

Nothing to complain about in our markets

We have seen another new high in the All Ords last week. The Federal election is out of the way and there seems to be some order coming back to the workings of parliament. Interest rate cuts have lessened the cost of money and much of the talk is about breathing life back in to the property market. Fears of lacklustre economic performance worries some commentators but it's not holding back the stockmarket as the glass half full sentiment dominates thinking. The direction of the oil price is open to debate while the iron ore price continues to outperform (see charts below). The gold price has found a new, higher trading range. Even the A\$ has been rising.



SOURCE: TRADINGECONOMICS.COM | OTC

Iron Ore Price over the past Nine Months

Alicanto well positioned in VMS elephant country

We have kept readers informed over the last few years with Alicanto's attempts to advance its gold projects in Guyana, but it hasn't worked out the way we would have hoped. While the shares initially performed well in the market due to US investor interest and the favourable JV with Barrack, the modest grade from the exploration drilling disappointed the market and the shares were sold down. So the Company has had to reinvent itself.

In what is best described as a strategic withdrawal, AQI has joint ventured its Arakaka Gold Project in Guyana to Nord Gold. Nord can earn 100% of the project by sole funding US\$3m in the first year, then move to formalise the 100% ownership by paying US\$5m to AQI.

Whether AQI receives the US\$5m remains to be seen, but at least for the next 12 months there will be no cash drain for the Company. It still retains other projects in the area, so success by Nord could lead to an upgrade of these for Alicanto.

The future of AQI will soon be tied to the deal that it has negotiated in Sweden, where it has picked up some particularly attractive ground for VMS deposits (subject to shareholder approval of the deal on 31 July). If one takes the time to look at where the leases lie and assesses their prospectivity according to the structural environment and the proximity to the excellent historical mines, you can start to see that these are very promising.

There are drill-ready walk-up targets in a 10 km long untested horizon to the west of the historical Falun Mine, which produced 28 Mt at 4% Cu, 5% Zn, 4 gpt Au, 35 gpt Ag and 2% Pb. Do the numbers and you can quickly get to an in-situ value, after considering recovery rates, in excess of US\$400 pt at these grades. You could make serious money at this sort of value. Elsewhere there are other drill targets near the smaller Skyttgruvan zinc mine which recorded values up to 38% Zn.

We can play around with extrapolation with historical numbers, but the real test will come with the drill results. Once approved by the EGM, AQI plans to start drilling a 2,500m program by the end of August.

Importantly, the new CEO at AQI is an engineer who spent seven years working with Boliden, in Sweden. He knows the country and the geology well. The geological brains are coming from Erik Lundstan, a mine-finding career geologist with Boliden who now splits his time 50:50 between Boliden and Alicanto.

Exploration is always speculative and there are no guarantees, but if you are in "elephant country" there is room for enthusiasm.

Disclosure: Interests associated with the author hold shares in Alicanto, being on the register for several years. They continue to add to the position, inspired by the prospectivity of the new projects. Capital raising fees have been received in the past.

Moderating my enthusiasm for Red River due to Hillgrove acquisition.

While I was quite positive about RVR last week, I find myself having to take a step back this week owing to the news that it is about to buy the Hillgrove Gold-Antimony project in NSW for \$4m, payable in shares. I have been following this project since the mid 1970s, so I know all about the history ... which isn't pretty.

The bottom line should be stated up front. Hundreds of millions of dollars have been lost at Hillgrove over the past four decades. Is RVR that good that it can succeed where so many other have failed? I suppose time will tell. The worst case scenario is that this is an invitation to lose money ... and lots of it.

A number of high profile mining personalities have had a go at Hillgrove in the past, including Robert Champion de Crespigny. None of them could make it work. The biggest issues have been narrow orebodies, low productivity, very difficult metallurgy and environmental concerns downstream with significant local pushback.

The largest recent victim to own Hillgrove was Straits Resources (SRL), paying \$8m in 2004. When I saw them enter the fray I commented to the CEO at the time that he had just bitten off more than he could chew and he had just bought a ticket to lose money. His response was "Oh no, we know what we are doing". Obviously, they didn't.

At an analyst site visit in October 2005, Straits revealed the plans for Hillgrove, beyond the \$16m that had already been consumed. Straits was aiming for production of 80-90,000 oz AuEq over a six year period based on gold recoveries of 72% and 90% for stibnite, with a capex budget of \$20-30m.

In September 2008, Straits officially opened the Demonstration Plant that was designed with an innovative process intended to produce 10,000 tpa of antimony metal (as opposed to concentrates) with 20,000 oz p.a. of gold as a by-product. After 12 months of operation the output was significantly less than design levels and there were continuing problems with waste water treatment, flotation and interface between leaching and electro-winning. In August 2009, Straits announced a temporary suspension of processing at Hillgrove (it became permanent). By September 2010, Straits was starting to acknowledge that it had indeed bitten off more than it could chew and it was pursuing a divestment process.

Straits had a lot of trouble getting rid of Hillgrove. In August 2011, it announced a deal to sell it to Ancoa NL for \$40m in cash and shares. The mine was on care-and-maintenance at the time with M/I resources of 6.3 Mt at 4.3 gpt AuEq, with 1.6% stibnite, and reserves of 2.1 Mt at 3.8 gpt AuEq and 2.1% stibnite. Estimated recoverable gold was stated as a meager 221,400 oz. The gold price used for the calculation was A\$1,000/oz and the antimony price was A\$5,500 pt.

This deal obviously ran into problems and in February 2012, Straits announced Plan B; a sale to Ancoa and Emu Nickel, for \$10m cash and \$30m in convertible notes. However, Emu failed to raise the funds needed and that sale was terminated in May of 2012.

So, bring on Plan C. In February 2013, Straits Resources announced an intention to sell Hillgrove to Bracken Resources for \$30m (including and option fee). It was described as a demerger, but in reality it was cutting off an

albatross from around its neck. Bracken intended to have the mine back in production in 2014, but things didn't go well for it. Late in 2015, 100 workers were laid off and the company reverted back to the status of an explorer.

How much did Straits drop on Hillgrove? It was at least \$50m but there have been suggestions that it was closer to \$150m. In 2009, there was an impairment charge of \$22.4m. In 2010, there was another \$72.3m impairment. Yet, the Straits 2013 Annual Report disclosed an accounting profit of \$11.7m on the sale of Hillgrove. Give that accountant a bonus!

All up, more than \$180m has been spent since 2004 by Straits and Bracken. Whichever way you look at it, it was a disaster.

This is not an example of the first company trying to develop a mine and stuffing up, such that a more competent team could move in and show how it should be done. This is not just about competency and skills. A procession of companies have failed. This is about black holes. You would need to be a magician to make this work.

It may be that the best thing RVR can do is just sit on the assets and hope it can flick them for a profit at some point in the future. I can think of much lower risk ways to make money than to go back to the graveyard at Hillgrove. RVR has to be very focused and very careful with this project. What happened to the strategy of developing assets that can feed into Thalanga? I am assured that this is still the main focus, but now there is a distraction to contend with. Suddenly the company has a much higher risk profile, in my opinion.

Fake news in the graphene sector is a worry

Having been studying the graphene business in great detail for more than four years, I find that one of my primary roles is educating investors and industry about what graphene is and how it might be used to enhance existing product lines. It is a steep learning curve for everyone and there is always the risk that people can be distracted by what could be described as fake news, or worse, just complete bull@#\$%. Last week I was sent an example of the latter that appeared in the publication, ACS Sustainable Chemical Engineering, June 2019.

The heading said "Making green graphene from gum trees could cut production costs by 200 times". The first observation is that "200 times" is nonsensical. Is it 200 events, or 200%? It is impossible to reduce something by 200%, because 100% gives you zero. It is a moronic headline.

Next, the article says that the cost of making graphene is US\$200/gm (that is massively wrong - it suggests a cost of US\$200,000 per kilogram), and these guys will bring the cost down to 50¢/gm. They are not even on the right planet. You could probably find a number of graphene manufacturers that can make it for US\$200/kg, or less, depending upon the process.

Further, it continues with the confusion that exists between graphene and graphene oxide (GO). They are very different products and they have different applications. Making GO is difficult, expensive and highly pollutive. Right now I know of no commercially and environmentally acceptable method of making GO, so any experiments that are written up, that purport to use GO, are of academic interest only.

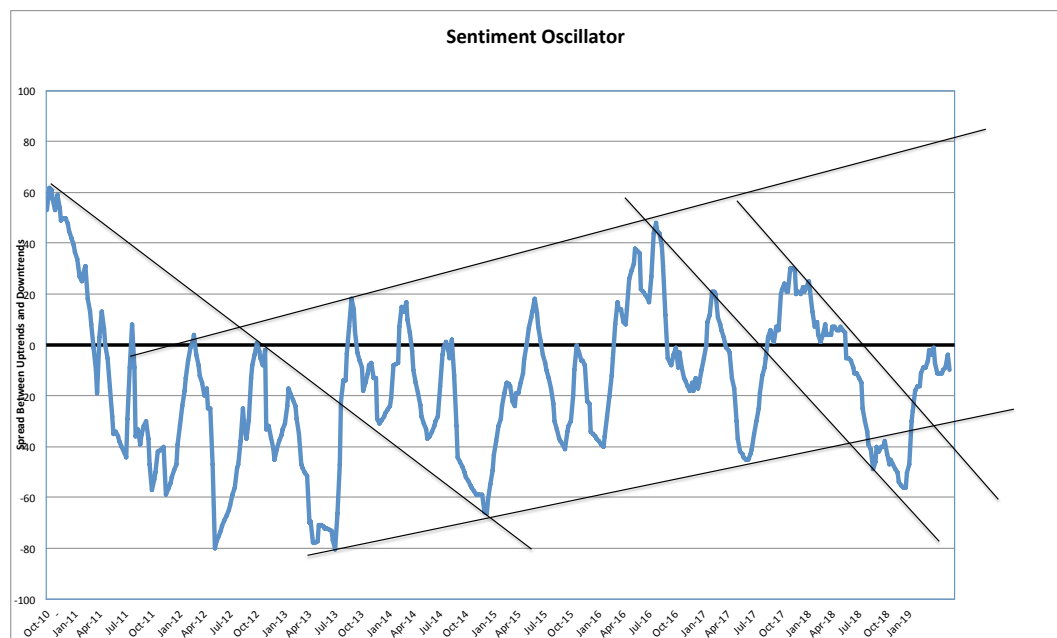
The article says it has a great method of making graphene out of GO, by using eucalyptus bark extract. That may or may not be possible, but it conveniently overlooks the elephant in the room; making GO in the first place. This is where the cost is and where the obstacles lie.

In any event, I can't see why anyone would bother to go down the long-winded route of making graphene from GO,

when it is far cheaper and safer to go straight from a graphite feedstock into graphene by a number of methods that include electrochemical exfoliation, sonication or some other shearing methodology.

It is challenging enough to educate investors about new technology in the first place, but even harder when you find red herrings like this being thrown around the internet.

Sentiment Oscillator: Sentiment has been steady over the week. There were 32% (31%) of the charts in uptrend and 41% (41%) 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	new high	
Energy	XEJ	back to LT uptrend, at apex of wedge	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Adriatic Resources	ADT	new high	zinc
Aeon Metals	AML	back in downtrend	copper + cobalt
Alacer Gold	AQG	new high	gold – production
Alkane Resources	ALK	stronger on rare earth thematic	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Alchemy Resources	ALY	sideways near lows	nickel, cobalt
Alicanto Minerals	AQI	rising	gold exploration
Allegiance Coal	AHQ	on support line	coal
Alliance Resources	AGS	still down	gold exploration
Altech Chemicals	ATC	down	industrial minerals - synthetic sapphire
Apollo Consolidated	AOP	stronger	gold exploration
Argent Minerals	ARD	down	silver
Aurelia Metals	AMI	testing downtrend	gold + base metals
AusTin	ANW	new low	tin, cobalt
Australian Bauxite	ABX	stronger	bauxite
Australian Potash	APC	in a wedge	potash
Australian Mines	AUZ	strong rise, but heavy pullback	cobalt/nickel
Australian Vanadium	AVL	new low	vanadium
BHP	BHP	new high	diversified, iron ore
Base Resources	BSE	pullback	mineral sands
Bathurst Resources	BRL	sideways	coal
Battery Minerals	BAT	new low	graphite
BBX Minerals	BBX	pullback	gold exploration
Beach Energy	BPT	testing ST downtrend	oil and gas
Beacon Mining	BCN	new high	gold production
Bellevue Gold	BGL	near high	gold exploration
Berkeley Energia	BKY	in secondary downtrend	uranium
Blackstone Minerals	BSX	hitting resistance	gold, cobalt
Bounty Coal	B2Y	still in downtrend	coal
Breaker Resources	BRB	drifting	gold exploration
Broken Hill Prospecting	BPL	at lows	minerals sands
Buru Energy	BRU	new uptrend	oil
Buxton Resources	BUX	testing downtrend	nickel exploration
Cardinal Resources	CDV	bounce from lows	gold exploration
Cassini Resources	CZI	consolidating	nickel/Cu expl.
Celsius Resources	CLA	volatile	copper/cobalt















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Chalice Gold	CHN		breached downtrend	gold exploration
Chesser Resources	CHZ		surged out of downtrend, then heavy pullback	gold exploration
Cobalt Blue	COB		sideways at lows	cobalt
Dacian Gold	DCN		collapse on operations update	gold
Danakali	DNK		sideways to lower	potash
Davenport Resources	DAV		down	potash
Egan Street Resources	EGA		drifting	gold
Emerald Resource	EMR		sideways	gold
Evolution Mining	EVN		rising	gold
Exore Resources	ERX		sideways	gold exploration
FAR	FAR		sideways at lows	oil/gas
First Graphene	FGR		uptrend	graphene
Fortescue Metals	FMG		new high	iron ore
Galaxy Resources	GXY		new low	lithium
Galena Mining	G1A		consolidating near highs	lead
Galilee Energy	GLL		new high	oil and gas, CBM
Gold Road	GOR		new high	gold
Graphex Mining	GPX		sideways through uptrend	graphite
Heron Resources	HRR		sideways	zinc
Highfield Resources	HFR		surge to new high then heavy pullback	potash
Hillgrove Resources	HGO		sideways	copper
Hipo Resources	HIP		at lows	battery metals
Iluka Resources	ILU		stronger	mineral sands
Image Resources	IMA		higher	mineral sands
Independence Group	IGO		rising	gold, nickel
ioneer (was Global Geoscience)	INR		down again	lithium
Jervois Mining	JVR		breached uptrend	nickel/cobalt
Jindalee Resources	JRL		stronger	lithium
Karoon Gas	KAR		breached new uptrend	gas
Kasbah Resources	KAS		bouncing off its low	tin
Kibaran Resources	KNL		breached new uptrend	graphite
Kin Mining	KIN		new low	gold
Legend Mining	LEG		bouncing	nickel exploration
Lepidico	LPD		testing downtrend	lithium
Lithium Australia	LIT		new low	lithium
Lucapa Diamond	LOM		continuing downtrend	diamonds
Lynas Corp.	LYC		coming back from high	rare earths
Mako Gold	MKG		back to lows	gold exploration
Marmota	MEU		sideways	gold exploration
MetalsX	MLX		breached downtrend	tin, nickel
Metro Mining	MMI		new low	bauxite
Mincor Resources	MCR		new uptrend forming	gold
Musgrave Minerals	MGV		breached downtrend	gold exploration
Myanmar Minerals	MYL		uptrend being tested	zinc

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Nelson Resources	NES		new low	gold exploration
Neometals	NMT		testing downtrend	lithium
Northern Cobalt	N27		down again	cobalt
Northern Minerals	NTU		surged to reach resistance line	REE
Northern Star Res.	NST		new high	gold
NTM Gold	NTM		gentle downtrend	gold exploration
Oceana Gold	OGC		continuing down	gold
Oklo Resources	OKU		back to lows	gold expl.
OreCorp	ORR		correcting back to support line	gold development
Orocobre	ORE		new low	lithium
Oz Minerals	OZL		rising again	copper
Pacific American Coal	PAK		at lows	coal
Pantoro	PNR		testing support line	gold
Panoramic Res	PAN		down	gold , nickel
Peak Resources	PEK		surging to new high	rare earths
Peel Mining	PEX		still down	copper
Peninsula Energy	PEN		rising	uranium
Pensana Metals	PM8		surge to high	rare earths
Perseus Mining	PRU		surge to new high	gold
Pilbara Minerals	PLS		down	lithium
PNX Metals	PNX		lower	gold, silver, zinc
Polarex	PXX		surge higher	polymetallic exploration
Prodigy Gold	PRX		testing uptrend	gold exploration
Ramelius Resources	RMS		breached uptrend	gold production
Real Energy	RLE		back to lows	gas
Red5	RED		new high	gold
Red River Resources	RVR		good rally	zinc
Regis Resources	RRL		rising	gold
Resolute Mining	RSG		breaching resistance line	gold
RIO	RIO		new high	diversified, iron ore
Salt Lake Potash	SO4		surged higher	potash
Saracen Minerals	SAR		surged higher	gold
St Barbara	SBM		testing downtrend	gold
Sandfire Resources	SFR		down	copper
Santos	STO		into uptrend	oil/gas
Sheffield Resources	SFX		strong bounce	mineral sands
St George Mining	SGQ		down	nickel
Sipa Resources	SRI		recovered, to sideways pattern	general exploration - Ni,Cu, Co, Au
Stanmore Coal	SMR		new high	coal
Strandline Resources	STA		pullback after placement	mineral sands
Sundance Energy	SEA		heading lower	oil/gas
Syrah Resources	SYR		free fall on capital raising	graphite
Talga Resources	TLG		down	graphite
Technology Metals	TMT		short term down	vanadium

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Tiger Realm	TIG		surged higher, at resistance line	coal
Triton Minerals	TON		breached secondary downtrend	graphite
Troy Resources	TRY		bounced off its lows	gold
Vango Mining	VAN		breached downtrend	gold
Vector Resources	VEC		suspended	gold
Venturex	VXR		down	zinc
Vimy Resources	VMY		down	uranium
Volt Resources	VRC		sideways	graphite
West African Resources	WAF		improving	gold
Westwits	WWI		down	gold
Western Areas	WSA		ST uptrend breached	nickel
Whitebark Energy	WBE		sideways	oil and gas
Whitehaven Coal	WHC		down	coal
Yandal Resources	YRL		sideways	gold exploration
Totals	32%	44	Uptrend	
	41%	57	Downtrend	
		138	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	31	22.5%	
Gold Exploration	18	13.0%	
Oil/Gas	9	6.5%	
Graphite	7	5.1%	
Nickel	9	6.5%	
Coal	8	5.8%	
Lithium	8	5.8%	
Mineral Sands	6	4.3%	
Zinc/Lead	6	4.3%	

Potash/Phosphate	5	3.6%	
Copper	5	3.6%	
Cobalt	4	2.9%	
Rare Earths	4	2.9%	
Tin	3	2.2%	
Iron Ore	3	2.2%	
Uranium	3	2.2%	
Bauxite	2	1.4%	
Vanadium	2	1.4%	
Silver	1	0.7%	
Diamonds	1	0.7%	
Other	3		
Total	138		

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