

# Growth Stocks Weekly

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**Performance:** Year ended April 1996 **116.9%**; 1997 **28.1%**; 1998 **36.4%**; 1999 **39.4%**; 2000 **180.9%**; 2001 **-50.5%**; 2002 **18.7%**; 2003 **28.8%**; 2004 **166.7%**

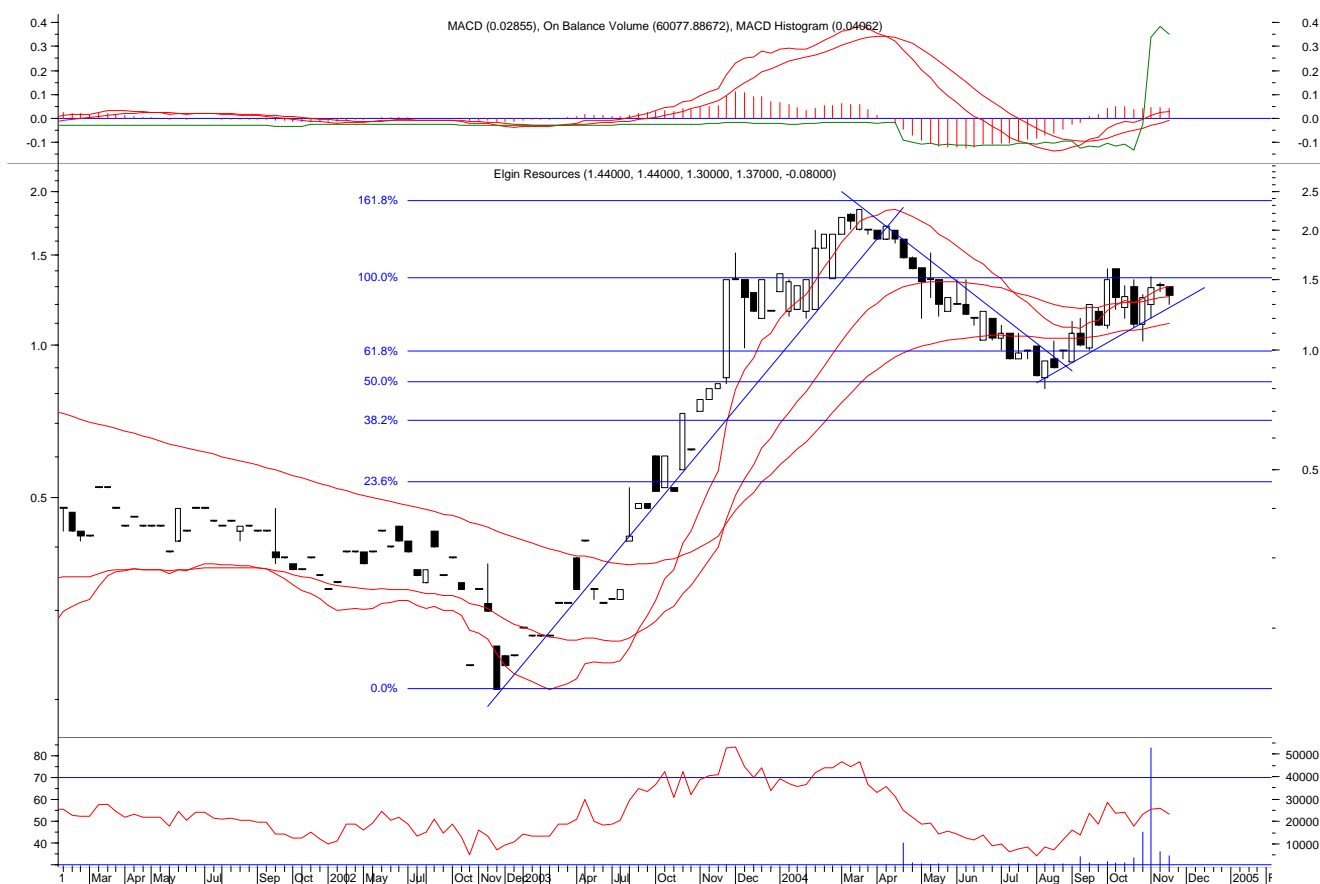
## Junior Gold and Natural Resource Sector Report

November 22, 2004

### Potential Platinum Palladium Powerhouse

#### ELGIN RESOURCES INC. (ELR-TSX Venture Exchange)

merging on a 1 ELR share for 4 JON shares basis with  
JONPOL EXPLORATION (JON-TSX)



Weekly chart: Year High C2.25, Low C\$0.08, Last Trade C\$1.37

Website: <http://www.elginresources.com>

#### **Overview**

**Elgin Resources Inc.** (ELR-TSXv) is building a significant portfolio of Platinum Group Metal ("PGM") exploration and mining projects in South Africa, and will have a resource of 12 million high-grade, near-surface PGM ounces (18 million ounces gold equivalent) upon completion of its just-announced merger with Jonpol Explorations Ltd. (JON-TSX). The company has over C\$20 million in cash, and will continue to seek additional accretive acquisitions, further consolidating the South African PGM sector.

A merger between Elgin and Jonpol Explorations was announced Nov 1, 2004. Jonpol shareholders will receive 1 Elgin share for every 4 Jonpol shares held. The merged company will be one of the largest public PGM-focused companies with a Toronto Stock Exchange listing.

Elgin offers an opportunity to participate in an aggressive South African platinum sector growth play. Similar to Wheaton River's rapid ascension with the strategic backing of Endeavour Financial Group, Elgin's management team comes with exceptional technical and financing ability, while Jonpol's strong connections to Endeavour suggests a strategic merging of interests. Their stated objective is to be in production by Q1 2006.

Our strong opinions on the longer term US dollar decline/precious metals bull market and the demand/supply imbalance driven by the awakening third world are well known. {*Our latest rantings and recent published interview by GoldEditor is posted at: [www.gsweekly.com](http://www.gsweekly.com)* }.

Elgin offers an opportunity to position in the right product, in the right place, at the right time. They have assembled near-production properties with a near-surface premium-grade PGM resource complete with infrastructure – easy and inexpensive to extract. As a result of the South African Government's May 1<sup>st</sup> "use it or lose it" edict, Elgin also has a unique opportunity to add additional properties, and has positioned itself well for low-cost rapid-payback acquisitions.

### **Announced Merger**

On November 1, 2004 Elgin and Jonpol announced their agreement to merge and acquire a controlling interest to PGM mineralization at the Spitzkop PGM project in Mpumalanga Province, South Africa from the Spitzkop Syndicate.

The Spitzkop Syndicate and its South African Black Economic Empowerment partners hold the rights to Spitzkop in Spitzkop Platinum (Pty) Ltd ("Spitzplats"), a South African Corporation.

Elgin has entered into a 50:50 Joint Venture with Spitzplats to explore, develop and operate the Spitzkop PGM project, thereby controlling a 50% interest.

Jonpol has entered into a share purchase agreement whereby it will acquire a 74% direct shareholding in Spitzplats, thereby acquiring a 37% (74% x 50%) interest.

The merged company will therefore control 87% (Elgin's 50% + Jonpol's 37%) of Spitzkop as well as 75.5% of the Mareesburg PGM Project (2.0 M ozs PGM's), both located on the Eastern Limb of the Bushveld Igneous Complex. The end result is 12 million ounces net to the new company between these two synergistic deposits.

### **Properties**

#### **Spitzkop**

- Elgin will control an 87% ownership interest (post-merger) in Spitzkop.
- Spitzkop contains a total resource of over 12.2 million ounces of PGMs.
- Spitzkop is a shallow platinum rich PGM deposit located on the Eastern Limb of the Bushveld Igneous Complex.
- Spitzkop is only 12km north of Elgin's defined PGM Mareesburg project (see below).
- The immediate area is well developed as a result of other PGM and chrome mining activities in the area.
- Spitzkop has extensive technical data base due to previous well-documented drill campaigns by Angloplats and Implats that involved over 29,800m of diamond drilling with 166 intersections of the UG2 platinum bearing reef.
- An independent National Instrument 43-101 Technical Report has been prepared that includes an updated estimate of the PGM Resources at Spitzkop.

- Highlights of the NI43-101 Report include;
  - Based on the 166 intersections of UG2 reef, it is estimated that Spitzkop contains a total resource in the UG2 of over 41.28 million tonnes at a grade of 6.4 g/t (5PGE + Au) for 8.5 million ounces.
  - The UG2 reef at Spitzkop has an average thickness of 1.4m with an average dip of 11.5 degrees. The reef outcrops at surface, reaching a maximum depth of approximately 700m on the property.
  - In the Merensky Reef at Spitzkop there is an estimated Indicated Resource of 47.38 Mt at 2.443 g/t (5PGE + Au) for 3.71 million ounces.
  - The Merensky reef is 2.3m thick with the same dip as the UG2.

While metallurgical work has not yet been completed on the project it is expected that metal recoveries will be similar to those on adjacent PGM properties and mines currently in production, with approximately 85% recovery of the reported resources. Elgin intends to focus primarily on developing the high grade resources in the UG2 reef.

The transaction over the right to Spitzkop is subject to South African regulatory approval, the transfer of the Prospecting Permit to Spitzplats by the South African Department of Mineral and Energy Affairs, and Jonpol complying with its obligations as detailed below.

### Mareesburg

- Elgin has a 75.5% interest in the Mareesburg Platinum Project, in South Africa.
- Mareesburg contains a total resource of over 2 million ounces of PGMs
- The 2,129 Ha Mareesburg property lies in the southern part of the eastern Bushveld Complex, adjacent to Angloplats' proposed new platinum mine and the Aquarius Everest North Project.
- The immediate area around Mareesburg is rapidly developing into a major mining district with platinum and chrome mining currently underway and a number of possible new platinum mines being investigated and developed by Angloplats, Impala Platinum and Aquarius.
- Mareesburg has the potential to become a stand-alone PGM mine. Grades are comparable to that of other major platinum mine developments in the area.
- The UG2 reef outcrops on the property and has a shallow dip, making it amenable in part to open-pit methods.
- The [Mareesburg independent geologist's report](#) is available for further details.

### Rooikraal

- Elgin has a 50% interest in the Rooikraal Platinum Project situated on the Eastern limb of the Bushveld Igneous Complex.
- Rooikraal is a 1024 Ha property located 160 kms east of Pretoria, adjacent to Southern Era Resources' Millennium Project (indicated mineral resource of 3.7 million ounces of PGM's), and Cluff Mining's Blue Ridge project (indicated mineral resource of 4.6 million ounces of PGM's).
- Access, general power and other infrastructure in the region is good, with close proximity to the Millennium and Blue Ridge PGM Projects.
- The persistence of UG2 along strike and down dip in the area makes Rooikraal a very prospective target acquisition.

### **The Elgin and Jonpol Amalgamation**

Elgin and Jonpol have agreed to amalgamate on the following basis:

- Jonpol must pay the Option Fee to the shareholders of Eastplats.

- Jonpol must complete a capital raising of at least Cdn\$25 million prior to closing of the Definitive Agreement between Implats and Spitzplats.
- Jonpol and Elgin will amalgamate on the basis of four Jonpol shares for one Elgin share.
- Jonpol will be entitled to appoint two directors to the Board of Directors of Amalco.
- Transactions are subject to shareholder and regulatory approval.

The Spitzkop acquisition puts Elgin in a very strong position with sustainable, high grade PGM deposits that can be brought into production in the near term. The new company will be positioned as a major player in the international PGM sector and will continue to grow with the development of Mareesburg and Spitzkop and by further acquisitions and joint ventures to consolidate additional PGM deposits on the Eastern Limb.

### **Management**

Elgin's management team comes with exceptional technical and financing ability. With Jonpol's strong connections to the Endeavour Financial group suggesting a strategic merging of interests, the sum may end up being greater than the parts.

Elgin Management Profile: <http://www.elginresources.com/s/Management.asp>  
 Endeavour Financial Team: <http://www.endeavourfinancial.com/team.php>

### **Share Structure**

<b>Existing Share Structure</b>		<b>Cash C\$Millions</b>
Issued Capital:	37,003,736	20.0
Warrants:	16,628,500	33.7
Agent's Warrants:	1,364,820	2.8
Options:	3,650,000	4.3
<b>Fully Diluted</b>	<b>58,647,056</b>	<b>61.8</b>

<b>Anticipated Share Structure</b>		
Issued Shares:		
Existing Elgin Shares	37,000,000	
Jonpol post 4:1 merger	25,000,000	
Vendor Shares	18,000,000	
Private Placement Shares	10,000,000	est.
	<b>90,000,000</b>	
Fully Diluted Shares:		
Elgin	59,000,000	
Jonpol post 4:1 merger	28,000,000	
Vendor Shares	18,000,000	
Private Placement Shares	10,000,000	est.
Private Placement Warrants	5,000,000	
	<b>120,000,000</b>	

We are adding 50,000 shares of Elgin, or 200,000 shares of Jonpol, to the *Growth Stocks Weekly* model portfolio. Jonpol is somewhat more liquid at this time, but we will remain cognizant of the 4 Jonpol to 1 Elgin share relationship to acquire our position at the best price possible. We are indifferent as to which shares we end up buying, so long as we don't have to deal with odd lots at the end of the day when the merger completes.

### JONPOL EXPLORATION (JON-TSX)



Weekly chart: Year High C0.82, Low C\$0.065, Last Trade C\$0.36

#### Technicals

Interestingly, both the Elgin and Jonpol charts are quite similar. Both charts peaked in February 2004, hit their subsequent lows in August 2004, and retraced back up to their 50% Fibonacci retracement lines (Elgin's Fib lines were rescaled so is not comparable as provided) before coming to rest on their converging 13, 40 and 80 week MA's. One could read much into their similarities going back as far as late 2003, but suffice it to say that charts rarely lie.

Depending on how long the actual merger takes, and whether we see any news between now and late-January, early-February, it would appear that as a minimum the stock will consolidate and find support on the flattening MA's. Jonpol's financing plans are no doubt well-advanced, and I suspect that the strong support and related liquidity apparent at this price level suggests (to me anyway, but again, I read a lot into charts that others just don't see) that (1) pricing is either agreed upon at current valuations and so the funding group is stepping in to "make a market", or (2) that pricing may indeed be done higher, making today's price a particularly compelling accumulation area for participating institutions – hence the strong volume on Jonpol, being the financing vehicle.

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