

Considering input supply issues in the move to alternative energy

The debate between the climate change advocates and sceptics seems to have dissipated. Whatever the science tells us, rightly or wrongly, the reality is that the world is going down the path of CO₂ emission reduction as fast as it can. Every company is adding "green" to their business model and their promotional material with varying degrees of legitimacy.

The next issue is the supply chain required to facilitate the conversion to "green" energy. What materials will be needed and where will they come from? Will there be another surge in commodity prices on top of the doubling of lithium prices and 70% increase in copper prices that we have seen over the last year? Will prices rises lead to boosts in supply, or are there practical issues of supply expansion that mute the price response? Can new projects be fast-tracked in a world that is being strangled by red tape and compliance, not to mention social issues?

According to an article in The Economist, the market for key minerals needed to build clean-energy kit will need to expand seven-fold in order to meet targets for 2030 and 2050. The bottlenecks in supply bring into focus the Chinese octopus that has its arms all over the world, but particularly Africa. What are the political and strategic implications, remembering that Western supply chains are driven by economics rather than strategy planning?

Environmentalists are the key drivers in the shift towards green energy, but they are against mining as well. How are they going to balance the benefits of renewable energy with the need for a rapid expansion of mining around the globe? It will do their heads in.

Bringing these issues to the stock market will provide plenty of room for swings in sentiment. We will see bursts of enthusiasm for particular commodities that promise to deliver good short term trading profits, but that enthusiasm will be unevenly distributed. That means money will roll from one commodity to another, but the underlying long term trend should be more consistent. Rather than considering the trade cycle and swings in supply and demand, analysts will need to focus more on the supply, or lack of it, while demand continues to rise ferociously. That sounds like a perfect storm for rising commodity prices.

Ardea (ARL) is sniffing out a nickel discovery

When is it appropriate to call a discovery a discovery? Maybe that sounds like a dumb question, but often in mineral exploration you get sniffs and indicators before you have enough information to be conclusive. Shouting out loud, too soon, can cause embarrassment if the first few drill intercepts are outliers.

It is with this perspective that we look at Ardea's modest reporting of a nickel intercept at its Emu Lake prospects in WA, with the heading "*Semi-massive nickel sulphide*

intercept ...". It may well be the discovery hole, but we won't be dogmatic until we have seen subsequent results.

There was an earlier hole released late in 2020, AELD0001, that hit stringer nickel sulphide mineralisation in a 35 cm intercept. This was interpreted to be remobilised, being mineralisation that had been squeezed and dispersed into the surrounding structures from a nearby in-situ deposit; smoke but no fire.

A subsequent DHEM electro-magnetic survey displayed a very strong conductor 50m to the north of Hole 1, and this was tested by hole AELD0002, which returned a massive sulphide intercept of 1.1m at 4.78% Ni, 0.16% Cu, 0.47 gpt and 0.2 gpt Pd, from a downhole depth of 366.9m. This was contained in a broader intercept of 4.8m at 1.44% Ni, 0.09% Cu, 0.2 gpt Pt and 0.09 gpt Pd. This might be subsequently nominated as the "discovery" hole. At the very least it is a proof of concept hole that has identified a new lava channel that hosts high grades overlaying an intact felsic footwall.

Exploration methodology with nickel sulphides

As you can see these intercepts are deep. That means Ardea needs to use remote sensing techniques such as geophysics to see where there may be accumulations of metals. Vision is obtained as each incremental hole is drilled and surveyed, so it is a growing story.

When this type of nickel deposit forms it is normal for the fractional crystallisation process to deposit disseminated sulphides (lower grade) in the hanging wall and massive supplies (high grade) on the footwall. This explains the higher grade component of the intercept in Hole 002. A mining operation would take both styles in order to achieve better economies of scale and equipment.

Having identified the prospective horizon, the next step for Ardea is to demonstrate continuity along strike and at depth. There is a 20 km strike length to test but we shouldn't assume that the orebody will extend for such a distance. Geophysics suggest the mineralisation strengthens at depth i.e. below 400m.

Implications for the share price

The share price edged up on the announcement, as it was certainly encouraging. When the broader mass of investors decide to pay attention - perhaps on another positive drill result - we could see more dramatic movements. You could buy now to get ahead of the rush, but it is not yet a lay down misère. Nevertheless, it is certainly one to keep on the radar.

A good road map to follow may be that of Poseidon (POS), at the Golden Swan prospect only 30 km west of Emu Lake on a parallel komatiite sequence. That company has already reported intercepts of 3.05m at 6.72% Ni, 3.8m at 5.56% Ni and 3.16% Ni over 17.4m, amongst others. It is

currently drilling up to 57 holes in a 13,000m program designed to take the orebody to an inferred resource category.

There is a big difference with Emu Lake though. The leases have previously supported high grade nickel mining operations at Black Swan and Silver Swan. Golden Swan is yet another orebody on the tenements, but at vertical depths in the order of 1,000m. It is being drilled from a decline, not from surface positions. The strike length is only 60m so far, but there is a good plunge extension. Poseidon also has the benefit of the previous mining infrastructure. Maybe this could be of assistance to Ardea in the event of an orebody being proved.

Tier One Silver - an exciting new silver explorer

Tier One Silver (TSLV) was spun-out of Auryn Resources in October 2020, with a focus on its Curibaya project. This sits on a world class mining belt in Peru and has demonstrated extensive bonanza grade silver and gold over a considerable target identified through geophysics. Last week Tier One Silver listed on the TSX Venture Exchange, having raised C\$13.45m at C\$1.00 per share. Have a look at the link to the company's promotional video. <https://www.tieronesilver.com/investors/video/>

This an exploration company about to start drilling what looks like a very exciting silver/gold project in southern Peru. It is headed by a Canadian former Canaccord Genuity colleague of mine, Peter Dembicki. The exploration team comprises a number of ex-Newmont geologists and personnel. (Newmont Goldcorp actually owns 8.8% of the issued shares in Tier One). The guys were involved in the discovery of 5 Moz of gold in Ghana by Keegan Resources. Another company with which they were involved, Cayden Resources, was sold to Agnico Eagle for \$205m. So, there is a good track record.

Great location with quality neighbours

Curibaya, the flagship project, is an epithermal silver/gold prospect in the same porphyry belt that hosts world-class deposits like Toquepala, Quellaveco and Cuajone. It is 90 minutes drive from the city of Tacna, with closer proximity to the town of Sama Grande. It is well serviced with roads, high tension power lines and port facilities. Many of the big mining companies hold licences nearby, including Anglo American, BHP, Rio, Teck and Vale Exploration.

Exploration results so far

Tier One has been working up a number of drill targets with a program of surface sampling and geophysics. While exploration companies selectively sample early in a program to get the most encouraging results to begin with, it is an important task in defining the size of the system and where the best drill targets are likely to be.

The Curibaya project has been sampled over a 4x5 km alteration system with many samples assays being in the range of 1,000-5,000 gpt Ag and 2-10 gpt Au (and some spectacularly higher). Thus you can say it is a system with high grades. Extensive geophysical work has identified chargeability and magnetic anomalies that demonstrate size potential of source geology, to a depth of 750m. Notably, they have also aged the mineralization at Curibaya as Paleocene, which is equivalent to several of the nearby world-class major deposits along the same belt.

Elsewhere the company has picked up an option on another prospect further north, named Hurricane Silver.

Stream sediment and rock chip sampling has confirmed assays in the range of 100-3,760 gpt Ag.

Upcoming news flow

We expect to see a flurry of news flow over coming months, initially with the release of trenching results and then commencement of the first drilling program in June. Assay turnaround times are expected to be quite rapid at about three weeks.

Peruvian elections need to be considered

Counting in the Peruvian presidential election is very close this week with the socialist candidate, Pedro Castillo, edging out in front. The policies of this former school teacher and union leader include dropping the 70 year old constitution and taxing mining companies up to 70% of their profits. Keiko Fujimori, who is seen as a more conservative and business friendly candidate, is falling behind.

Commentary out of Peru is suggesting that whoever wins the presidential vote, they still have to deal with a deeply fragmented legislature with 10 diverse political parties, none of which hold a majority. This will make radical reform difficult.

Whatever silver lining you might draw out of this scenario, the political volatility is another layer of risk with which investors in Peruvian mining and exploration companies have to contend. Tier One is at the grass roots exploration stage of its career, so it doesn't yet have mining operations or hard assets, the value of which could be compromised by adverse changes in government taxation policy. There is still room for a significant re-rating of the share price in the event of a discovery. Issues concerning the economics of a possible silver mine are a long way down the track.

The Bottom Line

Tier One is a "cleanskin" company carrying no baggage. It is an example of a new horse in the exploration race without any stale bulls waiting to offload stock on news flow. It is all about optimism at this juncture.

We hear of great South American exploration success stories from time to time, but for many Australian punters it seems to be one step too far as they are understandably less familiar with Canadian markets. Nevertheless, there are a number of brokers in Australia that give you an ability to trade TSX stocks. As I commented a few weeks back, the Canadian stocks looked better value than many of our ASX-listed companies. It is worth getting more acquainted with them.

The Promesa Example

Valuing early stage exploration stocks like Tier One Silver is very difficult. Surface sampling is a wonderful indicator but it has to be backed up by good drill results. Back in 2011, I looked at an ASX-listed company named Promesa (PRA) which had positively surface sampled a large gold prospect that was proximate to Newmont's 9 Moz Lagunas Norte deposit in Peru. It looked so exciting that speculation had taken the market capitalisation to \$90m, but the first drilling program delivered zippo - zilch - de nada. That was the end of the story.

The best way that I could value the stock before the drilling started was to come up with a matrix of share prices that could be expected depending upon how many ounces could be inferred, and apply a theoretical market

capitalisation per oz based on valuations ascribed to peer companies. It was very much a relative stock market valuation method rather than a fundamental assessment. At the time the EV/resource of companies such as Ampella and Gryphon were more than \$200/oz, but shareholders in these companies suffered when the general mining market was sold down heavily. If you want to look at the methodology I used in the Promesa research note written at the time, go to the following link <http://www.fareastcapital.com.au/imagesDB/newsletter/Promesa20May11.pdf>

I wouldn't bother attempting the same academic valuation approach for Tier One. You are better off just looking at what has been released to the market so far, and forming your own expectations as to what the drilling could deliver. Exploration success can be wonderfully gratifying but you can't participate in it if you are not set. I don't own any shares in Tier One yet, but I will be looking for an entry point - probably next week.

Bonterra - an undervalued Canadian gold stock

At a recent conference I came across Bonterra Resources Inc. (TSXV:BTR), a Canadian based gold exploration and development company that has been busily working on advancing a hub-and-spoke gold production restart in the prolific Urban Barry gold camp in Quebec. The Company holds over 38,000 ha of mineral concessions in a region that is home to Osisko Mining's Windfall deposit. Bonterra has a portfolio of assets that contain a current resource of 2.1 Moz of gold across three deposits; Gladiator, Barry and Moroy.

Expanding the mill capacity ahead of restart

Bonterra has been drilling since 2019, and is about to release an updated resource utilising ~130,000 m of new diamond drill core. Importantly, BTR owns 100% of the Bachelor mill, the only fully permitted and operational mill in the region that is connected to low-cost hydro-electric power from the province. Management is approximately 75% of the way through the permitting process to expand the Bachelor mill from 800 tpd to 2,400 tpd which will give the Company the flexibility to incorporate ore from surrounding deposits whilst building a staged restart from its own properties. Strategically, having excess milling capacity also allows Bonterra to look at potential regional consolidation as well.

Catalysts for a re-rating

Bonterra is focused on graduating from an advanced exploration to a development company over the next 18-24 months using a three-step approach. Firstly, the Company is on the verge of completing an updated mineral resource estimate (expected in July 2021) using over 130,000 m of drilling not included in the May 2019 resource estimates. Secondly, the updated mineral resource estimate will be used for a PEA which will highlight a value creation strategy for the Company's assets. This will then be refined into a feasibility study in due course. Thirdly, permitting is ongoing for a potential restart in 2022/23, with a hub-and-spoke strategy thereafter. Consequently, management believe that there is an opportunity for a valuation re-rate as this plan is communicated to shareholders and executed on. The Company currently trades at US\$57/oz versus other TSX-listed exploration/development companies trading at US\$88/oz

The Bottom Line

On straight comparatives the share price looks good value today, with a share price of C\$1.50 and a market capitalisation of C\$135m. It has some good institutions on the register including Wexford, Kirkland Lake, Fidelity, Sprott, Ruffer and Van Eck.

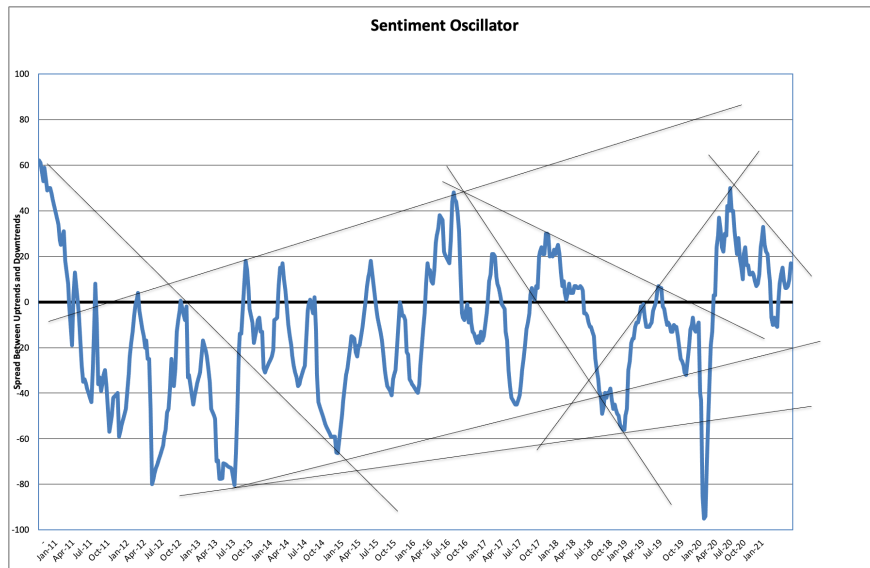
Within the 2.1 Moz resource there is an Inferred component of 6.2 Mt at 7.04 gpt for 1.4 Moz, but we would expect this will be upgraded in the revised resource statement due in July. Total ounce numbers should improve as well.

The intention is to commence production at Gladiator at rates of 120-150,000 oz p.a. from long hole open stoping underground production methods, from orebodies that are mostly 2-3m wide. Cash costs are expected to be in the order of C\$1,200/oz. Additional expenditure on the treatment plant could be up to C\$90m, but all of these numbers are subject to further studies.

We thought there was good fundamental value with this one, so we purchased a small parcel of shares looking for a re-rating over the coming months.

Disclosure: Interests associated with the author own shares in Bonterra

Sentiment Oscillator: There was a good lift in sentiment over the week. There were 45% (41%) of the charts in uptrend and 28% (31%) in downtrend on Friday's close.



Detailed Chart Comments

NB. Only the bold comments have been updated. Comments in grey type are from previous weeks and will be less relevant. Please note that this list is a cross section of the market. It IS NOT a list of recommendations.

Indices	Code		Trend Comment	
All Ordinaries	XAO		near highs	
Metals and Mining	XMM		bouncing	
Energy	XEJ		breached downtrend	
Stocks	Code		Trend Comment (updated comments in bold)	Main Interest
Alpha HPA	A4N		new high	HPA
Adriatic Resources	ADT		rising	zinc, polymetallic
Alkane Resources	ALK		rising	gold, zirconia
Alicanto Minerals	AQI		rising	base metals, silver, gold
Altech Chemical	ATC		down	HPA, anodes
Alto Metals	AME		testing resistance line	gold exploration
American Rare Earths (was BPL)	ARR		down	rare earths
Antilles Gold	AAU		gold	
Arafura Resources	ARU		on support line	rare earths
Ardea Resources	ARL		improving	nickel
Aurelia Metals	AMI		rallying	gold + base metals
Australian Potash	APC		breaching trend line	potash
Auteco Minerals	AUT		down	gold exploration
BHP	BHP		breached resistance line	diversified, iron ore
Base Resources	BSE		sideways	mineral sands
Beach Energy	BPT		down, near lows	oil and gas
Bellevue Gold	BGL		down	gold exploration
Blue Star Helium	BNL		down	gas, helium
Boab Metals	BML		down	silver/lead
Breaker Resources	BRB		down	gold exploration
Buru Energy	BRU		slump on placement	oil
Calidus Resources	CAI		rising again	gold
Capricorn Metals	CMM		rising	gold
Caravel Minerals	CVV		new high	copper
Celsius Resources	CLA		testing uptrend	uptrend
Chalice Mining	CHN		new high	nickel, copper, PGMs, gold exploration
Chase Mining	CML		down	nickel/copper/PGE
Chesser Resources	CHZ		strong rally	gold exploration
Cobalt Blue	COB		testing downtrend	cobalt
Cyprium Metals	CYM		softer	copper
Danakali	DNK		sideways	potash
De Grey	DEG		steeply higher	gold
E2 Metals	E2M		testing downtrend	gold exploration
Ecograp (was Kibaran)	EGR		testing downtrend	graphite
Element 25	E25		rising again	manganese

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Emerald Resources	EMR		rising	gold
Euro Manganese	EMN		downtrend	manganese
Evolution Mining	EVN		rising	gold
Firefinch	FFX		strongly higher	gold
First Graphene	FGR		breached short term downtrend	graphene
Fortescue Metals	FMG		slump	iron ore
Galaxy Resources	GXY		rising again	lithium
Galena Mining	G1A		on support line	lead
Galilee Energy	GLL		down	oil and gas, CBM
Genesis Minerals	GMD		testing downtrend	gold
Gold Road	GOR		rising	gold
Hastings Technology Metals	HAS		down	rare earths
Hazer Group	HZR		down	hydrogen
Highfield Resources	HFR		rising	potash
Hillgrove Resources	HGO		spiked higher on drill intercept	copper
Iluka Resources	ILU		new high	mineral sands
Image Resources	IMA		sideways	mineral sands
Independence Group	IGO		bouncing	gold
ioneer (was Global Geoscience)	INR		continuing down	lithium
Ionic Rare Earths (Oro Verde)	IXR		collapse on scoping study	rare earths
Jervois Mining	JVR		rising again	nickel/cobalt
Jindalee Resources	JRL		at highs	lithium
Kairos Minerals	KAI		rising	gold exploration
Kingston Resources	KSN		sideways	gold
Kingwest Resources	KWR		down	gold
Latitude Consolidated	LCD		strongly higher	gold
Legend Mining	LEG		turned down at resistance line	nickel exploration
Lepidico	LPD		down	lithium
Lithium Australia	LIT		down	lithium
Los Cerros	LCL		rising again on drill results	gold exploration
Lotus Resources	LOT		surge to new high	uranium
Lucapa Diamond	LOM		breaking downtrend	diamonds
Lynas Corp.	LYC		testing downtrend	rare earths
Magnetic Resources	MAU		uptrend	gold exploration
Mako Gold	MKG		down again	gold exploration
Manhattan Corp	MHC		down	gold exploration
Marmota	MEU		still down	gold exploration
Marvel Gold	MVL		rising again	gold exploration
Matador Mining	MZZ		new uptrend	gold exploration
MetalTech	MTC		stronger	gold
Meteoric Resources	MEI		down	gold exploration
MetalsX	MLX		near highs	tin, nickel
Metro Mining	MMI		down again	bauxite
Mincor Resources	MCR		down	gold/nickel

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Musgrave Minerals	MGV		rising	gold exploration
Nelson Resources	NES		down heavily	gold exploration
Neometals	NMT		rising	lithium
Northern Minerals	NTU		down	REE
Northern Star Res.	NST		testing uptrend	gold
Oceana Gold	OGC		surge higher	gold
Oklo Resources	OKU		down	gold expl.
OreCorp	ORR		breached downtrend	gold development
Orocobre	ORE		steeply higher	lithium
Oz Minerals	OZL		new high	copper
Pacific American Holdings	PAK		sideways	coal
Pantoro	PNR		breached support line	gold
Panoramic Res	PAN		breaching uptrend	nickel
Peak Minerals	PUA		new low	copper exploration
Peak Resources	PEK		testing downtrend	rare earths
Peel Mining	PEX		testing support	copper
Peninsula Energy	PEN		new high	uranium
Poseidon Nickel	POS		testing downtrend	nickel
Perseus Mining	PRU		testing downtrend	gold
Pilbara Minerals	PLS		back to highs	lithium
Polarex	PXX		down	polymetallic exploration
Queensland Pacific Metals	QPM		new high	nickel/cobalt/HPA
Ramelius Resources	RMS		rising again	gold production
Red5	RED		testing downtrend	gold
Red River Resources	RVR		testing downtrend	zinc
Regis Resources	RRL		new low on large financing	gold
Renegen	RLT		heavy fall	gas, helium
Resolute Mining	RSG		down	gold
RIO	RIO		correcting lower	diversified, iron ore
Rumble Resources	RTR		surge to new high	gold exploration
Salt Lake Potash	SO4		down	potash
St Barbara	SBM		testing downtrend	gold
Sandfire Resources	SFR		new high	copper
Santos	STO		testing uptrend	oil/gas
Saturn Metals	STN		breached downtrend	gold exploration
Sheffield Resources	SFX		rising	mineral sands
St George Mining	SGQ		risen to resistance line	nickel
Silex Systems	SLX		secondary downtrend	uranium enrichment technology
Silver Mines	SVL		surge higher	silver
Sipa Resources	SRI		testing downtrend	general exploration - Ni,Cu, Co, Au
South Harz Potash	SHP		rising again	potash
Stanmore Coal	SMR		breached steepest downtrend	coal
Strandline Resources	STA		pullback	mineral sands
Sunstone Metals	STM		improving	

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Talga Resources	TLG		testing downtrend	graphite
Technology Metals	TMT		sideways	vanadium
Tesoro Resources	TSO		testing downtrend	gold exploration
Theta Gold Mines	TGM		down	gold
Thor Mining	THR		rising	gold exploration
Tietto Minerals	TIE		testing downtrend	gold
Titan Minerals	TTM		sideways	gold
Venturex	VXR		surge on funding	zinc
Vimy Resources	VMY		steeply higher	uranium
West African Resources	WAF		struggling at resistance line	gold
Westgold Resources	WGX		breached downtrend	gold
West Wits Mining	WWI		off its highs	gold
Western Areas	WSA		rising	nickel
Whitehaven Coal	WHC		surge higher	coal
Wiluna Mining	WMX		down	gold
Yandal Resources	YRL		rising again	gold exploration
Zenith Minerals	ZNC		surge to new high	gold exploration
Zinc Mines of Ireland	ZMI		rising	zinc
Totals	45%	63	Uptrend	
	28%	40	Downtrend	
		141	Total	

Guides to Chart Interpretations

- Charts usually go pass from one trend (up or down) into the other via a period of indecision and uncertainty during which the trend can either recover or change. This period is signified by the orange colour. The orange represent both the greatest risk and greatest reward possibilities.
- Once a chart is in confirmed up or downtrends it is not uncommon for 10-20% of that trend to have already transpired.
- There are trends within trends. The focus of this chart review is the immediate trend that affects the sentiment i.e. it can be a downtrend within a long-term uptrend.
- Not every chart warrants a new comment every week. The new comments are in bold type. Grey type comments may be dated.
- Individual charts provide a single view. It is valuable to look at charts of other companies in similar commodities, and the overall sentiment is also very valuable. Not many stocks can swim against the tide.
- We periodically add or delete charts, some times for obscure reasons. If a chart consistent gives poor signals or is very erratic, we may delete it. Sometimes we add a chart because we want to see what all the fuss is about. We do have a preference for charting stocks that we cover in our research as well.
- Errors and omissions may occur from time to time, especially in fast moving markets.

Amber Lights in Tables: Just a reminder if when the amber light is used in the table – it is when the charts are ambiguous or when there is a change of trend taking place. If a chart is breaching a downtrend it can either be a positive sign or a trap. Only once it has done more work can it be confirmed as a new uptrend. Maybe it is a new uptrend (or conversely a new downtrend); the risk takers can decide to jump on board early (or sell). They will maximise their profits (or minimise their losses if indeed it is the start of the new uptrend (downtrend). More risk-averse investors should wait a little longer, being prepared to give up some of the gains in return for greater certainty.

Weightings of Sectors Represented in the Company Charts

Sector	No. of Companies	Weighting	
Gold	33	23.4%	
Gold Exploration	24	17.0%	

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Nickel	12	8.5%	
Copper	9	6.4%	
Oil/Gas	6	4.3%	
Lithium	8	5.7%	
Zinc/Lead	6	4.3%	
Rare Earths	7	5.0%	
Mineral Sands	5	3.5%	
Iron Ore/Manganese	5	3.5%	
Potash/Phosphate	5	3.5%	
Coal	4	2.8%	
Uranium	4	2.8%	
Graphite	2	1.4%	
Bauxite	1	0.7%	
Silver	2	1.4%	
Cobalt	1	0.7%	
Tin	1	0.7%	
Diamonds	1	0.7%	
Other	5		
Total	141		

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