

## Agua's bid for Andean is a game changer

Our market is wasting no time in catching up with overseas markets, performing quite spectacularly over the past week as if there isn't a care in the world. This is the Christmas rally that we usually hope for, but don't always receive. Whether it carries through with much momentum in the New Year remains to be seen, but it certainly leaves the 2023 bear dead and buried. We can start buying stocks again, based on merit, without fearing that the general sentiment will scuttle our plans.

### *Agua branching out into high-grade gold*

Last Friday, just in time for Christmas, Agua (AGR) announced its intention to bid for Andean Mining, an unlisted public company that has been acquiring high-grade gold, silver and copper projects in Colombia over the last few years. An attempted IPO failed due to market circumstances late in 2021, but since then its portfolio has been expanded to include a near term, high-grade gold production project and a silver/gold exploration project. Both projects became available when the TSX.V company that was earning into them ran out of money.

Recall that Agua's original portfolio comprises an advanced phosphate project in Brazil, on which a favourable DFS has been completed with an IRR of 45%, with capex of US\$28m. That project has been subject to a two and a half year battle in the courts, with a group of NGOs injunctioning the project with a spurious claim that the Company had not publicly disclosed all of the documents involved in the environmental permitting. Both the Brazilian government environmental agency and Agua dispute the claim. The matter is now being reviewed by a judge who has the power to dismiss the claim.

Since becoming chairman of Agua, in October, I have been keen to get a handle on the rare earth mineralisation, associated with the phosphate that was sampled 10 years ago, returning attractive grades of rare earths and niobium. The Company needs to go back to the pulps and re-assay them ahead of conducting further drilling. Another five carbonates, all returning ore grade material from surface sampling, remain to be tested for both rare earths and phosphate. There is definitely the potential for Agua to develop into a multi-mine phosphate and rare earth company, given time. Don't forget that the Company also has some promising copper projects in Brazil.

### *Gold will provide more immediate market interest*

The decision to diversify into gold will give Agua the time it needs to resolve the phosphate issues whilst placing it right in the hot spot of the market just now - gold. Importantly, the Santa Barbara Gold Project could be providing strong cash flow from a small, high-grade underground mine that has already produced gold from a pilot scale operation, answering the usual questions regarding grade, mineability and metallurgy. The program ahead of Agua, once the

takeover is complete, is to lift the plant capacity to a 50 tpd, continuous mining operation.

The market obviously liked the deal as the Agua share price doubled during the day on large turnover. The takeover bid will probably take 2-3 months to complete the formalities, enabling first gold production six months after that.

### *Buritica Gold Mine is the inspiration*

The main asset of Andean, the Santa Barbara Gold Mine, stands out for the very high-grade gold that will make it one of the lowest cost gold mines in the world. Production volumes will initially be small, but that is a function of keeping start-up costs low. Economies of scale don't usually apply to high-grade, narrow vein gold mines. What is more important is good discipline and maximisation of grade to the mill. Production can be expanded over time with funding coming from positive cash flow rather than big equity issues. That is the smartest approach for junior companies.

The inspiration comes from the Buritica Gold Mine in Colombia that was in a similar position 10 years ago, with a small 30 tpd pilot plant and limited drill information. Its resources eventually grew to 7-8 Moz and Zijin Mining paid C\$1.4bn for a 65% stake. Now that is a target worth aiming for and it is a strong motivator for Agua; more than enough blue sky potential here.

### *A faster, lower cost route to gold production*

Recent editions of the Weekly discussed some of the issues involved with narrow vein underground gold mining in Australia, and the consequential long lead times through the data acquisition phase of drilling and then trial mining. However, an alternative approach can be adopted where the orebodies are conducive and regional operating costs are less expensive, particularly with regards to labour. The Santa Barbara Gold Mine, the most advanced asset in the Andean portfolio, stands as a case in point.

At Santa Barbara the mine was initially developed without drilling first, and the up-front capital costs were minimal. The orebody was outcropping on the side of a mountain. It was a fast track to understanding the mining conditions and the geometry of the orebodies. Some of the biggest risk factors were addressed early and cash flow was achieved up front with a pilot plant, enabling the implementation of an incremental growth strategy simultaneously with a proposed drill program that will aim to test the extensions of the veins.

The features that make this approach feasible included the ability to develop an adit into the side of the mountain rather than have to excavate a shaft or decline through 50m of overlying oxide rock at a cost of up to \$5,000/m of advancement. That enables both much lower start-up costs and fast access to the orebody. Being able to develop on

mineralisation from day one, where the in-situ grade has been sampled at more than one ounce per tonne, gives early access to payable ore.

This type of development is not amenable to economies of scale. Rather, it relies on a labour force using hand held equipment but this is more suitable when you have veins that range from 0.3-0.5m in width as you have more precise control over what is extracted. It is better for maximising grade. This approach is more likely to be economic in a country like Colombia, whereas Australian labour costs would render it uneconomic.

The Santa Barbara pilot mining campaign was conducted over a period of 12 months. It enabled the mining and treatment of 500 tonnes of ore in a pilot phase that provided valuable information about the dynamics of mining the veins and the metallurgical performance of the ore. It provided real operating cost and gold recovery information that can be used to ramp up production from the pilot scale. If you think about it, the reliability of the information is more valuable than that of, say 50 diamond drill holes that depend on geological and statistical interpretation that will then be used to plan a development program. It is a much more hands-on approach. It still takes a few million dollars of risk money, but that is a relatively small amount in the scheme of things.

The Canadian company that performed the bulk sampling and treatment pilot plant actually ran out of money and couldn't complete the final transactional payments. As tragic as that was for the Canadians, it left the door open for Andean Mining to deal on the project with the confidence provided by the early work.

Andean can recommission the operation for a very low capital cost, expanding the capacity from 30 tpd to 50 tpd in the process. The very high-grade is expected to lead to a very low cash operating cost that could quickly lead to strong positive cash flows, following a six month recommissioning period. That cash flow can then be directed to the drilling of the veins, which have been sampled at surface, over a 7 km cumulative strike length for eventual calculation of JORC resources. While this should

be considered to be speculative at this juncture, there is every reason to believe that the company is looking at a project with a multi-million ounce gold endowment.

**Very positive implications for Aguia Resources**

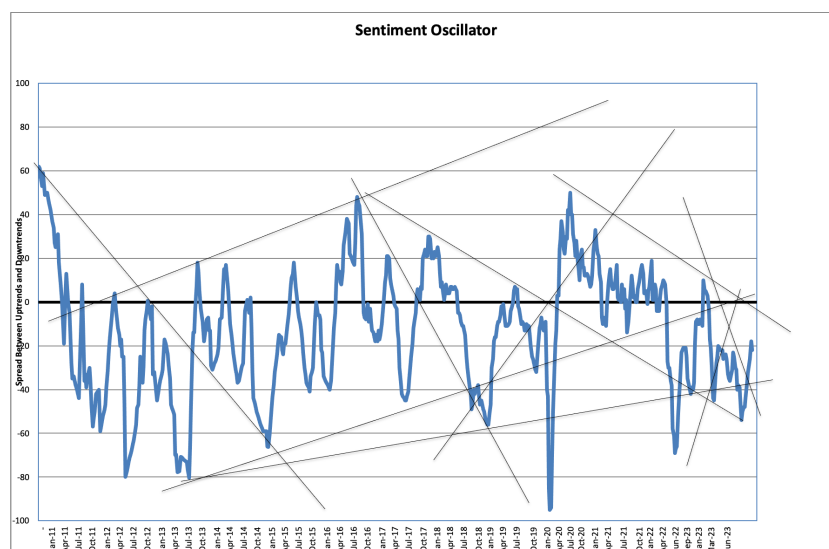
Assuming the takeover closes successfully it will be a massive game changer for Aguia. The expected cash flow will relieve it from constantly going back to equities markets and it will enable the Brazilian phosphate and copper projects to be further advanced, and finance continued exploration for rare earth on the carbonates.

There is still much work to do and the Company has to prove its competency, but the CEO of Andean, William Howe, has had extensive experience in smaller underground gold mines in South Africa. He proposes to relocate to Colombia to closely manage the restart of mining, overcoming the tyranny of distance involved in managing a mining project half way around the globe, on a different time zone. Attention to detail will be strongly emphasised.

*Disclosure: Interests associated with the author owns shares in both Aguia Resources and Andean Mining. The author is chairman of both companies, but recused himself of voting on the transaction in board meetings.*

**Well done, Walkabout**

Despite all the hype about graphite over the last decade and more, precious few projects have progressed to production, so it is a noteworthy achievement for Walkabout Resources (WKT) to be commissioning its Lindi Jumbo Graphite Mine in Tanzania. However, remember that commissioning carries its own risk levels. Syrah certainly made a meal of it! Hopefully Walkabout does better and progresses to establishing itself as a profitable graphite producer in 2024.



**Sentiment Oscillator:** Sentiment retraced slightly There were 24% (23%) of stocks in uptrend and 46% (41%) in downtrend at the close of the week.

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## 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	strongly higher	
Metals and Mining	XMM	breached downtrend	
Energy	XEJ	testing downtrend	
Information Technology	XIJ	breaching downtrend	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
5EA Advanced Materials	5EA	another new low	boron
92 Energy	92E	rising	uranium
Adriatic Resources	ADT	slump through support line	zinc, polymetallic
Advance Metals (was Pacific American)	AVM	back to lows	coal, gold exploration
Aguia Resources	AGR	breaching downtrend	phosphate, copper exploration
Alkane Resources	ALK	down	gold
Alicanto Minerals	AQI	back to lows	base metals, silver, gold
Alligator Energy	AGE	testing uptrend	uranium
Almonty Industries	All	breached downtrend	tungsten
Alpha HPA	A4N	strong recovery	HPA
Altech Chemical	ATC	sideways	HPA, anodes
Alto Metals	AME	at lows with a placement	gold exploration
American Rare Earths	ARR	sideways	rare earths
Anax Metals	ANX	breached downtrend	copper
Anteotech	ADO	new low on placement	silicon anodes, biotech
Antilles Gold	AAU	new low	gold and copper expl.
Arafura Resources	ARU	new low	rare earths
Ardea Resources	ARL	secondary downtrend	nickel
Arizona Lithium	AZL	breached downtrend	lithium
Astral Resources	AAR	rising	gold
Averina	AEV	sideways	phosphate
Aurora Energy Metals	1AE	good rise out of downtrend	uranium
Aurelia Metals	AMI	breaching downtrend	gold + base metals
Australian Rare Earths	AR3	new low	rare earths
Australian Strategic Materials	ASM	continuing lower	rare earths
Azure Minerals	AZS	another surge higher then pullback	nickel exploration
BHP	BHP	surge higher	diversified, iron ore
Barton Gold	BGD	rising	gold exploration
Beach Energy	BPT	breached uptrend	oil and gas
Bellevue Gold	BGL	new high	gold exploration
Besra Gold	BEZ	recovering from lows	gold
Black Cat Syndicate	BC8	steep rally	gold
BMG Resources	BMG	down	gold exploration
Boab Metals	BML	rising	silver/lead

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Cadoux (was FYI)	CCM		testing steepest downtrend	HPA
Calidus Resources	CAI		testing downtrend	gold
Caravel Minerals	CVV		strong rally	copper
Carnaby Resources	CNB		breached downtrend	copper
Castile Resources	CST		back to lows	gold/copper/cobalt
Cazaly Resources	CAZ		back to downtrend	rare earths
Celsius Resources	CLA		sideways	copper
Cobalt Blue	COB		down again	cobalt
Cyprium Metals	CYM		forming a base	copper
Dateline	DTR		down	rare earths
Ecograf	EGR		turning down at resistance line	graphite
Emerald Resources	EMR		rising, new high	gold
Empire Energy	EEG		rising	gas
EQ Resources	EQR		breached uptrend	tungsten
Euro Manganese	EMN		testing downtrend	manganese
Evolution Energy	EV1		new low	graphite
Evolution Mining	EVN		rising again	gold
First Graphene	FGR		breached uptrend	graphene
Fortescue Metals	FMG		new high	iron ore
Galena Mining	G1A		new low	lead
Genesis Minerals	GMD		new high	gold
Genmin	GEN		suspended	iron ore
Gold 50	G50		down	gold exploration + gallium
Great Boulder Resources	GBR		new low	gold exploration
Group 6 Metals	G6M		down	tungsten
Hamelin Gold	HMG		new low	gold exploration
Hastings Technology Metals	HAS		back to lows	rare earths
Hazer Group	HZR		breached steepest downtrend	hydrogen
Heavy Minerals	HVY		down	garnet
Hillgrove Resources	HGO		rising gently	copper
Iluka Resources	ILU		heavy fall	mineral sands
ioneer (was Global Geoscience)	INR		down	lithium
Ionic Rare Earths	IXR		breached downtrend	rare earths
Jervois Mining	JVR		rising	nickel/cobalt
Jindalee Lithium	JLL		new low	lithium
Kaiser Reef	KAU		new low	gold
Krakatoa Resources	KTA		surge on lithium drilling	rare earths
Kingfisher Mining	KFM		breached downtrend	rare earths
Lepidico	LPD		new low	lithium
Lindian Resources	LIN		testing downtrend	rare earths + bauxite
Lion One Metals	LLO		surge out of downtrend	gold
Li-S Energy	LIS		new low	Lithium sulphur battery technology
LCL Resources	LCL		back to lows	gold exploration
Lotus Resources	LOT		rising	uranium

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Lucapa Diamond	LOM		sideways	diamonds
Lunnon Metals	LM8		new low	nickel
Lynas Corp.	LYC		still down	rare earths
Marmota	MEU		surged higher	gold exploration
Matador Mining	MZZ		breached downtrend	gold exploration
Mayur Resources	MRL		back in uptrend	renewables, cement
Meeka Gold	MEK		down	gold
MetalsX	MLX		down	tin, nickel
Meteoric Resources	MEI		off its high	rare earths
Metro Mining	MMI		sideways	bauxite
Midas Minerals	MM1		slump	lithium
Nagambie Resources	NAG		breached downtrend	gold, antimony
Neometals	NMT		new low	lithium
Newfield Resources	NWF		down	diamonds
Nexgen Energy	NXG		rising	uranium
Northern Star Res.	NST		rising	gold
Nova Minerals	NVA		spiked higher	gold exploration
Pacific Gold	PGO		breached short term uptrend	gold exploration
Paladin Energy	PDN		sideways through downtrend	uranium
Pantoro	PNR		breached downtrend	gold
Patriot Battery Metals	PMT		breached uptrend	lithium
Peak Resources	PEK		new low	rare earths
Peninsula Energy	PEN		collapse on \$60m raising	uranium
Perseus Mining	PRU		rising again	gold
Poseidon Nickel	POS		collapse	nickel
Provaris Energy	PV1		turning down	hydrogen
QMines	QML		new low	copper
Queensland Pacific Metals	QPM		long term down	nickel/cobalt/HPA
RareX	REE		breached downtrend	rare earths, phosphate
Regis Resources	RRL		rising	gold
Regergen	RLT		strong bounce from lows	gas, helium
Richmond Vanadium	RVT		heavy fall on release of escrowed shares	vanadium
RIO	RIO		rising again	diversified, iron ore
Rumble Resources	RTR		secondary downtrend	gold exploration
S2 Resources	S2R		sideways	gold exploration
Sandfire Resources	SFR		rising again	copper
Santos	STO		weaker	oil/gas
Sarama Resources	SRR		at rock bottom	gold exploration
Sarytogan Graphite	SGA		new low	graphite
Siren Gold	SNG		new low	gold exploration
South Harz Potash	SHP		testing downtrend	potash
Southern Cross Gold	SXG		surge higher	gold exploration
Southern Palladium	SPD		breached downtrend	PGMs
Stanmore Coal	SMR		new high	coal

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Strandline Resources	STA	<span style="color: red;">■</span>	suspended	mineral sands
Sunstone Metals	STM	<span style="color: red;">■</span>	meeting resistance line	gold/copper exploration
Suvo Strategic Minerals	SUV	<span style="color: orange;">■</span>	sideways	kaolin
Talga Resources	TLG	<span style="color: red;">■</span>	heavy fall	graphite
Tamboran Resources	TBN	<span style="color: orange;">■</span>	improving	gas
Technology Metals	TMT	<span style="color: red;">■</span>	down	vanadium
Theta Gold Mines	TGM	<span style="color: orange;">■</span>	sideways	gold
Thor Energy	THR	<span style="color: red;">■</span>	back into downtrend	uranium
Tietto Minerals	TIE	<span style="color: green;">■</span>	surge on takeover approach	gold
Vanadium Resources	VR8	<span style="color: red;">■</span>	drifting lower	vanadium
Venture Minerals	VMS	<span style="color: red;">■</span>	down	tin, tungsten
Vintage Energy	VEN	<span style="color: orange;">■</span>	breached downtrend	gas
Voltaic Strategic Resources	VSR	<span style="color: red;">■</span>	new low	REO + lithium
West Cobar	WC1	<span style="color: orange;">■</span>	spike, but then a pullback	rare earth + lithium
Westgold Resources	WGX	<span style="color: green;">■</span>	new high	gold
West Wits Mining	WWI	<span style="color: orange;">■</span>	sideways	gold
Whitehaven Coal	WHC	<span style="color: orange;">■</span>	testing downtrend	coal
Xantippe Resources	XTC	<span style="color: red;">■</span>	suspended	lithium
Zenith Minerals	ZNC	<span style="color: orange;">■</span>	strong rise	gold exploration
Totals	24%	33	Uptrend	
	46%	64	Downtrend	
		140	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 Exploration	19	13.6%	
Gold	19	13.6%	
Rare Earths	15	10.7%	
Lithium	10	7.1%	
Copper	9	6.4%	
Uranium	9	6.4%	
Oil/Gas	8	5.7%	
Nickel	6	4.3%	
Iron Ore/Manganese	5	3.6%	
Graphite/graphene	5	3.6%	
Silver	4	44.4%	
Tungsten	3	2.1%	
Mineral Sands	2	1.4%	
Vanadium	3	33.3%	
Zinc/Lead	2	1.4%	
Coal	2	1.4%	
Potash/Phosphate	3	2.1%	
Bauxite	2	1.4%	
Tin	2	1.4%	
Cobalt	1	0.7%	
Diamonds	2	1.4%	
Other	9		
Total	140		

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