

Lindian Resources - a new, highest grade bauxite play

Given that there is so much talk about economic slowdowns and concern about the property market in Australia, our lead indices are performing quite well. They are off their highs and so you would expect a period of respite, but there seems to be a lack of real conviction in the markets at present. It is as if we are waiting for something more momentous to drive the markets, either way. There is nothing to complain about but also, nothing to enthuse. So, it is back to stock selection principles.

ASX listed bauxite stocks have been hard work

Bauxite is not a commodity that stock market investors naturally turn to owing to the opaqueness of the market and a dearth of juniors that have made money in the sector. Metro Mining is still struggling as a new producer (see comments below), Australian Bauxite (ABX) is focusing on value-added products and its projects don't seem to offer much in the way of economies of scale. It is still not breaking even.

Going to Africa where there is serious scale, Canyon Resources (CAY) hasn't been able to achieve much traction with its 892 Mt, 45.1% Al₂O₃ Total Resource in Cameroon, even though it has been described as a global Tier 1 bauxite project. Its biggest challenge is probably the distance to port - approximately 800 km. Other, private ventures such as Alliance Mining Commodities (AMC) (owned by Taurus and RCF et al) in Guinea, have never gained much traction with its Koumbia project, being a 2.1 billion tonnes resource at 43.5% Al₂O₃. Its high grade component is 253 Mt at 48% Al₂O₃. Both of these projects are lacking the magic ingredient.

Lindian Resources - the new, high grade story

So, why am I taking up your time with a new story in the bauxite sector if it is so hard to make money there? Well, first up, Lindian Resources (LIN) is a new story. It is a "fresh horse" in Guinea, one of the best places for world class bauxite projects. Admittedly, we haven't had much time to flush out all the negatives yet and there is a learning curve ahead of us, but Lindian's project has something exceptional about it; grade.

A bauxite project needs to tick three main boxes before it can be taken seriously as a real contender. The first is geopolitical suitability. In recent years Guinea has been behaving much better on this front with the development of 10-18 Mtpa projects. Next, it needs to be in the lowest cost quartile to have any chance of financing. That means cash operating cost in the order of US\$25 pt f.o.b. Finally, and this affects costs, it needs to have strong grade. Gaoual is looking as if it may have the best grade possible.

Conglomerate-style is almost unique

There is no shortage of bauxite in the world. There are potentially many projects queued up for development that

have grades of 45-48% Al₂O₃, but competition is intense. In contrast, early sampling of Lindian's Gaoual project has given grades of 55-60% over a 1.5 km strike length, which would probably enable mine grades of at least 52-55%. That is a small sample size but the ore shows remarkable similarity to the famous Sangaredi conglomerate orebody which has previously been described as unique. The best (selective) assay at Bouba on the Gaoual licence was 73.99% Al₂O₃ with 1.88% SiO₂ using an XRF analyser. A total of 21 samples averaged 56.6% Al₂O₃ with 2.25% SiO₂.

The Sangaredi mine opened in 1973, and produced at a rate of up to 14 Mtpa. It was owned 49% by the Guinea Government (CBG) and 51% by RIO and Alcan, and it was Guinea's most profitable bauxite mine.

Generally, bauxite deposits typically form in beds 8-15m thick on top of plateaus. However, the conglomerate style of bauxite can form in a river basin when the plateau-style bauxites erodes into it and undergoes a secondary enrichment process that also washes away some of the impurities.

Bauxite metallurgical characteristics can have a significant impact on saleability of product. Reactive silica is an important consideration. So too is boehmite, an aluminium oxide hydroxide mineral that is problematic and requires high temperature refining. The less you have the better as the 3-4% locked up in these minerals generally can't be recovered. An appealing characteristic at Gaoual is the 3-5% boehmite. This doesn't increase with the higher grade of Al₂O₃, as one may have thought.

The impact of the favourable metallurgical characteristics and higher grade can mean an additional US\$20 pt in revenue - a 30% improvement when compared to average projects. Thus, a premium product is available.

Low cost entry price in the acquisition deal

Lindian announced a deal in April 2019, whereby it can earn up to 75% of the Gaoual Bauxite Project. The first 51% stake requires the expenditure of US\$1m over two years and the payment of 17 million shares. Another \$2m of expenditure and 17 million more shares will take it to 75% ownership. The vendor retains 25%, but out of this proportion will come the government's equity entitlement.

Management experience in bauxite & Guinea

Lindian employed Shannon Green in July 2019, as a mining engineer with extensive experience initially with WMC in gold followed by a stint in the uranium sector. He then spent six years in the iron ore sector dealing with bulk commodity issues of rail, shipping and logistics as General Manager of the Greenfields Carina iron ore operation in the Yilgarn region of WA. In the last eight years he has specialised in African bauxite with several companies and projects. Thus he has extensive relevant experience.

Corporate strategy is to monetise the asset

The last thing that a shareholder in a junior company wants is to see is a capex budget of \$500—\$1,000m. We all know how dilutive this is and how long it takes to prove, fund and develop a mine. It can be a death by a thousand cuts. Once developed, there is no guarantee that it will be a profitable venture in any event. So, it is pleasing to learn that Lindian has no intentions of going down this path. The objective is to drill and prove how good an orebody it has, then look for a commercial exit strategy to reward shareholders; most sensible.

Immediate strategy is to start drilling

In recent times there has been limited sampling conducted. Previously, in the 1970s, CBG did drill the edges of the Bouba plateau and achieved assays around 52% Al₂O₃, but they thought that the conglomerates they intersected were just remnant positions. In any event the government, recognising CBG held a stranglehold on bauxite development in the country, forced the it to relinquish much of its ground including Bouba and resources that are currently held by other mining companies.

Lindian's geologist believes that the conglomerates could be 20-30m thick, meaning there is potential for 200-300 Mt of this special ore.

Once the general meeting of the company approves the deal in November, Lindian intends to commence a 34 hole auger drilling programme on 600m spacings. This low cost programme (US\$160,000) will give a good three dimensional view of the orebody and allow for a better informed resource estimate. Thus, there will be a short turnaround in finding out just how real this is.

Money is fairly tight at present but there is sufficient cash in the kitty to conduct the forthcoming drilling. A small capital raising is always possible, but given the potential uplift in value that we may see, the Company would not be in a hurry to dilute shareholders unnecessarily.

Other projects

Lindian has a number of bauxite projects in Tanzania, but these are of little significance compared to Gaoual. It is also trying to get hold of a large rare earths project in Malawi, but this is subject to a commercial dispute just now and this might take a year or two to resolve.

The bottom line - a rare opportunity

With a market capitalisation around \$6m today, Lindian represents great leverage to what could be one of the world's best bauxite orebodies with respect to grade and profit margin. There is the risk that the thickness will be lower than expected and the tonnage lower than believed, which would cause a moderation of enthusiasm, but the 34 hole drilling problem planned to commence in November will address this uncertainty. If the drill results are good the share price will certainly move much higher.

Metro Mining still struggling

The highest profile ASX-listed junior in this space is Metro Mining, having won an award for development of Stage 1 at its Weipa mining operation at Diggers & Dealers last year. However, shareholders haven't seen any joy yet, with the

shares having fallen from 29.5¢ in February 2018, to hit 9.7¢ in June; recently trading at 12.5¢. Metro is currently in struggle street even though it reported an EBITDA margin of A\$15.77 pt in the September quarter on a shipment rate of 1.4 Mt. This rate isn't representative of a full year due to the impact of the wet season. It really needs to invest another A\$51m in the Stage 2 floating Terminal to lift production to 6 Mtpa and bring unit costs down by an estimated 18%. Metro is another example of difficulties that can be faced when juniors develop mines. It is rarely easy.

Everyone is picking on coal, but ...

Everyone seems to be picking on coal at the moment either because they genuinely don't like coal, or because they are scared that investors will chastise them for being involved in such a "grubby" business. It is the closest thing to bullying in the markets that we have seen for some time.

... you can't have green energy without coking coal

After I made it through the protestors and the 500 police at the IMARC Conference in Melbourne last week I met up with a fund manager who presented me with an interesting statistic.

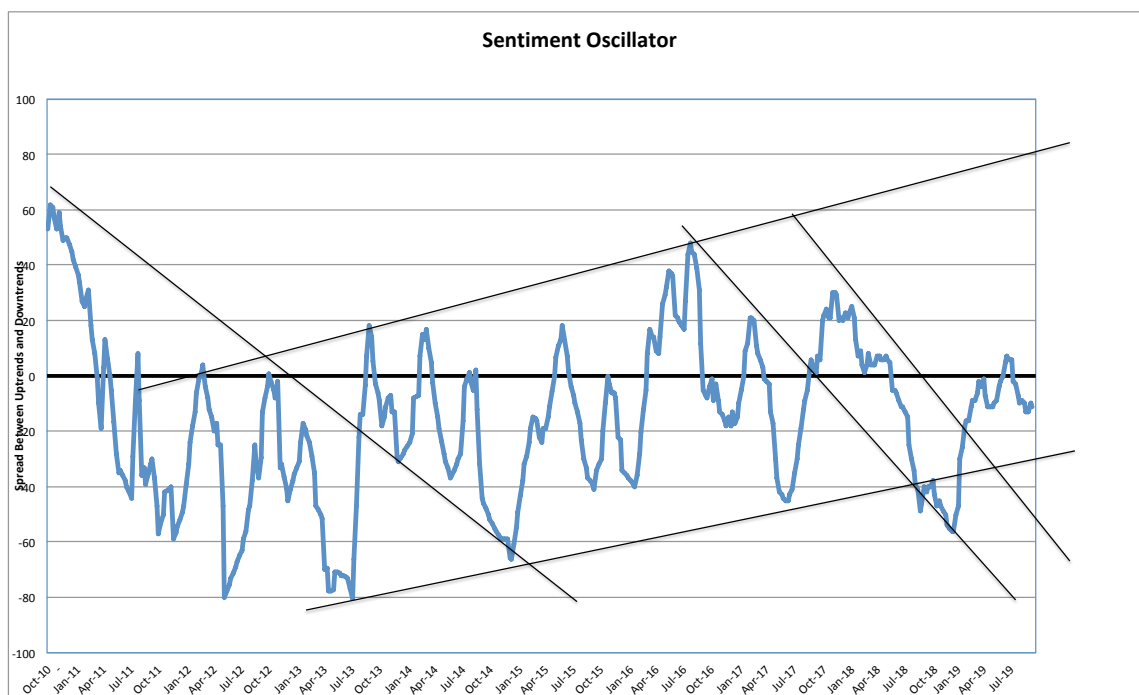
To generate 1 MW of wind power capacity you need 80-90 tonnes of metallurgical coal (coking coal). To generate 1 MW of solar energy you need 800-900 tonnes of the same coal type.

Construction of wind turbines and solar systems requires the use of steel. So, those protestors and investors who naively don't distinguish between the two types of coal are being irresponsible. Even if you don't like thermal coal power stations there is plenty of goodness in liking coking coal.

Making shipping accountable

Protestors have drawn our attention to the negative environmental effects of airline travel and now the McCarthyism is placing the spotlight on seaborne shipping. Apparently, the maritime industry accounts for 2.5% of all greenhouse gases (twice as much as Australia). In 2020, the UN International Maritime Organisation will try to reduce that environmental impact by requiring vessels to use fuels that contain no more than 0.5% sulphur, down from today's limit of 3.5%. The cleaner fuel will drive up fuel costs by 30-60%, or US\$30bn annually. The shipping industry emits 100x as much sulphur as Europe's 260 million passenger vehicles. So, book your cruise now while it is still politically correct.

Disclosure: No interest in the bauxite sector, but a holding in a coking coal company.



Sentiment Oscillator: There was no change in sentiment over the week. There were 31% (31%) of the charts in uptrend and 42% (42%) 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	testing wedge on the upside	
Metals and Mining	XMM	down	
Energy	XEJ	looking stronger	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Alpha HPA	A4N	correcting lower within broad uptrend channel	HPA
Adriatic Resources	ADT	broad, shallower uptrend	zinc
Aeon Metals	AML	new low	copper + cobalt
Alacer Gold	AQG	breakout on the upside	gold – production
Alkane Resources	ALK	steeply higher	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Alchemy Resources	ALY	sideways	nickel, cobalt
Alicanto Minerals	AQI	testing uptrend	gold exploration
Allegiance Coal	AHQ	sideways through uptrend line	coal
Alliance Resources	AGS	higher	gold exploration
Altech Chemicals	ATC	rallied meet resistance line	industrial minerals - synthetic sapphire
Apollo Consolidated	AOP	correcting lower	gold exploration
Arafura Resources	ARU	breached downtrend	rare earths
Argent Minerals	ARD	down	silver



































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Aurelia Metals	AMI		continuing with less steep downtrend	gold + base metals
AusTin	ANW		new low	tin, cobalt
Australian Bauxite	ABX		sideways	bauxite
Australian Potash	APC		testing uptrend	potash
Australian Mines	AUZ		continuing down	cobalt/nickel
Australian Vanadium	AVL		new low	vanadium
BHP	BHP		less steep downtrend being tested	diversified, iron ore
Base Resources	BSE		sideways	mineral sands
Bathurst Resources	BRL		down	coal
BBX Minerals	BBX		down	gold exploration
Beach Energy	BPT		risen through resistance line	oil and gas
Beacon Mining	BCN		down	gold production
Bellevue Gold	BGL		correcting lower after placement	gold exploration
Berkeley Energia	BKY		in secondary downtrend	uranium
Blackstone Minerals	BSX		correcting lower	gold, cobalt
Bounty Coal	B2Y		still in downtrend	coal
Breaker Resources	BRB		down	gold exploration
Broken Hill Prospecting	BPL		steeply higher, then all the way back down	minerals sands
Buru Energy	BRU		turning down	oil
Buxton Resources	BUX		continuing down	nickel exploration
Capricorn Metals	CMM		sideways consolidation	gold
Cardinal Resources	CDV		breached uptrend	gold exploration
Cassini Resources	CZI		softer	nickel/Cu expl.
Central Petroleum	CTP		new uptrend	oil/gas
Chalice Gold	CHN		new uptrend	gold exploration
Chase Mining	CML		breached downtrend	nickel/copper/PGE
Chesser Resources	CHZ		breached downtrend	gold exploration
Cobalt Blue	COB		breaching downtrend, but pullback	cobalt
Dacian Gold	DCN		strong rise	gold
Danakali	DNK		sideways to lower	potash
Davenport Resources	DAV		down	potash
Egan Street Resources	EGA		under takeover offer, but weaker	gold
Emerald Resource	EMR		gentle downtrend	gold
Evolution Mining	EVN		correcting lower	gold
Exore Resources	ERX		higher for placement then slump	gold exploration
FAR	FAR		sideways at lows	oil/gas
First Graphene	FGR		short term down	graphene
Fortescue Metals	FMG		rallying	iron ore
Galaxy Resources	GXY		new low	lithium
Galena Mining	G1A		sideways movement	lead
Galilee Energy	GLL		fallen below support line	oil and gas, CBM
Gold Road	GOR		new high	gold
Graphex Mining	GPX		drifting lower	graphite
Heron Resources	HRR		new low	zinc

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Highfield Resources	HFR		down heavily	potash
Hillgrove Resources	HGO		sideways	copper
Iluka Resources	ILU		breached downtrend	mineral sands
Image Resources	IMA		regained uptrend	mineral sands
Independence Group	IGO		new high	gold, nickel
ioneer (was Global Geoscience)	INR		rising again	lithium
Jervois Mining	JVR		sideways at lows	nickel/cobalt
Jindalee Resources	JRL		heavy fall	lithium
Karoo Gas	KAR		heading lower	gas
Kasbah Resources	KAS		new low	tin
Kibaran Resources	KNL		new low	graphite
Kin Mining	KIN		bouncing from lows	gold
Legend Mining	LEG		stronger	nickel exploration
Lepidico	LPD		down	lithium
Lithium Australia	LIT		new low	lithium
Lucapa Diamond	LOM		new low	diamonds
Lynas Corp.	LYC		secondary uptrend	rare earths
Lindian Resources	LIN		sideways	bauxite
Mako Gold	MKG		rising off lows	gold exploration
Marmota	MEU		breached uptrend	gold exploration
MetalsX	MLX		rallying	tin, nickel
Metro Mining	MMI		back to downtrend	bauxite
Mincor Resources	MCR		continuing higher	gold
Musgrave Minerals	MGV		breached downtrend	gold exploration
Myanmar Minerals	MYL		new low	zinc
Nelson Resources	NES		new uptrend	gold exploration
Neometals	NMT		continuing down	lithium
Northern Cobalt	N27		surge out of downtrend	cobalt
Northern Minerals	NTU		down	REE
Northern Star Res.	NST		down heavily	gold
NTM Gold	NTM		rising again	gold exploration
Oceana Gold	OGC		failed at resistance line	gold
Oklo Resources	OKU		breached downtrend	gold expl.
Orecorp	ORR		rising again	gold development
Oro Verde	OVL		rising	rare earths
Orocobre	ORE		strong bounce	lithium
Oz Minerals	OZL		sideways testing of downtrend	copper
Pacific American Holdings	PAK		at lows	coal
Pacifico Minerals	PMY		rising	silver/lead
Pantoro	PNR		down	gold
Panoramic Res	PAN		down	gold , nickel
Peak Resources	PEK		down	rare earths
Peel Mining	PEX		still down	copper
Peninsula Energy	PEN		down	uranium

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Pensana Metals	PM8		testing downtrend	rare earths
Perseus Mining	PRU		new high	gold
Pilbara Minerals	PLS		down	lithium
PNX Metals	PNX		new uptrend forming	gold, silver, zinc
Polarex	PXX		breached uptrend	polymetallic exploration
Prodigy Gold	PRX		sideways	gold exploration
Ramelius Resources	RMS		new high	gold production
Real Energy	RLE		new low	gas
Red5	RED		correcting lower	gold
Red River Resources	RVR		now in secondary downtrend	zinc
Regis Resources	RRL		on support line	gold
Resolute Mining	RSG		heavy correction	gold
RIO	RIO		down	diversified, iron ore
Salt Lake Potash	SO4		breached uptrend	potash
Saracen Minerals	SAR		breached uptrend	gold
St Barbara	SBM		down	gold
Sandfire Resources	SFR		down	copper
Santos	STO		into uptrend	oil/gas
Saturn Metals	STN		uptrend	gold exploration
Sheffield Resources	SFX		down	mineral sands
St George Mining	SGQ		but heavy correction	nickel
Sipa Resources	SRI		recovered, to sideways pattern	general exploration - Ni,Cu, Co, Au
Stanmore Coal	SMR		down	coal
Strandline Resources	STA		breaching downtrend	mineral sands
Sundance Energy	SEA		heading lower	oil/gas
Syrah Resources	SYR		free fall on capital raising	graphite
Talga Resources	TLG		breached downtrend	graphite
Technology Metals	TMT		sideways	vanadium
Tiger Realm	TIG		down	coal
Troy Resources	TRY		testing downtrend	gold
Vango Mining	VAN		moving higher	gold
Vector Resources	VEC		suspended	gold
Venturex	VXR		down	zinc
Vimy Resources	VMY		sideways under LT downtrend	uranium
West African Resources	WAF		improving	gold
Westgold Resources	WGX		breached uptrend	gold
Westwits	WWI		down	gold
Western Areas	WSA		surge out of downtrend	nickel
Whitebark Energy	WBE		rising	oil and gas
Whitehaven Coal	WHC		down	coal
Yandal Resources	YRL		breached ST uptrend	gold exploration
Zinc Mines of Ireland	ZMI		breached downtrend	zinc
Totals	31%	44	Uptrend	
	42%	61	Downtrend	

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	144	Total
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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	22.9%	
Gold Exploration	19	13.2%	
Nickel	10	6.9%	
Oil/Gas	10	6.9%	
Coal	8	5.6%	
Lithium	8	5.6%	
Mineral Sands	6	4.2%	
Zinc/Lead	7	4.9%	
Rare Earths	6	4.2%	
Potash/Phosphate	5	3.5%	
Copper	5	3.5%	
Cobalt	3	2.1%	
Graphite	4	2.8%	
Tin	3	2.1%	
Iron Ore	3	2.1%	
Uranium	3	2.1%	
Bauxite	3	2.1%	
Vanadium	2	1.4%	
Silver	2	1.4%	
Diamonds	1	0.7%	

Other	3		
Total	144		

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