

Friday 8th July, 2011

Important moves with another two of our junior exposures – Bandanna & YTC Resources

There have been important developments today with respect to another two of our portfolio holdings, Bandanna Energy (ASX: BND) and YTC Resources (ASX: YTC). Bandanna has announced a major project development, with project partner AMCI exercising its right to earn a 50% stake in its South Galilee coal project in Queensland, whilst YTC Resources has announced the best-ever copper intercept from drilling at its Nymagee project in central-west NSW.

1. Bandanna Energy (ASX: BND, Share Price: \$2.15, Market Cap: \$859m)

I first covered Bandanna Energy in MLW28 on 30th June when we recommended it as a Speculative Buy around \$1.85 (actual purchase price \$1.975) and again this week in MLW 29. The major attraction of the company is the likelihood for imminent corporate action, with respect to either the company as a whole, or with respect to specific projects. Either way, I believe there isn't too much downside for investors.



Bandanna has today announced that AMCI has exercised its right to earn a 50% participating stake in its South Galilee Coal Project, following the cash contribution of \$8.188 million as project expenditure. AMCI

is entitled to earn up to a 50% participating stake in the project by spending \$25 million on exploration and development prior to 5 September 2011. So far AMCI has spent more than \$16.8 million on exploration, concept and prefeasibility studies as part of its farm-in commitments. AMCI will continue to be manager of the joint venture, with Bandanna holding the remaining 50% interest.

AMCI's decision to take up its 50% stake in the project is not surprising, but nevertheless is a positive for Bandanna and reflects AMCI's confidence in the viability of the South Galilee project.

AMCI and Bandanna have accordingly made an application for a mining lease over the northern portion of EPC 1049 in order to progress development plans. The MLA covers an area where exploration indicates the presence of around 1.2 billion tonnes of JORC-compliant coal resources, with the potential to support a mine of ~33 years at an average LOM production of over 15 Mtpa. The MLA is well placed, lying immediately south of the China First Project of Waratah/Resource House (Clive Palmer).

This is just the start of what I believe will be a series of positive news flow for the company, so I maintain a Hold recommendation on Bandanna Energy around \$2.15 (original entry price \$1.875).

2. YTC Resources (ASX: YTC, Share Price: \$0.66, Market Cap: \$140m)

My most recent coverage of the company was in MLW28 on 30th June, where I recommend YTC as a Speculative Buy around \$0.565. The company's share price had taken a pre-30 June hit, which saw it 31% off its peak reached during April. I believed this fall was unjustified, given the strong and rapid progress the company has been making with respect to its Hera gold and Nymagee copper deposits in NSW.



The Hera Deposit and the Nymagee Copper Mine represent typical 'Cobar-Style' ore systems, with the potential to continue to extensive depths and evolve into world-class orebodies. YTC believes that further

exploration along the Hera-Nymagee corridor will ultimately define the Hera and Nymagee mineralisation as a single and very large Mineral System.

Well the evidence is growing, with YTC today announcing the best ever copper results from drilling at its Nymagee copper project in central-west NSW. Drilling of hole NMD038 at the southern end of Nymagee has intersected record grades and widths in the southern footwall zone and the Nymagee Main Lens.

The results comprise 18 metres @ 6.3% Cu, 0.65g/t Au and 26g/t Ag from the Nymagee Main Lens and 92 metres @ 1.5% Cu from 88 metres in the southern footwall zone. This result confirms the presence of substantial widths of strong copper mineralisation at open-pittable depths in the shallow part of the southern footwall zone.

Approvals to complete a detailed drill-out of both the southern and northern shallow copper targets have been received and this program is now underway. It will include approximately 7000 metres of RC and diamond core drilling and will test the shallow copper zone over a strike length of more than 600 metres.

As I stated in our original report, based on Hera only (ignoring Nymagee) and assuming 350,000tpa plant throughput, a production operation would generate ~50,000 oz of gold annually at a cash operating cost of \$676/oz AuEq, generating annual free cashflow of \$32 million, with total capital and start-up costs of \$60 million.

The story remains a fantastic one, particularly given the strong exposure to rising gold and copper prices, meaning I retain a Hold recommendation on YTC Resources around \$0.66 (original entry price \$0.565).

Week in Review:

As a reminder, this week in the ***Daily Resources Bulletin***, we covered the following situations:

- Monday: Global Mining & Investors Show, Sydney
- Tuesday: Global Mining & Investors Show, Sydney
- Thursday: Breakaway Resources (ASX: BRW) and Winmar Resources (ASX: WFE)
- Friday: Bandanna Energy (ASX: BND) and YTC Resources (ASX: YTC)

In the **Weekly Resource Report** we covered four existing portfolio entries.

1. Bandanna Energy (ASX: BND) – coal, Hold around \$2.04
2. Bathurst Resources (ASX: BTU) – coal, Sell Half around \$1.13
3. Icon Resources (ASX: III) – tungsten, Take up rights issue @ \$0.075
4. Territory Resources (ASX: TTY) – iron ore, Sell @ \$0.50

Please refer to our Portfolio page for a full listing of all our stocks held, including initial entry purchase prices and purchase dates.

In the Media section there are two interesting items worth listening to. Firstly, a Boardroom Radio roundtable discussion on African iron ore and secondly, a 2GB Sydney radio interview featuring Andrew Forrest on the Alan Jones breakfast program discussing the mining and carbon taxes.

Have a great weekend.

Gavin

Disclaimer: Gavin Wendt, who is a Financial Services Representative of Summit Equities Ltd ACN 097 771 634, and is a director of Mine Life Pty Ltd ACN 140 028 799, compiled this document. In preparing the general advice of this report, no account was taken of the investment objectives, financial situation and particular needs of any particular person. Before making an investment decision on the basis of the advice in this report, investors and prospective investors need to consider, with or without the assistance of a securities adviser, whether the advice is appropriate in light of the particular investment needs, objectives and financial circumstances of the investor or the prospective investor. Although the information contained in this publication has been obtained from sources considered and believed to be both reliable and accurate, no responsibility is accepted for any opinion expressed or for any error or omission in that information.



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