

The Speculator

By David Haselhurst
October 20, 2010

PORTFOLIO POINT: Gold prospector Beacon Minerals snares a 400% profit on a smart market play. We boost our holdings ahead of renewed drilling.

Our West Australian gold prospector Beacon Minerals Ltd (BCN) has scored a paper profit of 400% on a well-timed investment in emerging Queensland miner Consolidated Tin Ltd (CSD) – all in the space of about two weeks.

This underpins Beacon's strong cash position to accelerate drilling on its Lake Barlee project covering 300 square kilometres of exploration tenements 200 kilometres north of Southern Cross in WA (for more on the Lake Barlee project, click [here](#)).

Beacon announced a mining lease application had been lodged over a 12 square kilometre block within its exploration tenements on October 6. The block embraces the shallow, high-grade Halleys East discovery with a JORC-inferred resource of 299,000 tonnes of 6.7 grams/tonne gold for 64,000 ounces of contained gold.

A week later, on October 13, the company announced a renewed drilling program to begin in November of in-fill drilling on three other nearby identified gold targets, together with the commissioning of a high-resolution aeromagnetic survey over the Barlee tenements.

At the foot of that announcement, almost as a throwaway line, Beacon managing director Darryl Harris revealed the company had taken "a strategic position" in Consolidated Tin Mines Ltd, which is developing the Mount Garnet tin prospect in Queensland.

Beacon, in fact, is now the tin miner's biggest shareholder with a 12.35% stake (for more, see [Has tin become a precious metal?](#)).

He added that Beacon had completed due diligence on Consolidated Tin and believed it to be significantly undervalued with a highly prospective tin project in the final stages of development

Harris – an engineering metallurgist of 30 years' experience – also confirmed he had joined the board of Consolidated Tin as a non-executive director but reassured Beacon shareholders that the company remained focused on "the exploration and subsequent development of the Barlee gold project".

The first hint of Beacon's diversification appeared in an announcement from Consolidated Tin on October 7, that it had successfully placed 50 million shares at 4¢ each, being the shortfall of a one-for-one entitlement issue of 54.5 million shares offered to existing shareholders last June.

Those so-called "professional and sophisticated investors" who took up the shortfall can thank the many existing Consolidated Tin shareholders who kept their hands firmly in their pockets. For since the successful placement at 4¢ was confirmed on October 7, the Consolidated Tin shares have soared to a peak this week of 16.5¢.

The Speculator portfolio, as at October 19, 2010							
Company	ASX	No of shares	Bought	Purchase price	Current price	Current value	
Cortona Resources options ex. 20¢ by 31/01/2012	CRCO	25,000	31/12/09	\$0.053 av	\$0.090	\$2,250	
A1 Minerals	AAM	40,000	31/12/09*	\$0.24 av	\$0.130	\$5,200	
Image Resources	IMA	4,000	31/12/09*	\$0.830	\$0.440	\$1,760	

Golden Gate Petroleum op ex. 8¢ by 31/8/2012	GGPO	6,665	31/12/09*	\$0.017	\$0.006	\$40
Viralytics	VLA	50,000	31/12/09*	\$0.037	\$0.033	\$1,650
Trafford Resources	TRF	20,000	31/12/09*	\$0.760	\$0.485	\$9,700
OBJ Limited	OBJ	100,000	31/12/09*	\$0.029	\$0.023	\$2,300
OBJ options ex. 1¢ by 31/12/2010	OBJO	11,111	21/01/10	Free	\$0.012	\$133
Beacon Minerals	BCN	300,000	13/01/10	0.0213 av	\$0.016	\$4,800
Quickstep Holdings	QHL	20,000	14/01/10	\$0.520	\$0.375	\$7,500
Golden Gate Petroleum	GGP	120,550	25/01/10	\$0.038 av	\$0.017	\$2,049
Robust Resources	ROL	3,000	9/02/10	\$1.15 av	\$2.190	\$6,570
Scotgold Resources	SGZ	20,000	16/02/10	\$0.105	\$0.048	\$960
Coalworks	CWK	10,000	9/03/10	\$0.275	\$0.475	\$4,750
Queensland Mining Group	QMN	50,000	23/03/10	\$0.125	\$0.083	\$4,150
Austex Oil	AOK	10,000	1/06/10	\$0.120	\$0.120	\$1,200
GoConnect Ltd	GCN	100,000	13/07/10	\$0.028	\$0.041	\$4,100
Imperial Corporation	IMP	20,000	10/08/10	\$0.086	\$0.095	\$1,900
Total value of portfolio						\$61,013
Owe the bank						—
						\$25,024
Total						\$35,989
Portfolio change since January 4, 2010 (started with \$40,000, now raised to \$50,000)						- 28.02%
All Ordinaries change since January 4, 2010 (then 4889.8)						-3.32%

* Shares held from last year. They are carried at their December 31, 2009, closing price.

Beacon, with a 14.5 million shares at a cost of \$580,000, has seen its holding quadruple to a value of \$2.32 million at 16¢.

With Beacon's Harris joining the board of the tin miner, there is no suggestion that the gold prospector sees it as a short-term play and a chance for it to cash in its stake. Nor does it need to for Beacon remains well cashed-up.

Beacon is yet to release its report for the September quarter. At the end of June the company had remaining cash of \$4.187 million after meeting that quarter's costs of \$1.135 million, including exploration expenditure of \$944,000.

The company's estimated outflow for the latest September quarter was \$1.77 million (including \$1.5 million on exploration). During that quarter, Beacon raised another \$2.3 million through the exercise of 229.95 million listed options at 1¢ each, taking issued capital to 980.07 million shares.

The impending September quarterly report, due to be lodged with the ASX in about 10 days, should confirm Beacon has remaining cash of \$4.7 million – less \$580,000 invested in the Consolidated Tin placement.

Along with other tin hopefuls, Consolidated Tin's share price has been driven by the surge in the world tin price, now above \$US26,800/tonne and well above its previous peak in May, 2008.

Consolidated Tin has so far established a JORC-compliant resource of 7.3 million tonnes of material grading 0.6% tin at its Mount Garnet project area, with drilling continuing ahead of a planned pre-feasibility study on opening a mine.

Hopefully, that may be reflected in Beacon's favour as it, too, expands field work on its gold prospects. With 980 million issued shares at 1.6¢, Beacon carries a market capitalisation of \$15.68 million, backed by estimated cash of \$4.1 million and shares in Consolidated Tin with a market value

of \$2.3 million.

That leaves a value of less than \$10 million on its extensive gold tenements recognised as “elephant country” for the discovery of previous large-scale mines on the northern Yilgarn greenstone belt of WA (For more, see **The Speculator** column from September 8.)

This week:

Bought

100,000 Beacon Minerals (BCN) at 1.6¢ = \$1620, inc
brokerage

David Haselhurst writes a monthly column for Money magazine. Please note that he is not able to provide personal replies to emails.