

18 February 2017

On Friday's Close

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## MacPhersons intercept of 163m at 1.94 gpt points to something sizeable

### *MRP - 63m at 1.94 gpt (4.29 gpt) "discovery" hole*

You might think it strange for there to be a "discovery hole" on a location that has been actively drilled over 30 years, where 232,000 oz has already been calculated in a resource, but you are looking at exactly that with the diamond hole announced by MacPhersons this week.

Boorara, 10 km to the east of the Kalgoorlie Super Pit, has been the source of much titillation for more than 30 years going back to the days of Murray Black and Western Reefs and when Lex Brailey, the passionate mining analyst who used to work for Jacksons, was waving his arms around excitedly at the possibilities. It was his contention that the earlier results were compromised by the direction of the drilling but the tight land holding restricted the positioning of the drill rigs.

Jump ahead 20 years and MacPhersons looks like it has drilled a hole that has opened up the jewellery box with a massive intersection of 163m at 1.94 gpt from 29m downhole. The result would have been even more impressive at a grade of 4.29 gpt, had it not applied a 24 gpt top cut to the assays. It looks like the best juice came from five stacked high grade quartz veins, into which the hole was drilled perpendicular. Two high grade intercepts (which were cut to 24 gpt) were 1m at 37 gpt and 1m at 394 gpt.

The Company acknowledges that the 163m is certainly not the true width as it was not drilled perpendicular to the strike, and it had some element of down plunge extension, but it was drilled perpendicular to the mineralised structures which it needed to be in order to get a representative grade. As such, it has provided valuable evidence that the grade of the existing resource is too conservative and it should be lifted to the 2 gpt level.

The inspiration for this hole came from the trial mining exercise late in 2016, when MRP developed a 30,000 t trial pit down to 20m. The recovered grade on about 1,550 oz was 1.73 gpt, much higher than the resource calculation of 1.2 gpt, calculated on 20m drill spacings. Added to this was an intercept of 66m at 1.89 gpt drilled for metallurgical test work. It was obvious that something wasn't gelling on the grade. So, a structural expert was contracted to try and make sense of what was going on.

On the basis of his recommendation MRP drilled three diamond holes. The first hole, BODH 024, tested the Northern stock work zone's Western Contact mineralisation. While it intersected mineralisation in several bands there was nothing spectacular. Results are pending on the third hole in this location. It was the second hole, BODH 025 drilled into the Southern stock work deposit a couple of kilometres to the south, that provided all of the excitement.

Encouragingly, Hole 25 has demonstrated that the grade improves at depth. It terminated at a vertical depth of 165m, whereas previously most of the holes drilled didn't get much past 70m. With the level of oxidation usually around the 100m depth, the primary ore zones have been unknown entities up until now. Very significantly the dolerite, which is intimately associated with the gold, appears to be identical to the Mt Charlotte dolerite 10 km to the west. That orebody has yielded WMC and KCGM over 6 million ounces.

MRP is moving quickly with a five hole RC program underway to test the structure down to a vertical depth of 200m. They will be drilled at a 150° direction (hole 25 was at 115°) to give a better reflection of true width (but this may not be optimum for calculating grade). Excellent drilling conditions should see a rapid turnaround of results as the rig can drill up to 200m per day.

So much for the geology, but what are the implications for tonnages and grades? Well, the top 100m might best be seen as the smoke above the fire. There is useful gold at 1.2 gpt, but maybe a correct calculation could see a grade of 2 gpt. Thus the existing resource could be much closer to 350,000 oz. Extend it down another 100m in depth, at higher grade, and you quickly reach the 1 Moz figure.

The dolerite structure is generally 20-30m wide, with gold bearing shear zones either side that could considerably extend the width. The Southern zone seems to be at least 600m long out of a prospective 2-3 km strike length that includes both the Northern and Southern zones. There is the potential for tens of millions of tonnes. Consider that the 6 Moz Mt Charlotte orebody has a strike length of only 420m and you start to see the potential.

What was previously seen as a bit of an ugly duckling low-grade resource at Boorara might just grow into an inspirational "new" discovery on the doorstep of Kalgoorlie, one of the world's greatest gold mining ventures. *Disclosure: I just had to buy some shares when I saw the result.*

### *Lucapa recovers 227 carat diamond*

Just when the Lucapa share price had fallen to its long term support line and was looking friendless, it has pulled a rabbit out of the hat; a 227 carats premium quality Type IIa D-colour gem diamond. Significantly, this was from a new location - Block 28 - not the one where the 404 carat diamond was found last year. (see Figure 1 on page two).

This further underpins our view that this is the most productive, most profitable alluvial diamond mine in the world today. Without saying exactly how much Lucapa will get for this stone, the Company has said that it will receive more than the cost of the XRT large-diamond recovery circuit installed in the December quarter of 2016. That means somewhere between in the range of US\$5-10m. We

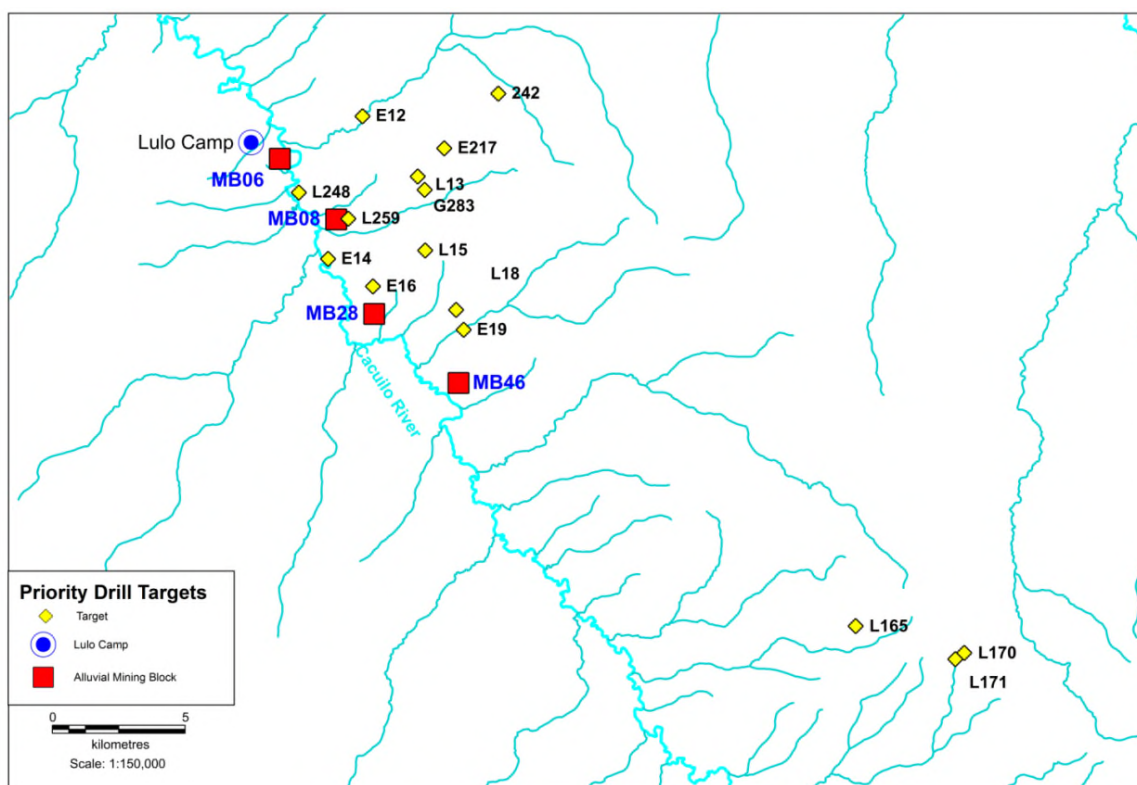


Figure 1: Location of new Mining Block 28

look forward to the Company announcing a maiden profit.

#### *Cobalt - examples of exploration plays*

We are adding to our Cobalt Company Comparison Tables almost every day as new companies surface and additional information is supplied on existing cobalt players. This week we have attached a page which lists some of the companies.

**1) Archer Exploration (AXE)** - This week we sat down with Archer Exploration, which has a number of grass roots cobalt plays in South Australia and around Broken Hill. The Broken Hill projects are located along trend to the NE of Cobalt Blue's Thackaringa project, with this region known for pyrite-hosted cobalt. The South Australian projects mostly have association with manganese mineralisation. My first thought was that maybe they had similarities with Barra's Mt Thirsty laterite mineralisation in WA, where a manganese oxide mineralisation called asbolane hosts the cobalt. However, there is less weathering in South Australia and the laterites are not present. Nevertheless, the association with manganese is interesting. This manganese seems to be a sea-bed type of pebble deposit interbedded with dolomite layers.

The most advanced prospect of this type is Ketchowla, where up to 40 shallow holes were drilled in 2010. Some barely went more than a few metres and the deepest holes were around 50m. Physically getting the rig onto a good location was a challenge at the time. All up five prospects were drilled at Ketchowla with most of them returning cobalt grades. Further drilling is planned for April/May, with a more suitable rig.

Further to the west there are a number of other prospects that demonstrate the general basal pyrite that is found in

much of South Australia. At Whyte Yarcowie there are reports of 0.3% Co from sampling undertaken in the 1980s. To the NNW at Yanyarrie, there is copper/gold mineralisation with prospects for cobalt - maybe a bit like Havilah's Mootooroo.

So, there are three styles being investigated by AXE; 1) manganese-related, 2) copper sulphide-related and 3) Thackaringa pyrite-related cobalt.

Apart from the cobalt Archer has a meaningful magnesite project (460 Mt at 40% MgO) in South Australia that was previously held by Pima Mining. While Pima didn't manage to get it off the ground, along with most other Australian magnetite projects at the time, Archer is using a different approach. It is more interesting in supplying ore to companies that want to toll treat or utilise it in their processing and down stream businesses. Third party test work is providing good encouragement that may lead to a cash flow positive operation as early as 2018, at minimal expense to AXE.

Archer still only has 110 mill. shares on issue after 10 years of operation. It has been careful with its funds, going back through historical records to find opportunities that were missed or just not considered economic at the time.

**2) Artemis Resources (ARV)** brought out a release based on a sulphide-hosted historical copper/gold mine near Karratha, WA, that looks like it has strong cobalt grades of 0.5-2% Co, in historical drilling. Perhaps this will be a sweet little copper/gold mine boosted by cobalt credits.

#### *Cobalt snippet from the net ...*

eCobalt is Canadian junior explorer similar to Cobalt Blue (COB) - three years away from even planning a mine. It is just exploring and it has less than half the resource of COB.

Yet its share price has TRIPLED since 1st January, taking the capitalisation to US\$140m. Draw your own conclusions.

We have extended our coverage of cobalt to exploration companies, and we have added Corizon Mining to the chart coverage following a good set of drill results.

## ASX Listed COBALT EXPLORATION COMPANIES - COMPARATIVE ANALYSIS

19 US\$/lb

Cobalt Price

## Cobalt Exploration Projects without JORC resources

Company	Project	Equity	Location	Geology	Sample Grades			Drilling Grades		Mineralogy	Depths	Notes
					Co %	m	% Cobalt	Other	Intercept			
Archer Expl. ASX:AXE	Ketchowla	100%	Sth Aust	manganese association	-	-	0.11% incl. 0.14%	12% Mn 15% Mn	11m 4m	unknown	6-17m	Drilled in 2010, with about 40 shallow holes
												<i>Cobalt seems to be commonly associated with manganese mineralisation but there hasn't been any mineralogy down done yet. Sea floor manganese interbedded within dolomite layers</i>
Artemis Res. ASX:ARV	Carlow Castle	100%	Karatha, WA	Cu/Au mineralisation	-	-	1.20% 0.540%	33 gpt Au 2.1% Cu	4m 3.2m	sulphides cobaltite, erythrite	from 36m from 78m	Up to 4.2% Cu, 5.88% Co reported from historic mining at Quod Est Mine Resource of 418,000 t at 3 gpt Au and 0.6% Cu - no Co figure
												<i>Small scale Cu/Au mine from a century ago that has showings of cobalt, but it was never a focus previously. Planning 100 hole drill program. Raised \$1.42m in placement</i>
AusTin ASX:ANW	MT Cobalt	100%	Qld	steeply dipping shear zones	1.66%	chip	0.740%	0.83% Ni	7m	arsenite, manganese	18m	Historical, small scale mine
												<i>Nine RC holes drilled with best intercept 7m at 0.84% Co, 0.83% Ni. Possible processing route is either a SO2 or ferrous sulphate/acid leach to produce hydroxide precipitate of Co/Ni plus manganese oxide Ni target</i>
Berkut Minerals ASX:BMT	Jachymov Skutterud Gladhammar		Czech Norway Sweden	hydrothermal veins metasediments magnetite	0.26%							Samples based on historical workings
												<i>Perhaps more of historical interests, but we will see what a modern eye does. Cultural and environmental issues will need to be managed in what is likely to be expensive exploration to run from Perth.</i>
Corizon Mining ASX:CZN	Cobalt Ridge Lynn Lake	up to 80%	NE NSW Canada	tourmaline sulphides sulphides	-	-	0.5%-1.48% incl. 0.01%-0.65%	Au, Cu Au, Cu	1-3m 13-34m	sulphides Cu/Au	to 140m	historical small scale rich copper gold mineralisation historical Ni-Cu mining centre
												<i>Cobalt Ridge drill results released in Jan '17 gave intercepts ranging from 13m to 34m, with assays from 0.1% to 0.65% Co, with narrower intervals of 1-3m at 0.54% to 1.48%, with copper and gold. Cu grades were 1-4% on broader intercepts, and up to 9% on the narrower measures. Three DD holes and six RC holes completed over a strike of 200m, to a depth of 140m. Lynn Lake drilling has hit massive sulphides (6th Feb '17) in DD holes to depths of 607m and 520m, in intervals of 4.5m and 25m. Three out of five holes reported. Based on IP anomalies</i>
Equator Res. ASX:EQU (Cobalt One)	Cobalt Camp	up to 100%	Canada		0.42-5.84%					Ag/Co arsenides		Historical mine grades of 620-780 gpt Ag, 0.5% Co at Lang-Caswell
												<i>Located in historical mining district that has produced 600 Moz Ag and 45 Mlbs Co. Planning airborne EM, IP survey, then drilling mid 2017. Thus early stage exploration. At 28/11/16, when the deal was announced, the shares were 4.8c, valuing the deal at \$3.6m (plus bells and whistles). At 14/2/17, the shares had risen to 12c and mkt cap of \$55m, post \$3.5m placement at 8.5c</i>
Talga Res. ASX:TLG	Kiskama	100%	Sweden									<i>This is an IOCG exploration play that has been drilled and shown typical Cu/Co/Au low grades e.g. 36m at 0.27% Cu, 0.11% Co, 0.13 gpt Au. Much more work is required.</i>
Notes	Berkut Minerals											Gold company buying 100% of Kobald Mineral Holdings Pty Ltd (KMN) for 20 mill. shares (\$4m) - 5.0 mill. shares up front (nominal value 20c per share) - 7.5 mill. shares on Scoping Study - 7.5 mill. share on DFS Raising \$2m in placement Paying 5 mill
	Corizon											Earning 51% by issuing 25 mill. shares; reimbursing cash costs of \$100,000, spending \$200,000 on exploration in 12 months Moving to 80% by spending \$2m within 2 years and two cash payments of \$150,000 and \$250,000
	Equator											Lending the vendor up to \$500,000, for up to 6 months Issuing 7.5 mill. shares Issuing 2.5 mill. performance shares for another, unidentified cobalt project Call option on remaining 20%; 25 mill. opts at 3c, and 25 mill. opts at 6c strike.





**Sentiment Indicator:** There was a slight softening in the sentiment last week. There were 42% (43%) of the charts in uptrend and 21% (22%) in downtrend.

## Detailed Chart Comments

*NB. Only the bold comments have been updated. Comments in grey type are from previous weeks and will be less relevant.*

Indices	Code	Trend Comment	
All Ordinaries	XAO	short term downtrend breached	
Metals and Mining	XMM	another new high	
Energy	XEJ	continues to improve	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
ABM Resources	ABU	strongly higher, then heavy pullback	gold
Aeon Metals	AML	testing support line	copper + cobalt
Alacer Gold	AQG	breached resistance line	gold – production
Alkane Resources	ALK	nudging resistance line	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Aguia Resources	AGR	down again	phosphate
Alicanto Minerals	AQI	spiked higher	gold exploration
Alltech Chemicals	ATC	testing short term uptrend	industrial minerals
Anova Metals	AWV	rising gently	gold
Antipa Minerals	AZY	testing downtrend	gold
Apollo Consolidated	AOP	crunched on preliminary metallurgical tests	gold exploration
Archer Exploration	AXE	holding uptrend	magnesite, graphite
Argent Minerals	ARD	new uptrend	polymetallic
Aspire Mining	AKM	continuing down	coal
Atrum Coal	ATU	lower	coal
Aurelia Metals	AMI	long term uptrend	gold + base metals
Auroch Minerals	AOU	improving	exploration
Aus Tin	ANW	breached downtrend	tin, cobalt
Australian Bauxite	ABX	breakdown confirmed	bauxite
Australian Potash	APC	continuing higher	potash
Australian Vanadium	AVL	rising gently	vanadium
Avanco Resources	AVB	rising	copper
AWE	AWE	sideways near lows	oil and gas
Azure Minerals	AZS	crunch down on Kennecott withdrawal	silver
BHP	BHP	breaching uptrend	diversified
Base Resources	BSE	rising	mineral sands
Bathurst Resources	BRL	correcting lower	coal
Battery Minerals	BAT	slump	graphite
Beach Energy	BPT	breached uptrend	oil and gas
Beadell Resources	BDR	wedge forming	gold
Berkeley Resources	BKY	at highs again	uranium
Berkut Minerals	BMT	vertical rise	cobalt
Blackham Resources	BLK	breached ST uptrend	gold
Bligh Resources	BGH	gentle uptrend	gold
Broken Hill Prospect.	BPL	breaching downtrend	minerals sands, cobalt
Buru Energy	BRU	sideways at lows	oil
Canyon Resources	CAY	new low	bauxite
Cardinal Resources	CDV	rising again	gold exploration
Carnegie Clean Energy	CCE	new high	wave energy
Cassini Resources	CZI	back to recent highs	nickel/Cu expl.
Chalice Gold	CHN	holding uptrend	gold
Cobalt Blue	COB	settling down after IPO	cobalt

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Corizon Mining	CZN		spiked higher	cobalt
Crusader Resources	CAS		downtrend	gold/iron ore
Dacian Gold	DCN		breaching steep ST uptrend	gold exploration
Danakali	DNK		strongly higher	potash
Doray Minerals	DRM		down	gold
Duketon Mining	DKM		testing downtrend	nickel
Eden Innovations	EDE		higher	carbon nanotubes in concrete
Energia Minerals	EMX		new high	zinc
Equator Resources	EQU		strong rise	cobalt/nickel
Evolution Mining	EVN		testing final resistance	gold
Excelsior Gold	EXG		forming a base	gold
Finders Resources	FND		breached downtrend	copper
First Australian	FAR		sideways to lower	oil/gas
First Graphite	FGR		breached downtrend	graphite
Fortescue Metals	FMG		hugging uptrend	iron ore
Galaxy Resources	GXY		rising again	lithium
Galilee Energy	GLL		breached uptrend	oil and gas, CBM
Gascoyne Resources	GCY		breached downtrend	gold
Geopacific Res. Resources	GPR		breached downtrend	copper/gold exp.
Global Geoscience	GSC		new high	lithium
Gold Road	GOR		downtrend	gold exploration
Graphex Mining	GPX		rising again	graphite
Heron Resources	HRR		new low	zinc
Highfield Resources	HFR		testing uptrend	potash
Highlands Pacific	HIG		edging higher	copper, nickel
Hillgrove Resources	HGO		breached downtrend	copper
Hot Chilli	HCH		testing downtrend	copper
Iluka Resources	ILU		breached steep uptrend	mineral sands
Image Resources	IMA		heavy fall	mineral sands
Independence	IGO		ST down	gold, nickel
Intrepid Mines	IAU		sideways	copper
Karoo Gas	KAR		breached downtrend	gas
Kibaran Resources	KNL		breached support line	graphite
Kin Mining	KIN		breached downtrend	gold
Legend Mining	LEG		strong surge, then a slump	exploration
Lithium Australia	LIT		downtrend breached	lithium
Lucapa Diamond	LOM		fallen to long term support line	diamonds
Macphersons Res.	MRP		surge higher	silver
Medusa Mining	MML		still in long term downtrend	gold
MetalsX	MLX		breached downtrend	tin, nickel
Metro Mining	MMI		rising	bauxite
Mincor Resources	MCR		off its lows	nickel
Mineral Deposits	MDL		rising again	mineral sands
Mustang Resources	MUS		continuing to rise	diamonds, rubies
MZI Resources	MZI		still in downtrend	mineral sands
Northern Minerals	NTU		breaching uptrend	REE
Northern Star Res.	NST		at final resistance line	gold
NTM Gold	NTM		breached uptrend	gold
Oceana Gold	OGC		pierced uptrend, then bounced	gold
Oklo Resources	OKU		breached downtrend	gold expl.
OreCorp	ORR		breached downtrend	gold development
Orinoco Gold	OGX		down	gold development
Orocobre	ORE		breached uptrend	lithium
Oz Minerals	OZL		another new high	copper
Paladin Energy	PDN		surge out of downtrend	uranium
Pacific American Coal	PAK		breached support line	coal, graphene
Pantoro	PNR		new high	gold
Panoramic Res	PAN		rising wedge	nickel

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Paringa Resources	PNL		new high	coal
Peel Mining	PEX		gentle uptrend	copper
Peninsula Energy	PEN		another strong rise	uranium
Perseus Mining	PRU		correcting down	gold
Pilbara Minerals	PLS		breached downtrend	lithium/tantalum
PNX Metals	PNX		strong surge	gold, silver, zinc
Potash West	PWN		falling	potash
Red River Resources	RVR		still in uptrend	zinc
Regis Resources	RRL		breaching resistance line	gold
Resolute Mining	RSG		new short term uptrend	gold
Reward Minerals	RWD		testing downtrend	potash
RIO	RIO		strongly higher	diversified
RTG Mining	RTG		testing downtrend	copper/gold
Rum Jungle	RUM		sideways	quartz
Salt Lake Potash	SO4		steeply higher	potash
Saracen Minerals	SAR		testing downtrend	gold
St Barbara	SBM		at final resistance line	gold
Sandfire Resources	SFR		stronger	copper
Santana Minerals	SMI		testing downtrend	silver
Santos	STO		falling towards long term support line	oil/gas
Sheffield Resources	SFX		testing uptrend	mineral sands
Silver Lake Resources	SLR		rising	gold
Silver Mines	SVL		testing downtrend	silver
Sino Gas & Energy	SEH		sideways	gas
Southern Gold	SAU		pullback	gold
Stanmore Coal	SMR		on long term support	coal
Sundance Energy	SEA		heavy fall	oil/gas
Syrah Resources	SYR		secondary downtrend in play	graphite
Talga Resources	TLG		rising	graphene
Tanami Gold	TAM		short term down	gold
Tempo Australia	TPP		breached downtrend	mining services
Teranga Gold	TGZ		secondary downtrend	gold
Tiger Realm	TIG		down	coal
Tiger Resources	TGS		strong rise	copper
TNG Resources	TNG		spiked higher	titanium, vanadium
Torian Resources	TNR		down	gold expl'n
Toro Energy	TOE		continuing to rise	uranium
Troy Resources	TRY		bouncing	gold
Tyranna Resources	TYX		breaching downtrend	gold exploration
Vimy Resources	VMY		downtrend breached	uranium
West African Resources	WAF		breached ST uptrend, correcting now	gold
Westwits	WWI		testing downtrend	gold exploration/development
Western Areas	WSA		recovering from lows	nickel
White Rock	WRM		hitting resistance	silver
Whitehaven Coal	WHC		testing uptrend	coal
WPG Resources	WPG		testing downtrend	gold
Wolf Minerals	WLF		sideways at the lows	tungsten
Totals	42%	61	Uptrend	
	21%	30	Downtrend	
		145	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.

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- 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.

<b>Weightings of Sectors Represented in the Company Charts</b>			
<b>Sector</b>	<b>No. of Companies</b>	<b>Weighting</b>	
Gold	33	22.6%	
Copper	13	8.9%	
Gold Exploration	13	8.9%	
Coal	10	6.8%	
Oil/Gas	9	6.2%	
Potash/Phosphate	7	4.8%	
Mineral Sands	7	4.8%	
Graphite	6	4.1%	
Silver	6	4.1%	
Zinc	5	3.4%	
Lithium	5	3.4%	
Nickel	5	3.4%	
Uranium	5	3.4%	
Cobalt	3	2.1%	
Tin	2	1.4%	
Bauxite	3	2.1%	
Diamonds	2	1.4%	
Iron Ore	1	0.7%	
Other	11		
<b>Total</b>	<b>146</b>		

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