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"The Top Five Cashed Up Resource Stocks of 2009"

With cash and assets in uranium, gold, copper, oil, mineral sands and more, these five Aussie firms belong on your radar

By Dr. Alex Cowie

[Publisher's Note: This month's lead story comes from Dr. Alex Cowie, the editor of the weekend edition of the Daily Reckoning. Dr. Cowie holds a Graduate Degree in Finance and Investment from the Financial Services Institute of Australia. In this article, up he provides you with five new investment ideas, and updates you on the five cashed up companies we profiled in December of last year.]

Below you'll find what my research shows are the ten currently most cashed-up companies in the ASX Energy and ASX Metals and Mining sectors. In this month's report, I'll go through the first five to see if their high net cash balances necessarily make them good investment opportunities. The outlook for Aussie miners has improved. But on the finance side of the business, are conditions better are worse?

When *Diggers and Drillers* first published its report on the most cashed up companies nine months ago, the credit markets had imploded. Today, the credit environment is still a nightmare, and it is still difficult for companies to access debt. That means the capital structure of a company is just as important as its proven reserves or most promising prospects.

In Australia, syndicated loans (where a number of overseas banks club together to lend to a domestic company) fell eighty percent, from $48.8 billion in the first half of 2008, to $9.7 billion in the first half of 2009. At a global level, companies are turning increasingly to corporate bonds to fill in the shortfall. For the first time, annual global corporate bond issuance has passed the $1 trillion mark, and there are four months left to go.

At this rate it should exceed $1.5 trillion by the end of the year. Australian listed companies raised $90 billion of equity in FY'09, and there will surely be more in this financial year. It is not easy however for smaller companies to get the exposure required to access the serious investors and their capital. This is especially true for the small exploration companies that don't really have collateral to speak of.

The first thing that struck me when I compared December's data with the data in the recently-released June quarter reports was that the cash balance had decreased dramatically in more than 95% of cases. Whilst many cash balances had dropped by more than 70%, the average drop was a massive 34.6%. Companies are using their slush funds to reduce their debts.

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The most cashed-up Aussie companies as of September 2009

COMPANY	CODE	MARKET CAP ($mil)	CASH ($mil)	CASH / MC %
NATASA MINING LTD	ASX:NSN	25.4	53.99	212.6
BURU ENERGY LTD	ASX:BRU	29.1	58	199.3
ASTRON LIMITED	ASX:ATR	137	181	171.1
UNITED URANIUM LTD	ASX:UUL	2.9	4.46	153.8
HILLGROVE RESOURCES LTD	ASX:HGO	112	169	117.0
NEWPORT MINING LTD	ASX:NMN	3.77	4.46	118.3
AUGUSTUS MINERALS LTD	ASX:AUJ	6.6	7.76	117.6
GLOBAL PETROLEUM LTD	ASX:GBP	25.3	26.15	103.4
VULCAN RESOURCES LTD	ASX:VCN	14.36	28.44	108.9
WARATAH GOLD MINING LTF	ASX:WGO	3.38	2.86	84.6

Even if cash is plentiful, there's no story there if a company is also laden with debt. This is what made AED Oil the odd one out in last year's selection (see review of last year's cashed up firms below). It is incredibly important to look at Net Cash (Total Cash minus Total liabilities) as well.

Because of the decrease in cash positions and a net rise in the market since December, the average Cash: Market Cap ratio across all the companies is now a very low 13.7% (compared to 27.2% for last year). Pickings are definitely slimmer this time round.

The current top five which we will look at this month, have an average ratio of 173% though, which is not far behind last year's 203%. Let's now take a look at them to see if they offer the same sort of opportunities for capital growth that we had on last year's selection. Hillgrove Resources (HGO) and Astron (ATR) offer the best opportunities, so I will start with them.

The top five Aussie Cashed-up Companies of 2009

1) Astron (ASX:ATR)

This is a company with potential. **Astron Limited (ASX:ATR)** is engaged in zirconium and related advanced materials manufacturing, which are used for coating materials for optics and electronics. Zirconium is a rare metal, which is used to produce alloys with other materials, which need to be resistant to corrosive agents.

Earlier this year, the company received permission to mine 'Donald Mineral Sands', a mine in Western Victoria. It expects to export up to half a million tonnes of heavy mineral concentrate per year to China. Astron also has a 50% interest in a joint venture in Senegal, where the principal activity is the exploration and evaluation of mineral sands. Until 2008 the company had a similar interest in Gambia but last year the country's president who is notorious for chasing investors away, closed the operation.

Astron stands to do very well, as China dominates worldwide production of rare-earth elements, and has recently discussed imposing a ban on exporting them. This would leave Astron in an enviable position as it will be one of the few large-scale suppliers outside of China. With total liabilities of only $4.4 million, and a cash balance of $181 million, the net cash is a colossal $176.6 million.

With one of the most cashed up balance sheets in the resources sector, sitting on a rare asset, Astron stands to be a highly desirable stock.

2) Hillgrove (ASX:HGO)

Hillgrove Resources Limited (ASX:HGO) is a resources company with a lot of upside. It focuses on good investment opportunities that can quickly be taken to production stage. Its portfolio of investments is diversified in terms of commodities and geography. Its prime interests are in Adelaide, Indonesia, West Papua and Queensland, and its commodities of interest are precious or base metals as well as copper, nickel and natural gas.

A few months ago, Hillgrove sold its 19.9% interest in Eastern Star Gas, a coal-seam-gas explorer for $172 million, increasing its cash reserves from $5 million to $177 million. This let Hillgrove buy back and cancel $40 million of convertible bonds that had made up most of the company's $56.6 million in total liabilities. Cash reserves are now $131 million, and with up to $16.6 million of liabilities remaining, Net cash is at least $114.4 million. Each $0.24 share represents $0.27 of Net cash.

The company has not reported any immediate plans to spend any of the money. The strategy now is to join with a venture partner to develop Kanmatoo, its 100%-owned, flagship gold and copper project outside Adelaide. This is expected to cost just under $100 million. It has already signed up to buy a process plant, equipment and buildings for use on the Kanmatoo project from Lennard Shelf Pty Limited near Broome.

The resource is over 30 million tonnes, containing 292,000 tonnes of copper, 191,000 ounces of gold, and 3.3 million ounces of silver. The road, rail, power and water infrastructure is already in place thanks to its proximity to Adelaide, and the fact that it has been mined before. Production at Kanmatoo is expected within 18 months.

Hillgrove also wants to develop another gold and copper resource. It's called the Bird's Head Project in West Papua, which it has 80% of. It's also keen on the Sumba and Intermet projects in Indonesia. All of these are still in early exploratory stages.

With strong demand for gold, and a great deal of support for the gold price coming from China and India, the company should be capable of producing good profits in years to come.

Hillgrove is ticking a lot of boxes in terms of strong Net Cash, a large good quality local reserve with good infrastructure, and expecting production soon. With other projects on the boil as well, there is a lot of upside to this stock.

3) Natasa Mining (ASX:NSN)

Natasa (ASX:NSN) is sitting on $53.99 million of cash, and with a Market Capitalisation of just $23.20 million, the cash : Market Cap' ratio is 233%. However, its position at the top of the list is fairly anomalous as it is a thinly traded investment vehicle with major institutional bodies sitting on 90% of the shares. The company's name is misleading, as it does not do any mining, preferring a strategy of investing in pre-production mines, developing them, then selling them on at a profit.

You might call it a "prospect generator."

Considering Natasa only has total liabilities of $9.4 million, the Net Cash position is a very healthy $44.59 million. With a market cap of $23.20 million, each $1.31 share in theory buys you $2.30 in net cash.

However, despite being listed in the UK as well, the stock is traded very thinly, and the low liquidity may be an issue when you want to sell your stock later on. It is also worth pointing out that the company did not pay a dividend last year.

It has diversified holdings with minerals mined including nickel, copper, zinc, and lead, with properties located in Philippines, Chile, and Indonesia. It is essentially an investment vehicle for the CEO, Filipino Lawyer Chrisilios Kyriakou who has sat on the board for 30 years and as majority shareholder, owns 24% of the shares. The top 20 shareholders hold 90% of the shares and include groups such as ANZ, HSBC, Bell Potter, JP Morgan, and Goldman Sachs. It sounds like a well-kept secret! Dominance by institutional investors with a long-term view is probably the reason that the stock is traded only lightly.

This $44.59 million war chest has been built up through capital raising and shrewd deals. Last year Natasa raised $12.25 million of fresh equity, and made $31.3 million from the sale of its holdings in Toledo mining. In May this year it took a further $8 million in a bond transaction between African Copper and Zambia Copper.

Kyriakou is savvy dealmaker, and with such a substantial net cash position, the company is an enviable position during a time when many capital hungry companies are likely to be forced to sell quality assets on the cheap.

4) Buru (ASX:BRU)

Buru Energy (ASX:BRU) is second on the list, and is involved in exploring and developing petroleum resources in the Canning Basin of the Kimberley region. It has cash of $58 million, and a market cap of just 29.10 million. With a ratio of 199.3% it is second on the list.

Buru gained $84.9 million in cash when it demerged from ARC in April 2008, which accounts for its strong cash position. However, it is obligated to repay a $40million prepayment made before the demerger by another company Alcoa, which is an Australian Aluminium producer. Including trade payables and provisions, total liabilities amount to $46.7 million. So the Net cash position is just $7.29 million.

The company is having a bit of luck with its Blina and Sundown oil fields which are producing more than 100 barrels of oil a day, and generated an operating surplus of $374,173 in the June quarter.

Buru also has $20million in escrow (equivalent to a deposit with a third party), the return of which is dependent on delivery of the repayment of this money to Alcoa. If and when this happens, the Net Cash position may then increase by up to $20 million, and depending on what liabilities Buru has at that time, the company may have a relatively large amount of Net Cash for a small company. In the meantime, it would be wise to wait and see how this story plays out.

5) United Uranium (ASX:UUL)

United Uranium (ASX:UUL) is a small uranium exploration company with four thousand square kilometres across seven tenements in The Northern Territories. Even though the Cash balance is just $4.46 million, the market cap is even smaller at $2.9 million, resulting in a high ratio. The company has just $19,000 in the way of liabilities, so the net cash is effectively unchanged at $2.9 million.

The market cap is only that low because the share price is currently $0.08, down from $0.53 in mid 2007 when price of yellowcake peaked at $136/lb. The price of the commodity is now just $50/lb, although it has crept up from $40 in recent months. Citigroup are forecasting growth in the Uranium market in response to the growing shortfall in global supply. The global recession deferred investment and now we are likely to see a reduction in supply with an associated spike in price. The commodity is expected to reach at least $60 over the next two years.

Only $186,000, or 4%, of its cash was spent on exploration or evaluation activities during the '09 fiscal year. When you compare this to an actively exploring company such as Cape Lambert, which is burning through 4% of its cash every five days, you can see United Uranium has not been flat chat exactly. Perhaps the investors are sitting on the tenements for now, waiting for the Uranium market to pick up.

This may work. Consider China's interest in securing interest in Uranium. Hebei Province, which surrounds Beijing in China's North, is planning to build at least three nuclear reactors to provide for the regions rising energy needs. As part of a larger strategy to secure its supply, Hebei mining has made a fairly speculative investment in buying nearly 15% of Raisama, an unlisted Uranium explorer.

United Uranium is looking for a joint partner and has had several propositions. Henan Provincial Non-Ferrous Metals Geological and Mineral Resources Bureau (Henan for short) signed the non-binding term sheet in April this year, and made a field trip to investigate the site. After 4 months of negotiations, United Uranium was not satisfied with the offer made, and the term sheet was terminated on the 12th August. It has starting talks again with the other interested parties.

At its current spend rate, the company should survive without profit for 25 years, which you would hope would be long enough to find a business partner. The cash balance is high for such a small company, but is still a fraction of what is required to become a productive resource. Until a business partner is found, this would be quite a speculative investment. Even then its future is in the hands of the uranium story, which has seen many twists and turns already.

Until a serious partner materialises, this would be a highly speculative stock.

Before we proceed any further, a clear word of warning: several **of these stocks (ATR and UUL in particular) are far less liquid than anything we've previously recommended**. That makes them extremely volatile and susceptible to violent share price movements with a surge in liquidity. We've made our arguments for what we like about the businesses.

But please be clear: **these shares by their nature are speculative and you should not invest money you cannot afford to lose**. The liquidity risk is an aspect of your risk you cannot ever remove. But that liquidity risk is higher this month than normal and you should go into these investments with your eyes wide open, aware that getting in and out of the position can be difficult if it's thinly traded. That said, here's the...

Action to Take: Buy Astron (ASX:ATR), Hillgrove (ASX:HGO), Natasa (ASX:NSN), and United Uranium (ASX:UUL) at current prices.

The only one we're leaving out is **Buru Energy (ASX:BRU)**, primarily because we already have heaps of exposure to energy stocks in the current list of recommendations.

Astron and Hillgrove have already seem some share price growth in recent months, reflecting their strong balance sheet positions. But for the reasons outlined above, we think all four stocks are in great financial shape. That means your remaining risks are the direction of the market itself and, of course, a late-year swoon in the global economy that drives share prices down.

A Review of Last Year's Cashed-up Winners

Last December we issued a special report on the five most cashed up companies out of the 370 listed in the ASX Energy and ASX Metals and Mining sectors. Nine months later, we revisit them to see how the companies have performed, and to see what they did with their cash.

COMPANY	Share price ($)		Increase (%)
	Dec '08	Aug '09	
CAPE LAMBERT IRON	0.18	0.42	133
BROCKMAN RESOURCES	0.49	1.67	240.8
AED OIL	1.03	0.66	-36
GIRALIA RESOURCES	0.35	0.85	143
RIVERSDALE MINING	2.17	6.23	188
AVERAGE			**134%**

If you had invested equally in these five companies when we issued this *Diggers and Drillers* special report at the start of December last year, today you would have been enjoying an average share price increase of 134%.

That's more than doubling your money! Riversdale mining nearly tripled in price! This is compared to a 34% rise for the ASX300 Metals and Mining Index (XMM), or 39% for the ASX200 Energy Index (XEJ) over the same period. Apart from AED, these companies are outperforming the indices by a country mile and still have plenty of juice in their tanks.

Cape Lambert's management summed it up nicely last year when they said, "The current turmoil being experienced in financial markets has resulted in a number of opportunities being presented". If you're cashed up when others are choking on debt, there are going to be bargains to be snapped up!

Most importantly, we will then take a look at which companies are most cashed-up right now to see if there are still opportunities to be taken, but first lets revisit last year's winners.

dwarfed its market capitalisation, which was still only $60 million. So, effectively a $0.18 share was backed with $0.60 of net cash.

This rare opportunity didn't last long once the market caught a whiff of it, and the share price rose 66%, from $0.18 to $0.30 within six weeks. A company is only worth as much as its future cash flows of course, so this price assumed that Cape Lambert was going to spend their dollars wisely on cash-generating assets. Whilst cash in the bank is a powerful thing, the only return it creates is the interest it gathers.

Cape Lambert has used its cash to create a diversified portfolio of resource assets covering Iron, copper, gold, uranium and phosphate in Australia, Africa as well as South America. Rather than creating

		Market Cap ($mil)		Cash Balance ($mil)		Cash/Market Cap Ratio (%)	
COMPANY	**CODE**	**Dec '08**	**Sep '09**	**Dec '08**	**Sep '09**	**Dec '08**	**Sep '09**
CAPE LAMBERT IRON	ASX:CFE	60	217.4	230	74	**383**	**34**
BROCKMAN RESOURCES	ASX:BRM	46	225.3	110	101.1	**239**	**44.9**
AED OIL	ASX:AED	158	101.4	307	105.7	**194**	**104.2**
GIRALIA RESOURCES	ASX:GIR	64	150.6	74	67.2	**116**	**44**
RIVERSDALE MINING	ASX:RIV	408	1180	345.8	105.7	**85**	**9**

Cape Lambert (ASX:CFE)

When we last took a look at **Cape Lambert Iron (ASX:CFE)** in December last year, it had just sold its major iron asset to China Metallurgic Company. Pushing up its cash balance from $16.14 million to a staggering $230 million! Another $80 million will be paid once mining approvals are granted to the Chinese buyers.

This made it the most cashed up company in the resources sector in terms of cash balance to market cap, with a ratio of 383%. Since then, it has spent $156 million, or 67% of its cash on a variety of different acquisitions. Investors have been impressed with the shopping spree and pushed up the share price by 133% in nine months, from $0.18 to $0.42.

It was a smart move to get as cashed-up as possible at a time when assets are cheap. The company even describes itself as an 'Australian-domiciled, cashed-up resources and investment company' in its financial report. There has certainly been no need to get involved with the $90 billion dollars of equity raisings that Australia's listed companies carried out over the last financial year.

With only $29 million of liabilities on its balance sheet after the sale, the Net cash (Total cash minus Total liabilities) was equal to $201 million. This

productive mines, the strategy is to add value to these assets and then position the assets for sale.

So what's it bought? It's been some shopping spree. In the March quarter the biggest investment was $72.7 million in the Copper Company Limited (ASX: CUO). Rather than taking on equity investment, this was in the form of buying a debt product serving the Copper Company that had previously been held by Macquarie.

In the June quarter Cape Lambert then went on to acquire ALL of Copper Company's assets. This was quite a mixed bag and included the Queensland-based Lady Anne copper, and Lady Loretta projects, the Greece-based Sappes gold project, numerous exploration licenses, shares in offshore listed resource companies, and many other smaller assets. Cape Lambert also increased its interest in the Marampa Iron Ore project in Sierra Leone to 35%.

Cape Lambert has acquired 100% of Mineral Securities Limited, an investment house, which invests in the resources sector by making investments in under-valued, or emergent resource projects with potential. Through this acquisition, it took on twenty percent of the issued shares in Corvette resources (ASX:COV), a mineral sands project, and is now bidding $16.2million to take it over 100%. Cape Lambert will take a 37 per cent stake in another iron ore explorer DMC Mining (ASX:DMC), and has acquired 19% of junior uranium explorer Cauldron Energy (ASX:CXU). More recently, it has signed a binding agreement to buy unlisted company Mojo minerals.

So what's next for Cape Lambert? It currently has a remaining $74 million to spend, which at the current burn rate would last it until Christmas. It's not clear when it will be paid, but when the final payment of $80 million from China Metallurgic company is yet to arrive. When it does though, it will keep the shopping spree going for a bit longer. If more similarly good assets are bought on the cheap with the proceeds, there may be plenty of further upside to the share price.

Brockman (ASX:BRM)

Brockman, a junior iron ore player, has seen its share price rise more than triple since December, from $0.49 to $1.67.

The company was cashed-up thanks to a $128.7 million equity raising. By December, the cash balance was still $110 million. With total liabilities of just $2.1million, the Net Cash was $107.9 million. With the share price at a fifteen-month low of $0.49, the cash to market cap ratio was a massive 239%.

Unlike Cape Lambert, Brockman has not yet spent a great deal of the capital, and the cash balance still stands at $101.1 million, with net cash at $98 million. All the same, investors have bought heavily, and the share price is on its way to tripling since our initial report. This has brought the ratio down to a more subdued 45%.

So what got investors so excited? Over the March quarter the price doubled from $0.60 to $1.20, as Brockman reported a 74% upgrade in the size of one of its main resources, the Marillana Iron ore project in the Pilbara from 350 million tonnes, to over 600 million tonnes. This increases Brockman's total reserves to 1400 million tonnes. This large iron ore resource is JORC accredited, and has great access to transport infrastructure. Investors saw the potential of a cashed up company with a quality resource, and jumped on the opportunity.

During the June quarter, the company has been doing the legwork to turn this into a productive business. The pre-feasibility study is nearly finished, a second draft of the Environmental Impact Assessment has gone to the EPA, and a strategic business and marketing visit has been carried out to attract international investors and steel producers. Recent drilling tests have even indicated potential further upgrade in the Direct Shipping Ore (DSO) for part of this resource.

Brockman is still on the rise, and with a fairly high cash : market cap ratio still intact, there is plenty of reason for it to keep on doing so.

AED Oil (ASX:AED)

AED Oil has been the dog of the bunch. Since December, the share price has fallen 36%, from $1.03 to $0.66. It has been quite a fall from grace for a stock that peaked at $10.98 at the top of the bull market. That's a 94% fall over 22 months. Without this in the portfolio, the average return would have been 176%.

Since we last wrote about AED, its cash position has dropped a staggering 73% from $326.0 million to $105.7 million. With total liabilities of $246.2 million, Net Cash is now a negative $140.5 million.

So what happened? The strong cash position was a bit of an illusion to start with, as it was only a result of AED selling off 60% of its oil producing properties to Sinopec (China Petroleum Corporation) for $600 million to pay off mounting debts. The company had been hamstrung by delays and poor production at its key oil field, Puffin.

This year, there was essentially no income in the March quarter, and only a modest $13million in the June quarter. Taking into account the huge costs involved in exploration, development, production and administration, the net operating cash flow was negative $122 million over the two quarters.

Add to this the ill-timed $35 million cost of a new project (Longtom gas project), $30 million of income taxes, and $8 million of interest, and you can get a sense of the type of headache AED's management must be suffering from. Perhaps it was part of the reason the Managing Director and Co-founder, Dr Tregonnings retired this April, a decision that preceded a further 25% fall in share price.

The company has also had to take a $50 million asset impairment write-down because of poor production of its assets and a fall in commodity prices. Analysts have commented that at current and foreseeable oil prices, the cost of oil production was too high to be economical.

The disruption to management, disappointing oil production, massive operational costs, and negative net-cash paint a very bleak future for AED.

Giralia (ASX:GIR)

Giralia's price has risen 143% from $0.35 to $0.85 since December. It is a junior exploration company, with projects involving iron, uranium, gold, nickel, copper, cobalt and zinc predominantly In Australia, but also in Chile. Their strategy is to identify and accelerate opportunities for rapid resource growth and development.

In March 2008, the company raised $70million by selling its 16.8% stake in listed company Red Hill Iron Limited, followed by a share placement. In the 18 months since the company raised the capital, very little of it has been spent, and the company has not declared any plans to spend it. The cash balance is still $67.2 million, and with total liabilities of $11.6 million, Net Cash is still a very healthy $55.6 million.

On the 27th March this year, Giralia announced an initial resource estimate for its 100% owned Anthiby Well project in the Pilbara. This suggested that 64 million tons of Iron ore at 50.5% Fe lay within 40 metres of the ground surface. Well-recognised independent geological consultants, CSA global Pty Ltd, back this up. This result immediately preceded the 114% rise in Giralia's share price. Although it has drifted a bit since then, it is still 106% up from the price in December.

The company plans to carry out further drilling to the west of the sample sections to determine the extent of the deposits. The excellent cash position enables this to be done comfortably, as well as the development of the resource in due course. This stock also continues to perform above the indices.

Riversdale (ASX:RIV)

Riversdale Mining is an ASX 200 listed company involved with coal mining and exploration in Australia, Mozambique, and South Africa. It has been the biggest performer in terms of share price, rising 188% from $2.17 to $6.23. Last financial year, its run of mine (unprocessed) coal production was 920,000 tonnes. Its long-term strategy is to build a portfolio of rapid growth mining assets, then ultimately evolve into a mid-tier diversified mining finance house.

During the '08 fiscal year, the cash balance jumped from $50 million to nearly $350million on the back of $235 million capital raising, and also a $100 million deal with Tata steel for a 35% interest in the Benga resource in Mozambique. Total cash was $347 million at the end of the financial year.

Again, this cash is lasting well, with only a small decrease to the current $290.6million. This is accounted for by the costs of exploration activities, as well as property, plant and equipment.

Total liabilities are $51.6 million, so net cash is still a substantial $239 million.

The 188% rise in the share price has been driven by numerous positive drilling results. The largest single jump followed Riversdale's report on the 23rd April, that the Benga resource was estimated to be 4 million tonnes, which was 90% bigger than expected.

With plenty of cash left, a good resource and good production levels, the price could easily continue to rise further.

Share Tip Updates

By Dan Denning

Galaxy expands resource

Galaxy Resources (ASX:GXY) has been all over the papers recently with positive news about lithium carbonate. It also announced late last week that it's expanding its resource base by acquiring an 80% interest in tenements held by Trakka Resources Limited, where Galaxy is looking for more lithium oxide.

If Galaxy can expand its resource base, it will have the potential to produce even more lithium concentrate that can be turned into lithium carbonate at its facility in China (when that facility is actually built.). The company will have to do more drilling to establish how much lithium or tantalum there may be in Trakka's pegmatite outcroppings.

In the meantime, the company went back to the market on September 11th and increased its estimate for its resources at Mt. Cattlin. The big difference between the two sets of numbers is that the May set was an estimate and the August set, based on drilling, is what the company thinks it can realistically produce. If the company can drill the Trakka tenements and prove those up—even if it isn't a similar ore grades—it will further expand its resource base.

All of this, in theory, should be good for the share price. Lately, though, the share price doesn't seem to have needed much help. The positive press and the lithium story now have the stock up (as of this writing) by 263% from the recommended entry price.

So how much higher could the share price go and should you be worried about a correction? I'd say that any time a share price moves this much this fast you have to be conscious of the fact that there will be profit takers. That's why I continue to recommend you keep at least a mental trailing stop in the stock. What Galaxy thinks the whole project is worth is still less than the current market cap. And you have other variables that should be bullish, including an expanded resource base and higher lithium carbonate prices. So hang for the ride. But don't forget to wear a seat belt.

D&D Recommendations
What to Buy, Sell and Hold

Please check with your broker for the latest prices.

Australia (AU$)	Entry /Date	Entry Price	Current Price	Gain/ Loss	Status	Notes
BLUE CHIP ENERGY SHARES						
Worley Parsons (WOR: ASX)	23/10/2007	$44.84	$28.35	-36.77%	Buy	
AGL Energy (AGK: ASX)	21/12/2006	$16.10	$13.56	-15.77%	Buy	
Woodside Petroleum (WPL: ASX)	25/09/2006	$40.00	$48.50	+21.25%	Buy	
OIL AND GAS EXPLORATION AND PRODUCTION SHARES						
Tap Oil (TAP: ASX)	22/02/2008	$1.76	$1.05	40.3%	Buy	
Australian Worldwide Exploration (AWE:ASX)	20/03/2009	$2.37	$2.47	+4.21%	Buy	
Oil Search Limited (OSH:ASX)	30/04/2009	$5.03	$6.35	+26.24%	Buy	
UNCONVENTIONAL ENERGY SHARES						
Beach Petroleum (BPT:ASX)	29/05/2009	$0.78	$0.76	-2.50%	Buy	
Galaxy Resources Limited (GXY:ASX)	3/7/2009	$0.60	$2.19	+265%	Buy	
AJ Lucas (AJL:ASX)	28/05/2008	$5.53	$4.66	-15.73%	Buy	
STRONG NET CASH POSITIONS						
Astron (ATR:ASX)	15/09/2009	$2.10	$2.10	--		
Natasa (NSN:ASX)	15/09/2009	$1.31	$1.31	--		
Hillgrove (HGO:ASX)	15/09/2009	$0.30	$0.30	--		
United Uranium (UUL:ASX)	15/09/2009	$0.07	$0.07	--		
PRECIOUS METALS SHARES						
Citigold (CTO: ASX)	06/06/2007	$0.41	$0.17	-54.00%	Buy	
Australian Silver ETF (ETPMAG: ASX)	16/12/2008	$15.90	$19.28	21.0%	Buy	
AGRICULTURE						
Incitec Pivot (IPL: ASX)	28/03/2008	$6.85	$3.00	-56.20%	Buy	
Nufarm (NUF: ASX)	01/02/2008	$15.02	$10.89	-27.49%	Buy	

Calculating Your Future Returns: It's important to remember that investing in shares can lose you some or all of your money. The potential gains in this letter are based on investing in Australian dollars on the Australian Stock Exchange unless otherwise indicated and do not include taxes, brokerage commissions, or associated fees. Please seek independent financial advice regarding your particular situation. Also, while useful for detecting patterns, the past is not a guide to future performance. The value of any investment, and the income derived from it, can go down as well as up. Investments in foreign companies involve risk and may not be suitable for all investors. Specifically, changes in the rates of exchange between currencies may cause a divergence between your nominal gain and your currency-converted gain, making it possible to lose money once your total return is adjusted for currency. For any investment, never invest more than you can afford to lose, and keep in mind the ultimate risk is that you can lose whatever you've invested. If in doubt of the suitability of an investment please seek independent financial advice.

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