ENERGIA MINERALS (EMX) 4.4c

Zinc has hardly been a popular commodity, and you are not likely to hear any exaggerated war stories on what occurred the last great "zinc bubble". Based on being unpopular and unloved there are now very few genuine ASX listed zinc stocks and this could be EMX's trump card when you consider that production from the old Gorno Zinc Mine in Italy is planned from the first quarter of 2017. Zinc has been one the strongest performers in the base metals complex and the time of writing this report was trading at \$US 1.07/lb. The zinc price is expected to be well supported over the medium-term as inventories fall, major mines close, and the head grades of operations declines even further.

EMX are now expected to commence resource definition drilling in July 2015 to assist in the release of a JORC compliant resource by the end of CY 2015. An initial exploration phase of drilling is due to commence in mid June 2015 and this drilling is targeting potential repetitions of Gorno. EMX's exploration target is 6-10 mt at 7-10% zinc plus lead. One of the key advantages at Gorno is that being an established mine it is ready for a quick re-start following the construction of the processing plant.

An in-depth research report was released on 24 April 2015 on EMX and can be [downloaded here](#). The report was recently updated on [7 May 2015](#) that takes into account the limited ASX zinc opportunities and the 13.5c cash bid for Mungana Gold (MUX). The valuation of 15.5cps is multiples of EMX's current share price, however when you consider the zinc production scenario at Gorno and longer-term uranium interests through the Carley Bore project, EMX may yet give that price target a massive shake.

Tony J Locantro

Email: tony@locantro.com

Website: <http://locantro.com>

Managing Director

<http://locantro.com>

Phone: (08) 6142 6724

Gold Australia Pty Ltd

Fax: (08) 9470 3051

PO Box 635

Mobile: 0402 604 862

Victoria Park WA 6979

Int'l: +61 8 6142 6724

<http://locantro.com>

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AustAsia Financial Planning Pty Ltd (AFSL 229454) Level 1 AustAsia House, 412-414 Newcastle Street, West Perth WA 6005 Phone: (08) 9227 6300, Fax: (08) 9227 6400