

Locantro's Life

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GOLD
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STOCK RESEARCH

NORTHERN MINING LIMITED

(NMI)

“A Wilson inspired hat trick at Kanowna?”

As an adviser focussing on the junior resource sector, I have been fortunate to have been heavily involved with the emergence of a number of small gold companies into major Australian and overseas gold producers. I have listed a number of companies below, however for ease of reference I have not included loyalty options, bonus issues or dividends which would send some returns into the stratosphere.

- Medusa Mining (MML) 20c IPO to a high of \$8.71 in May 2011
- Dominion Mining (DOM) 28c to highs of \$6.70 in Oct 2007
- Independence Group (IGO) 20c IPO to highs of \$9.39 in Feb 2008, but fell to \$1.10 in Nov 2008 during the GFC. (upside mainly attributable to Long Nickel Mine, with Tropicana now a major gold discovery)
- Ramelius Resources (RMS) lows of 6c in June 2004 to \$2.22 in May 2007
- Integra Mining (IGR) 6.5c to 76c in Dec 2010, but reached 71c in Apr 2008 and fell all the way back to 9c in October 2008
- Northern Star Resources (NST) 6.3c when I wrote my research report for clients in May 2010 to high of 57c Aug 2011



**Issued Shares
(Post placement 12/8/11): 239m**

**Price at
18 August 2011: 4c**

**Market Capital
at 18 August 2011: \$9.56m**

RESEARCH INDICATOR: BUY



BUY

ACCUMULATE

HOLD

REDUCE

I understand that to attain these gains you have to totally misplace your paperwork, have your stock escrowed for a lengthy period, or be one of those that never sells but are never really happy with whatever returns you make anyway. What these examples illustrate is that through any market condition (including the odd GFC), companies indeed progress through the ranks and offer stunning returns if the risk tolerance suits.

By riding the highs, lows and inevitable capital raisings in a number of junior gold companies I am learning to spot similarities in others that may/ may not lead to a repeat performance.

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I like what I see in Northern Mining (NMI) based on:

- Appointment of Greg Wilson as CEO on July 18 2011. Greg was previously the Chief Geologist for Integra Mining (IGR), and was a major contributor to the discovery of Salt Creek and Majestic which have solidified IGR's emergence as a mid-tier producer. Through his previous associations he has been involved with the discovery of some 2.5 million ounces of gold.
- 95 square kilometres of tenements, located approximately **23kms east and northeast of Kalgoorlie Boulder.**
- Kanowna Lights prospect only 3kms north northwest of the Kanowna Belle Gold Mines with five processing facilities within 35 kms.
- A small inferred resource of 22,850 ounces of gold at Blair North Prospect, where mineralisation is similar to Southern Gold's (SAU) Cannon Gold Resource of 94,500 ounces (896,000 tonnes @ 3.3 g/t).
- **Potential to discover oxide gold mineralisation close to processing facilities that could provide vital funding for a massive assault on Kanowna Lights at depth.**

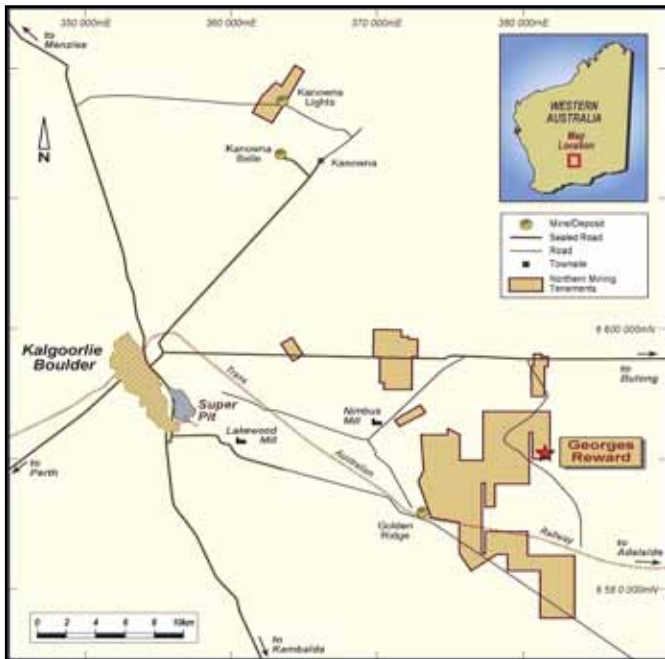


Figure 1: NMI's East Kalgoorlie Tenement Location Plan

KANOWNA LIGHTS PROSPECT

- (Nmi 76%, Balagundi Gold Pty Ltd 24%).
- 3kms north northwest of the Kanowna Belle Gold Mine and 20kms from Kalgoorlie.
- Numerous significant anomalous gold intercepts recorded in weathered bedrock including 21m @ 1.56 g/t, 11m @ 0.99 g/t, 3m @ 2.05 g/t and 9m @ 1.01 g/t.
- **Recent drilling by NMI has confirmed the potential for oxide mineralisation with RC intercepts of 7m @ 2.39 g/t from 51 metres and 13m @ 2.26 g/t from 65 metres.**



Figure 2: Kanowna Lights Prospect: Tenement Layout and Recent Drill Coverage

- Although early days, Kanowna Lights is the prospect that was a major attraction in seeing Greg Wilson take up his role at NMI.
- It should be noted that Kalgoorlie Mining Company (KMC) announced on August 8 2011 that they had entered into a binding ore purchase agreement with Barrick for gold ore to be trucked 80km to the Kanowna Belle processing facility. This highlights the potential for NMI within close proximity to a number of processing facilities to generate cash flow from even a modest gold resource.

OTHER PROJECTS

- Further potential at the Blair North Prospect with diamond drilling outlining the potential for a large mineralised body with high grade gold shoots enveloped by a low grade gold halo. The Southern Zone- Georges Reward hosts the 22,850 ounce gold resource.
- Suite of Northern Territory Projects with potential for high grade manganese at the Camel Manganese Prospect, base metals at the Stokes Yard Prospect, and at Crawford Creek potential exists for REE-U_{th}-rich dykes, nickel zinc and cobalt. Milton Park is a uranium, nickel-copper-cobalt target.
- **Radzimowice gold, copper, silver project in Poland (370km from Warsaw and 150km from Prague)** where mining dates back to the 12th Century. Drillhole RAD-DD001 intersected the western extension of the Alexandria vein (Luis shaft):

• 0.75 m @ 4.40 g/t Au, 261 g/t Ag, 7.86% Cu, 0.13% Co, 0.30% W from 170.90 metres.

- The Szklary Laterite Nickel Project in Poland where NMI has an inferred resource to JORC guidelines of 16.8 Mt @ 0.6% Ni for 94,000t contained nickel near surface.

All of these projects offer appeal are held for a reason, however Locantro's Life believes the key for NMI will be to either advance them systematically or have value realised to aggressively pursue the East Kalgoorlie Projects.

I have found that identifying these opportunities and building positions as the story grows is one of the keys to consistent exposure to juniors that reward patient speculators with triple digit percentage returns.

NMI is certainly not without a high degree of risk, however with a recent capital raising, and now having Greg Wilson at the helm, Locantro's Life believes that buying up to 4.5c offers a very attractive risk/reward profile for subscribers taking a 2-3 year view.

*** DISCLOSURE Locantro Capital Pty Ltd assisted Northern Mining Limited (NMI) in a placement at 3.8c which raised \$750,420 through the issue of 19,743,158 ordinary shares to investors under S (708). Locantro Capital Pty Ltd will be paid a fee for this service***

MANAGEMENT

I initially met Greg Wilson at an IGR Christmas party, and this continued for a number of years. Often at these events I would provide encouragement for the discovery of a gold resource, and eventually it got the point where after Salt Creek and Majestic I was then chasing that elusive hat trick. I admit that it was Greg's appointment that has sparked my interest, and this recommendation is largely driven by backing his geological track record and enthusiasm at having a real crack from a very low base.

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RISK AND REWARD ANALYSIS

When presented with the NMI story I admit to becoming very excited and I immediately went through the same feelings and thought process as I did with both IGR and NST when presented with those stories at/or near the bottom. I like to look ahead and often try to gauge the capacity of management to grow a company outside of hard work and luck with the drill bit, and so far so good with Greg Wilson. Greg has inherited not only a very prospective suite of projects, but more importantly the potential to transform and re-invigorate NMI with his experience and contacts in the gold industry.

NMI is going to face a number of challenges that all juniors will encounter, and these include the need for capital, having the share price sold off due to the DJIA dropping 500 points, or simply being guided by the mood swings of those who hold only a modest parcel.

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