

BASSARI RESOURCES

MEDIA MONITORING

The Australian

Juniors rock analysts' world

Barry Fitzgerald

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THE guys at the stockbroking firm Morgans keep a closer watch on the junior resources than just about anyone.

And in their most recent assessment in their July edition of “Rocks & Stocks”, they reckon green shoots are appearing in the beaten-up sector.

“Recently, we’re noticing that companies are increasingly being rewarded for exploration success, something that markets have struggled with over the last 12 months. Overall, our market feedback suggests that sentiment is improving, slowly but steadily.

“There is definitely a sense that new opportunities are emerging at what is increasingly being viewed as the point in the cycle where things just can’t get any worse,” the Morgans buys opined.

There are some stats to back it all up too, with the S&P/ASX Small Resources having bounced 12 per cent off its 2014 lows — driven predominantly by what Morgans says is the return of risk appetite for gold stocks. In the small gold space alone, the S&P/ASX Gold index has surged 37 per cent from its 10-year lows.

“It’s amazing how quickly a fearful market can revert back to greed,” Morgans said, about as direct a summary as you will get about what is going on out there.

Another way of looking at it is that with the big end of town resources stocks looking like they will flat-line in terms of share price performance in the near term, the leveraged returns to be had in the junior end — particular after last year’s massive value loss — is where some fun can be had.

Bassari Resources (BSR)

THAT the market is turning for the juniors is amply demonstrated by the recent return of interest in ASX junior gold explorers active in Africa.

Melbourne-based Bassari Resources is a case in point. Its 0.5c share price in the opening months of the year has given way to a recent peak of 2.6c, and yesterday's price of 2c — the price at which it has got away a \$1.1 million placement, and the confidence to seek \$4.6m from shareholders in a non-renounceable rights issue at the same price.

The 300 per cent share price gain in a couple of months reflects not only the “green shoots” narrative mentioned earlier, but also some nice work by Bassari itself at its Makabingui gold project in Senegal, west Africa.

To its own account, Bassari outlined a 1.1 million ounce gold resource at Makabingui in 2012, when the gold price was running hot at \$US1800 an ounce. The subsequent gold price retreat to the recent new norm of about \$US1300 an ounce meant no one cared — up until recently, that is.

Clinching it for Bassari was a change of strategy. Instead of beavering away at finding a 3-5 million ounce resource, development funding for which would remain unavailable in this market, Bassari decided the better option was to work up a “starter” project based on the mining of four high-grade open-pits within the known Makabingui resource.

That culminated in last month's release of a feasibility study that showed that average annual production of 50,000 ounces could be achieved from the mining and processing of near 6 gram-a-tonne mineralisation over an initial 3.4 years. More to the point is the forecast cash cost of \$US683 an ounce, and the low \$US12m (\$12.8m) in start-up capital. That means a payback of about six months and (pre-capex) free cashflow (after tax) of some \$US88m.

That would leave plenty of exploration dollars to chase up the big-time potential elsewhere on the Makabingui tenements, something Senegal's orpailleurs highlighted by moving en masse in to the area to eke out a living.

At one point, as many as 30,000 of the artisanal miners were swarming around the place, prompting Bassari to put an earlier alluvial gold project it got going on ice because of security concerns. The orpailleurs have since been moved on without drama by the gendarmes, with Senegal doing the smart thing and opening up 13 specified regions in the country where they are welcome, none of which encroach on Makabingui.

Senegal has identified mining and agriculture as the country's two main growth options, with the encouragement of foreign investment in to the country, and the balanced treatment of foreign mining interests with those of the orpailleurs, as good as any indicator that it is fair dinkum. The timely issuing of all the required approvals for Bassari's starter project at Makabingui — as is expected — would confirm all that.

Balamara Resources (BMB)

THERE is not much joy at the moment for the thermal coal producers. Prices of sub-\$US75 a tonne and a US94c exchange rate have made sure of that. Then there is the issue of Australia's high-cost base and the noise from an increasingly sophisticated anti-coal brigade.

But that's for coal producers stuck here. Ever fleet-of-foot juniors are increasingly finding that the happier climes can be found overseas, and they have taken to finding more welcoming investment climates with gusto.

Poland has become a favourite destination, all in response to the above, and on the premise that coal will remain a major (low-cost) component of the world's energy mix longer than any of us will be around.

Balamara managing director Mike Ralston has positioned the Perth-based group in the thick of things in Poland, firstly with the Nowa Ruda coking coal project and, more recently, the Mariola thermal coal project.

Now Ralston has taken Balamara deeper in to Polish coal with the pick-up of a third coal project: the Sawin North thermal coal project. Apart from anything else, it gives Balamara coal assets covering all three of the major hard coal basins in the country.

Securing the exploration rights to Sawin North is something of a coup for a company of Balamara's size (\$27m market cap at its last sale price of 7.8c a share) as the project comes with a resource estimate of 1.3 billion tonnes, one based on extensive drilling in the 1970s and 1980s by the Polish government.

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 Edited by Andrew Main

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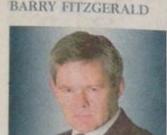
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Juniors rock analysts' world

Opportunities are emerging in the sector, argues Morgans



BARRY FITZGERALD

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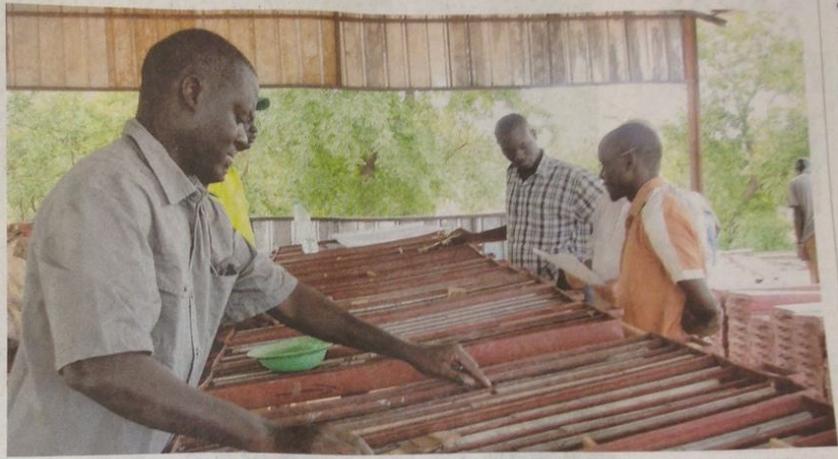
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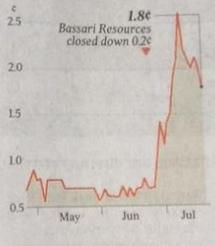
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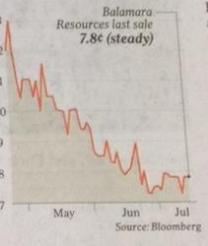
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