

# Rocks & Stocks

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### Calls to Action:

#### Stavely Minerals IPO

We hosted Stavely Minerals management at our booth at the conference in Hong Kong. The company received quite a bit of attention from investors and other brokers keen to find out what the ex-Integra team were up to. Stavely was founded and is operated by members of the former Integra Mining (IGR) team which sold the company to Silverlake Resources (SLR) for \$426m in mid-2012. The management team in our view is a significant value add given their track record of discovery and value creation.

Stavely Minerals management will be presenting in our Sydney office on Wednesday 2<sup>nd</sup> April and in our Melbourne offices on Thursday 3<sup>rd</sup> April if you wish to find out more.

### SAVE THE DATE:

Noosa Mining & Exploration Conference  
17-18<sup>th</sup> July 2014

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## Mines & Money 2014

*Morgans attended the annual Mines & Money conference in Hong Kong last week. The mood remained cautious but upbeat with many investors and companies commenting that “we’ve turned a corner”. The reality remains that valuations are down and private equity is looking for bargains. There’s plenty of funds on the side-lines looking for a home and it’s clear that those that control the money make the rules. In the words of one attendee – “the courting phase has begun, and success will be determined on who you pick as a dance partner”.*

### The Morgans Corporate booth at Mines & Money



SOURCE: Morgans

**What’s Private equity thinking?** ▶ Small companies are likely to remain private for longer in the current tight climate for capital. I.e. Private Equity is looking to fill the void left by difficult equity markets for development capital. However private equity most likely won’t invest in the first drill hole which is bad for greenfields explorers without funding. Most PE groups favoured copper, gold, coking coal and potash as their favoured commodities to invest in and suggested that we are in a “courting phase” where funds are looking to invest and are targeting the “best of breed” opportunities. Asian fund managers seemed happy investing in oil & gas in the current climate but are awaiting a turn in precious and base metals sentiment and commodity pricing before they see a reason to invest.

**The smart money is investing** ▶ Depending on who you believe, there’s anywhere between \$15-50bn of capital sitting on the side-lines awaiting investment so when the “turn” comes, and the herd moves together, then activity levels could be big. The perception from the big global funds was that Private Equity, Hedge Funds and Pension Funds are investing in the resources sector as they see PE’s, EV/EBITDA and P/NAV multiples at levels not seen since 1985. The big funds see the large gap between current prices and valuations as an opportunity and they also commented that generalist investors are yet to enter the market in a meaningful way. The feeling from the North American investors was that there is funding, but only for mature projects.

**Invest in quality management** ▶ Perhaps the most important theme we picked up from the fund managers and investors was perhaps the simplest ethos “There’s no secret sauce, we are still at the mercy of commodity volatility but you can pick good management teams and broad asset bases even as the market faces headwinds. One large global fund referred to this as “the braille system of investment” – ie be patient and trust management and have a well-supported share register.

## Featured companies at Mines and Money

### Stavely Minerals (pre-IPO) ▶

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## Mines & Money – top picks from the conference

### Gold Road Resources (GOR) ▶ Current price \$0.17 PT: Not covered

GOR has been working in the Yamarna Belt for a few years now and persistence has paid off in the discovery at Gruyere. Geologically the discovery sits adjacent to the center of the basin structure in an inflection point in the belt. Recent drilling has returned impressive widths to date including 560.2m @ 1.16g/t Au. Follow-up drilling will determine the extent of these zones so it will pay to watch these results closely to see if the continuity is maintained.

### Papillon Resources (PIR) ▶ Current price \$1.22 PT: Under Review

PIR announced the commencement of the Fekola Feasibility study during the Mines & Money conference aiming to completion sometime in 2H CY14. PIR's 5.15Moz Au resource remains one of the most impressive orebodies we've seen for a pre-development play. Exploration results at Manankoto Sud about 13km to the North of Fekola look promising and could be a secondary project in the medium term. We continue to like the PIR story – its forecast 300kozpa production rate at costs of ~\$600/oz remain some of the lowest forecast costs in the gold sector which will be confirmed in the DFS results due for completion in the 2H CY13. We maintain that PIR remains a hot-favourite as a takeover target with its large resource and excellent exploration upside.

### Crusader Resources (CAS) ▶ Current Price \$0.28 PT \$0.42 ADD

Iron ore sales increased significantly in the first quarter of 2014 with an effective doubling of revenue in January as increased production coupled with increased sales of both Run-of-Mine ores and stockpiles increased the cash position to ~\$3m by mid-March 2014. CAS continues to perform well and we see output increasing further as expansion strategies are implemented in the second half of 2014 to recover the fines product currently being stockpiled.

### Thundelarra Exploration (THX) ▶ Current price: \$0.058 PT: Not covered

THX has its Red Bore project located less than 500m from Sandfire Resources (SFR) DeGrussa copper mine. THX has completed very little work on the project since late 2013 due to legal proceedings, however an agreement with the vendors and the successful outcome of court action has seen THX increase its interest in Red Bore to 90%. The company plans to re-start exploration drilling on the project in April. A drill program is planned to improve the understanding of the known mineralisation. Results from previous drilling in 2010 included 17m @ 11.7% Cu and 1.73g/t Au from hole TRBC005, and down-hole geophysics had suggested that the mineralising system extended beyond current drilling. We do know that the DeGrussa geology is complicated from work undertaken by SFR, so if THX can unlock some of these mysteries then there could be some potential upside if anything is discovered at depth.

# Noosa Mining and Exploration Conference

17 and 18 July 2014

Outrigger Little Hastings Street Resort and Spa Noosa, Queensland

The Noosa Mining and Exploration Conference, is Australia's largest multi-commodity conference featuring presentations from 45 companies in the oil and gas, energy, base and precious metals and bulk commodity sectors.

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- 45 executives selected to present from high calibre Australian companies

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- Access to company executives and key management
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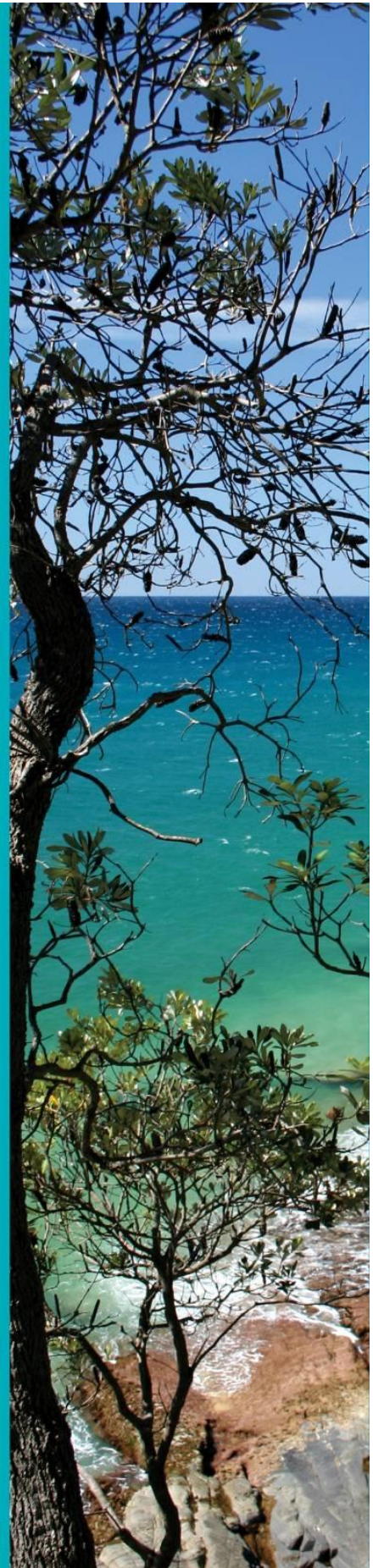
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