

## Taken from The Australian 28 September 2009

### Cyclone doesn't stir up interest

Robin Bromby

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A mineral sands company claims it has made one of the biggest finds in our history.

LOCAL investors seem happy to throw caution to the wind if it's a big copper strike, or gold find, or -- indeed -- trillions of cubic feet of coal-seam gas. But mineral sands have a habit of inducing little more than a stifled yawn.

Which is what happened with the latest pronouncement from Diatreme Resources (DRX) announcing a 50 per cent increase in its resource at the Cyclone project in the West Australian section of the Eucla Basin.

This brings the mineral sands resource to 2.8 million tonnes of contained heavy minerals.

By way of contrast, the Jacinth-Ambrosia project in the South Australian part of the Eucla has a resource of 9.5 million contained tonnes. There Iluka Resources (ILU) has committed \$420 million for development.

But it must be remembered that Diatreme has yet to drill several satellite deposits or Cyclone East. Diatreme has another 2446 drill assay results coming in over the next few weeks.

Executive chairman Tony Fawdon has gone on record during the week with the assertion that Cyclone is potentially the biggest single heavy minerals deposit in the Eucla. Moreover, 33 per cent of the deposit is zircon, the most valuable of the metals. But it doesn't end there. The mineral body does not stop at Diatreme's southern border, and Image Resources (IMA) is waiting for its drill results to come in covering IMA's extension of the body.

Pure Speculation has long taken an interest in Image because of its Cooljarloo mineral sands project north of Perth, but good results from its Eucla drilling would add a new dimension.

The other piece of good news is that both juniors are of a mind to work together to develop the Eucla mineral sands find.

Meanwhile, tin is another metal that fails to generate much enthusiasm here. Nothing much happened when **Venture Minerals** (VMS) announced a quite spectacular grade of 2m at 14 per cent tin, as well as encouraging tungsten grades. Now that Metals X (MLX) has sold control of its two Tasmanian mines to Yunnan Tin, Venture is now the largest listed tin play here.

Moreover, it is now the last exploration man standing in Tasmania's northwest that is not Chinese controlled, after Savage River magnetite went to Jiangsu Shagang, while Avebury and its nickel, along with Rosebery's silver-lead-zinc, went to Minmetals.

Venture has \$10m in the bank, much of it being spent on 10,000m of diamond drilling.

### Gutnick spreads his wings

JOSEPH Gutnick may have had to settle for 55 per cent of North Australian Diamonds (NAD) rather than full control, but he is not letting that dent his enthusiasm.

He was in Sydney during the week for a phosphate conference -- his other present preoccupation -- but he seemed to be spending as much time talking up the diamond business.

This time it is not just a matter of mining the stones. His aim is, first, to get NAD producing but then he wants to get some of the downstream action as well. That means polishing the diamonds here and handling the retailing, too.

### Oil juniors gushing

AFTER years of failures and a few modest successes, the story around the Australian juniors drilling for oil and gas in the US is starting to get some momentum.

It was a particularly good week for AusTex Oil (AOK). This junior had a very ordinary initial 18 months as a listed company and, at 13c, those who bought through the IPO are still well under water.

Earlier this year there was a sort-out around the board table that saw two departures, including Poseidon-era veteran Boris Ganke. Whatever the reason, AusTex's luck has changed.

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During the week AOK's Oklahoma play has turned up some very hopeful hits within the space of several days. First, its Mayo Moore No1 well just outside Tulsa returned free-flowing oil from two formations, then the second well again had oil and gas coming to the surface from multiple formations.

Hartleys oil and gas analyst David Wall has just put out positive reports on two other US plays. Adelphi Energy (ADI) gets a "speculative buy" after a successful farm-out of half its onshore Sugarloaf project in Texas to Hilcop Energy, the fourth largest privately owned oil and gas company in the US. The junior will also receive \$US4m (\$4.6m) from the sale of its oil project in Yemen.

And Wall puts a "buy" tag against Strike Oil (STX) on the basis that four wells are about to be drilled onshore at the Texan Gulf Coast; each success would add about 15c a share in value to Strike, says Hartleys. The company is also calling tenders for some deep drilling in the southern Cooper Basin in South Australia, where it has a possible 13,000 petajoules of coal-seam gas.

### **GOA goes ahead**

WELL, we tipped you the wink back in early February that things would be stirring at the then cash-strapped Gold Aura (GOA) due to a planned merger with then Newcastle-listed Anomaly Resources, which was bringing with it a potentially massive gold deposit in Papua New Guinea. Sure, it took a while for GOA to get above the 1c mark but the market finally sat up and listened on Thursday when 106 million shares went through and, intraday, the price was up 130 per cent, although the 5.8c close was an 81 per cent gain.

The catalyst was the discovery of two new veins at Sao Chico, Brazil, with grades up to 20 grams/tonne gold. The plan is to get Brazil producing as soon as possible to generate the revenue for the PNG exploration -- and to find a partner to bankroll the very exciting Croydon zinc-tin-copper-silver discovery up in northern Queensland.

The GOA story now has traction, as they say.

### **Commodity prices to fall**

WARWICK Grigor at BGF Equities is expecting any interest rates rises in the US or elsewhere to start money leaving commodities, a view backed by the recent dive in the Baltic Dry Index, which measures prices and demand for bulk shipping. He can see commodity prices falling as much as 20 per cent.

But during the week we read something even more worrying: broad money supply in the US is falling, US consumer credit fell by an annualised 10 per cent to July, and the American banks are still reducing their lending despite the efforts of the US Federal Reserve to get the economy moving.

Now, it seems, Spain is moving from recession to depression, with unemployment reaching 1930s levels and the benefit has been cut. And a German research body says car sales in its country by 2010 face the greatest ever decline.

Yet, here at home, investors seem to think they are bullet-proof when it comes to speculating in the mining sector. If we do see another commodities price shock, woe betide those left holding scrip when the music stops.

### **African insights**

LATER this morning, online at The Dirt, we'll have some updates and insights about Australian juniors in Africa. If you missed out on the big Perseus Mining (PRU) share surge, then there might still be something left.

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brombyr@theaustralian.com.au

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