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HD **ALL'S FAR FROM WELL IN THE WORLD OF JUNIORS**

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The weak market won't restore confidence

ANOTHER quarterly reporting season, another chance to take the pulse of the junior sector. It's there, but not all that strong.

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And the latest metals market news is not going to help restore confidence.

There will be some relief that the **Chinese** purchasing manufacturers' index out on Saturday was not worse; at 50.5, holding just above the boom-bust line.

The London Metal Exchange index was down more than 4 per cent last month, **copper** on Friday slid to an eight-week low, aluminium is at a 54-month low, **lead** is down 8 per cent from its late December high, zinc plunged to a seven-week low, and nickel stocks at the LME have hit another record high (267,000 tonnes).

This sort of news is not going to help explorers top up their bank accounts. Or proceed with projects.

Uranium SA (USA) just a few years ago seemed on the brink of **uranium** production; now it is looking at diversifying into other commodities. Manhattan Corp (MHC), which has 7800 tonnes (inferred) at its Ponton **uranium** project and hopes for another 30,000 tonnes, has sliced staff and surrendered 21 of its 24 Ponton exploration licences.

Meanwhile, former pharmaceutical play FYI Resources (FYI), which came a little late to the **uranium** game (and last got above 10c in 2011), has decided to roll the dice again, picking up potash projects in Thailand.

This timing may be better: it looks as if potash prices have bottomed and there's plenty of demand from Thai farmers.

Rare-earth hopeful Arafura Resources (ARU) has sliced another $400 **million** off its capital needs but they're still at an eye-watering $1.5 **billion**. We could go on, but you get the drift.

And on Friday Pilbara manganese hopeful Mesa Minerals (MAS) announced the resignation of managing director Alan Scott who has been with the **company** since 2002 (when it was HiTech **Energy**). No replacement will be made, not surprising with a December 31 cash balance of $14,000.

In November a rights issue by Commissioners **Gold** (CGU) saw 6.47 **million** shares taken up but 45.9 **million** unsold, leaving the junior with $29,000 in the bank on December 31.

This **company** will be a **gold** producer by March through its partly-owned Peru venture. CGU is trying to place the remaining shares; in the meantime it diluted its **stake** in the Peru project rather than meet a $147,000 capital call.

Predictive Discovery (PDI) last week managed to raise $1.06m at 1.6c a share. This Burkina Faso explorer was in 2011 one of the speculative stars of the West African gold scene, its shares hitting 37.5c.

It reported some more impressive drill hits in the most recent quarter, including 68m at 3.2 grams/tonne, but it's an indicator of gold sentiment that PDI shares have over the past six months struggled to keep their heads above 2c.

And what were they thinking at Orion Gold (ORN)? Most companies can manage to encapsulate their quarterly activities into fewer than 20 pages. But not Orion: it needed 117 pages. Analysts have lives, too.

RDM perks up

AFTER a gap of almost three years, it's time this column checked in with Red Metal (RDM) and its Maronan project, just 120km from the giant Cannington silver-lead mine.

Managing director Rob Rutherford has been beavering away at this project since the junior listed in 2003 -- not to say his head hasn't been turned along the way by the commodity du jour: RDM was in the thick of the 2007 uranium bubble and then 2010 caught the potash bug.

It seemed all RDM's Christmases had come at once in 2005 when BHP Billiton (BHP) signed up to earn 70 per cent of Maronan with a spend of $40m. BHP eventually pulled out in 2010, leaving RDM to go it alone.

The junior's stock has had something of a ride since then. Just over a year ago it surged at more than 50c on a whiff of drilling intersections at Maronan. Then it subsided to just 7c.

Well, the stock was up again during the week on news from the latest hole, ending at 17.5c. RDM reported hole MRN13002 had defined multiple separate zones of what it called ``strong Cannington Mine-style lead mineralisation with strong silver values''.

They seem to have been: one part of the drill hole returned 2.3m at 9.8 per cent lead and 277 grams/tonne silver, followed by 13.7m at 7.9 per cent lead and 230g/t silver, 10.1m at 8.9 per cent and 202g/t and 15.1m at 5.8 per cent and 134g/t.

China factor

READING Deutsche Bank's Friday note on gold, we couldn't helped remembering Dean Martin singing the lines: ``Your lips tell me no, no/ but there's yes, yes in your eyes''.

This outfit just a week ago forecast gold falling away to $US1100 an ounce and its latest report argues all the factors supporting gold's price over recent times will fade in 2014. Yet gold bugs will actually feel quite buoyed by looking past this headline. In spite of their hunch that gold will weaken significantly, the Deutsche team makes the following points:

* It looks like China will keep buying gold, with Beijing backing gold trading. Swiss gold refiners have been converting 400oz bars favoured by exchange-traded funds into 1kg bars to be shipped to China. The report notes: ``With China gaining greater dominance in the gold market, one should not underestimate the possibility that gold may eventually break its correlation with US indicators and tie itself to Chinese indicators.''

Ahem, but dare we say that Pure Speculation has been making this very point for some considerable time?

* Gold coin demand remains strong. Austria's Muenze Oesterreich mint saw sales jump 36 per cent last year, a third shift having to be added to meet demand. Year on year to January 20, Perth Mint sales were up 20 per cent; the US Mint sold 89,500oz of coins just in January; and the Royal Mint ran out of 2014 sovereign gold coins after unexpected demand.

* Deutsche sees an end to ETF gold liquidation.

Canadian giant Barrick Gold has announced a reduction in reserves and will close high-cost mines, a sign miners will extract only higher grade gold in light of the price fall. Deutsche sees miners worldwide looking more at unit cash cost rather than absolute production ounces.

Read: falling mine output, in which case where are the Chinese going to get their gold?

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