Adrian Day's

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Today we update several companies on our list, both global companies and junior resource companies. With this Bulletin, we have now reviewed at some point over the past six weeks every company on our list of "Current Holdings".

MIXED RESULTS, BUT SEVERAL GOOD BUYS ON OUR LIST

Hutchison Port Holdings (HPHT, Singapore, US$0.54) continues to chug along, with solid recent results due to better margins on higher tariffs and improved efficiency in Hong Kong. Volumes however have declined, and the company's outlook is for a decline of 3-5% this year given the weak European outlook.

The company expects the dividend to remain stable, providing a yield of 7.5% on today's stock price. Hutchison is a good choice for an income investor seeking global diversification; the dividend is paid in Hong Kong dollars so is more stable than many foreign dividends. However, there is no catalyst for near-term growth. We are holding.

<u>Earnings down, but strong dividend</u>

Kingsmen Creative (KMEN, Singapore, 0.665) has experienced a weak period, with profits down 88% in the last quarter on a 12% decline in revenue. The good news is that the end of the year is normally a stronger period for the company, while revenue is expected to recover next year, so earnings should bounce back.

The company has made several acquisitions in recent months (whole and partial), including Kingsmen North Asia; Kingsmen Environmental (events management); and a Malaysia manufacturer of exhibition furniture; as well as the acquisition of land for a new headquarters. Despite a cut in the interim dividend, the stock is yielding 5.4%, in line with its historical yield, on a lower stock price. Trading at a single price-earnings multiple, Kingsmen is a buy at this level for a medium-term recovery.

<u>Dividend ahead on strong operations?</u>

Alterra Power (AXY, Toronto, 0.435) continues to advance, with solid operational results (power generation at 100% for year), additional acquisitions in power and wind over recent months, and continuing development of two projects, on schedule and on budget. Shannon will be fully operational next month, while Jimmie Creek is expected to be completed next spring.

The company has paid down debt, including paying off its revolver; it has lots of available credit, with no capex expected for next year except for Iceland—that budget is being prepared—unless a new project gets the go-ahead.

The company has discussed initiating a dividend; it was in the plan all along, and the company had earlier indicated it might start the dividend once Shannon was operational. CEO Ross Beaty earlier this month said it could come "sometime in 2016…(it's) very much an active discussion."

With strong operations, a solid pipeline, and the possibility of a dividend Alterra is a buy at the current price. The stock has been volatile in a range from the low '40s to 50 cents over the past six months, and we would look to buy at the lower end of this range (where it is now).

<u>Strong cash positions lets company go hunting</u>

Vista Gold (VGZ, NY, 0.27) has transacted deals on its various global projects to raise cash and focus on its Mt. Todd project in Australia. So it is now a clean story: Mt. Todd, a few minor royalties, and $15 million in the bank, sufficient to last into 2018, which makes it one of the better financed juniors. It expects to generate $4 million over the next 15 months from remaining option payments from Great Panther to acquire its Guadalupe de los Reyes project, plus it still owns nearly 8 million shares in Midas Gold (about $1.7 million at today's depressed stock price).

Vista is looking at ways of using its relatively strong financial position to make value-enhancing acquisitions. This could be a project close to production rather than an exploration project.

Vista is highly leveraged to the gold price, both in the short and longer term. At today's level, it is a buy. Beyond that, we need to watch as we get into 2017 where the gold price and Vista's cash level are at that time.

<u>More cash needed soon</u>

Miranda Gold (MAD, Toronto, 0.07—0.075) continues to acquire and consolidate land packages in Colombia as well as advance the Willow Creek project in Alaska. After a misstep by a proposed purchaser of its Nevada properties, Miranda has successfully exited Nevada (see Bulletin #567) with some new royalties; some properties are subject to a partner making payments, but Miranda is essentially now out of Nevada.

At Willow Creek, it consolidated surface rights, and purchased the right to acquire an existing 3.3% royalty on the property with modest monthly payments. By spreading the payments over an extended period, Miranda not only reduces cash outlay, but can judge progress at the property.

The biggest challenge at Willow Creek is that is partner Gold Torrent needs to raise funds to develop the project. Miranda recently agreed to extend a deadline for Gold Torrent by six months until May 5th, 2016. There are various spending hurdles ($2.3 million by May

2017), with a total $10 million expenditure by May 2018 before it earns 70%. A pre-feasibility study on Willow Creek is currently underway by Gold Torrent, and should be published during the first quarter.

With somewhere around $2 million in cash ($2.7 million at the end of July and a burn-rate of around $1.3 million a year), Miranda will need to raise more funds in the not-to-distant future. This is likely a weight on the share price, as is year-end tax-loss selling. The stock has also had to absorb some heavy selling from a former fund. Once all this is out of the way, and with a PFS on Willow Creek, there could be some advance in the stock price.

<u>Looking for a partner or two</u>

Cartier Resource (ECR, Toronto, 0.07—0.085) is focusing on five projects (including one into which it is earning), doing geophysical and other work, preparing the projects for joint venture partners. The four 100%-owned projects—Benoist, Chimo (a former mine), Cadillac and MacCormack—are all quite advanced projects, all with a resource base and with drill targets. As CEO Phillipe Cloutier puts it, they are ready for drilling, but Cartier won't be drilling with its own money.

Progress has been slow. Most of its other properties have been sold, either for cash, shares or a royalty (or combination), thus maintaining exposure, and the company currently has no active joint-ventures. The focus on the major more advanced projects is a sensible one; now the company needs a major or two to bite! The stock could be quite responsive to some drill activity by a major company.

Because of the lack of joint-ventures, Cartier has been in a position of continually raising equity. There have been six different small placements this year, either with flow-through money (which tends to come back to the market as soon as the stock is free) or with warrants (which effectively put a cap on the stock price). The ongoing share dilution is clearly a major issue for the stock price. At the end of 2007 there were 16.5 million shares outstanding; by mid-2011, this had more than doubled to over 39 million; and now, four years later, the share count has more than doubled again to over 80 million shares. It should be noted that CEO Cloutier personally bought shares representing one-third of the annual volume. It is good to see a CEO buying his own company's shares, both in placements and in the market. We are holding, anticipating some developments over the next few months.

<u>Raising more money to advance project</u>

Almaden (AAU, NY, 0.528), as we expected, undertook another equity financing, raising $3.4 million in shares at C$0.75. This is the third equity raise in little over a year, each one issuing more shares at a lower price than the previous one.

I had hoped such a raise at these levels could be avoided. Even without the raise, 18 months from now following an updated PEA, property acquisitions, mill payments and a Pre-Feasibility study, Almaden would still have had $2 million, so an equity raise now was not absolutely necessary. Nonetheless, the company is cautious, and is now in a much stronger position for any discussions with potential acquirers. Not unexpectedly, however, the stock price fell on announcement of the equity raise. We would anticipate that the updated PEA study, expected before year-end, to provide some support to the stock price. It's a buy at this level, but we see no need to be aggressive.

RICHARD RUSSELL, RIP The "dean" of newsletter writers, Mr. Russell started his Dow Theory Letter in 1958, making it, I would think, the longest-running investment newsletter. He had a very loyal following, due to his solid track record at calling major market turns as well as his idiosyncratic style

CHARITY? Michael Bloomberg writes "some still see philanthropy as an alternative to government. I see it as a way to embolden government." Note the use of the word "still"; it speaks volumes. And government would be "emboldened", he says, to make "broad-based societal changes," such as banning the "big-gulp" presumably.
