

Pantoro is cementing its future as a profitable high grade gold producer

The correction we were looking for at the beginning of the week has started with many of the larger stocks giving back some of the recent gains. So far this has been modest, but don't be surprised if it has further to go.

Economic news out of Europe has been subdued this week with growth slowing in Germany, private sector growth in France losing momentum and inflation numbers in the UK have been lower than expected. On this flip side this all means that the chances of continued interest rate rises in the short term are lessening. Rising oil prices will be showing up in the inflation figure in future months though. For the time being, going into the European summer, there seems to be no dominant push in either direction. Maybe that is why people sell in May and go away.

Pantoro (PNR): Starting to show its true colours.

Previously I had mentioned that Pantoro could be developing into another Central Norseman; you know, the famous gold company that operated high grade gold mines at Norseman for more than 50 years. Admittedly, that was a big call, but news this week has the Company well advanced along that path.

Taken in isolation, the Indicated and Inferred Mineral Resource looks modest; 574,000 t at 6.8 gpt for 126,000 oz, with a Probable Ore Reserve of 62,000 oz at 5.4 gpt. However, look at the big picture. It is a similar size to the Nicolsons project when it was commissioned a couple of years ago. At the time Nicolsons had been kicked around by previous owners as an open pit with there being trepidation about going underground. When Pantoro earned initially 80% of the project (it has 100% now) it rose to the task of developing an underground mine. Initially there were some scary moments in the development of the decline through difficult ground, but once the orebodies were accessed and mined the true value started to shine through.

It has been a feature of the geology that the drilling, and the subsequent ore resource calculations, significantly under-report the grade. What started out as a mine intended to produce gold at a rate of 600-700 oz per vertical metre (opvm) is now up to 1,600 opvm. Thus it is much more efficient and profitable. From initial gold production targets of around 30,000 oz p.a., the higher yield from Nicolsons, and the opening up of the Wagtail and Rowdies open pits boosted the gold production to 55,000 oz p.a. Now that underground mining is commencing at Wagtail, production will increase to at least 80,000 oz p.a., and perhaps as high as 100,000 oz p.a.

Part of this expanded production rate is being delivered through the anticipated benefits of ore sorting at the front end of the plant, with this being commissioned over the next week. As an example of the efficiencies it will deliver, a

40,000 tonne stockpile running 2.5 gpt is expected to increase to 7 gpt before going to the treatment plant.

Cash costs are expected to be in the order of A\$1,000/oz, but if the upside case can be realised the gold production levels could approach 90-100,000 oz pa and cash costs could fall below \$900/oz. This will become clearer over the next six months.

It is worth noting the conservative approach the company uses in calculating resources. Whereas the geological resource grade has been as high as 17 gpt, PNR applies a minimum mining width of 1.5m and a 20% mining dilution factor that brings the published reserve grade closer to 10 gpt. Many companies neglect to incorporate such measures when they promote high grade underground gold deposits so that the eventual mining grade invariably disappoints shareholders. The opposite is the case with PNR.

Looking further out, PNR is progressing with its strategy of being a Halls Creek location focused company. The closest mill is 300 km to the south. Within a 150 km radius on Nicolsons there are many small but high grade discoveries that have never gotten off the ground as they haven't had the critical mass to support a stand-alone mill. Their potential has remained dormant. Grants Creek is an example. Introduce some beneficiation to lift the grade before trucking, and these could be perfect satellite ore feeding developments for Nicolsons.

Getting back to Wagtail and Rowdies - mining is about to go underground now that the pits have reached depths of 60m, and waste to ore ratios of 17:1. The hanging wall is competent granite so there are no fears of poor ground conditions that were previously experienced at Nicolsons.

Disclosure: I have been a patient shareholder of PNR since the commissioning days of Nicolsons. My continued patience is being rewarded.

Golden Rim Resources (GRM): Delivered 1 M oz (JORC)

On 3 May, GRM announced a maiden JORC resource of 1 Moz of gold at its 100%-owned Kouri gold project in Burkina Faso. The Indicated and Inferred Resource is 20.8 Mt at 1.5 gpt, with a 0.5 gpt cut-off. Pleasingly, this is twice the size of its earlier announced exploration target of 500,000 oz.

The market reacted positively, jumping from 4.3¢ to 5¢, but in the two days subsequent to the release 52 million shares traded (\$2.5m of turnover), placing a ceiling on the rise. Since then the shares have traded back down to 3.6¢, at which point the market capitalisation was only \$11m. A subsequent exploration update release has seen the shares recover to 4¢, but this is still lower than immediately prior to the release of the 1 Moz resource. You would have

to say that this is an anomalous outcome, for how often do you see a 1 Moz company selling so cheaply? Is there a reason? Is it geological concerns, geopolitical risk or lack of confidence in management or just the state of the market?

Looking at the geology, I can't see any red flags. Burkina Faso has been demonstrating both favourable geology and a procession of new mines being opened over the past 10 years without any serious disruptions. The transition to a new President hasn't caused problems, though there have been one or two terrorist events.

The Kouri resource is found along 3.2 km of strike on a 12.5 km mineralised shear zone that looks like it will host much more than the initial million ounces. This is currently being tested with a 5,500m RC drilling program. The lodes hosting the mineral resource are open below the 130m depth of the recent drilling. The metallurgy looks good for both oxide and fresh ore, achieving 95% recovery rates.

The ASX release of 24 May, reported on 40 RC drill holes completed since the resource calculation. Assays from the first eight holes have included a very encouraging intercept of 6m at 25.2 gpt from a 1.2 km long IP anomaly 100m SE of the mineral resource.

This looks to me like an anomalously cheap, advanced gold exploration play right now. There is a sizeable orebody with much more upside potential to be tested. The market capitalisation at \$13m, is very modest. Management is competent and professional, though somewhat less promotional than many others. Maybe it just needs to get out there and tell the story more aggressively. There is almost no downside from this level and potential for a multiple of the current price.

Disclosure: Interests associated with the author took up shares in the recent Golden Rim placement and received capital raising fees.

Highlands Pacific (HIG): To be debt free and more dynamic

Last week HIG announced a \$15m placement to Cobalt 27 at 10.5¢, being a premium to the prior day's closing price of 9.3¢. In addition, Cobalt 27 is paying HIG US\$113m in a streaming deal to secure entitlement to 55% of HIG's share of cobalt production and 27.5% of HIG's nickel production coming from the Ramu nickel mine. There is a buy-back right that would allow HIG to reduce these percentages to 47.7% and 23.9% of the metals respectively, at a cost of US\$15m.

HIG will use the funds to fully repay the loans that relate to the project development, thereby allowing HIG to increase its equity in Ramu from 8.56% to 11.3%, well ahead of the previous time frame.

The deal changes HIG from being a somewhat docile minority interest partner in Ramu, due to the debt commitments, into a more dynamic cobalt play. The association with Cobalt 27, and what this brings, is part of the new dynamics. We have previously identified HIG as a lower risk cobalt production play, with good copper assets. Now it will be interesting to see the path the Company takes. The market has already given it the thumbs up.

Disclosure: Interests associated with the author hold shares in Highland Pacific.

Lucapa (LOM): End of the wet season will increase activity

LOM looks like it is firmly within a new uptrend following the recent capital raising that has put the funding issue behind it. Now it seems like the speculative interest is coming back into play with the increased focus on the 80%-owned Brooking exploration project in the Kimberly region of WA. Recall that late in 2017, LOM reported the recovery of 119 diamonds from its first exploration hole (seven macro, 112 micro). This was an extraordinarily positive result.

Now that the wet season is over LOM is preparing to get back into the field. First off there will be a 10 holes program of PQ and NQ core drilling to test the lamproite body to a depth of 100m, in early June. Expect some speculative activity in the stock, as there are rumours going around that this could be huge.

Elsewhere, LOM reported the recovery of a 25 carat yellow gem diamond from the 70%-owned Mothae kimberlite mine in Lesotho, from the "Neck" zone that is not included in the current resource. Keep an eye on this mine as it goes through the commissioning of the new plant over the coming months. There is plenty of room for surprises on the upside.

Disclosure: Interests associated with the author hold shares in Lucapa Diamond Company, and FEC has received capital raising fees in the past.

During the week I had two exploration companies drop by to show me their wares; Alchemy Resources (ALY) and Sipa Resources (SRI). Both are genuine exploration companies with experienced and credible managers. Comments on Alchemy appear below. Space limitations mean that Sipa will be covered next week. Both have been added to the chart coverage.

Alchemy Resource (ALY): One of the cheapest Ni-Co stocks around.

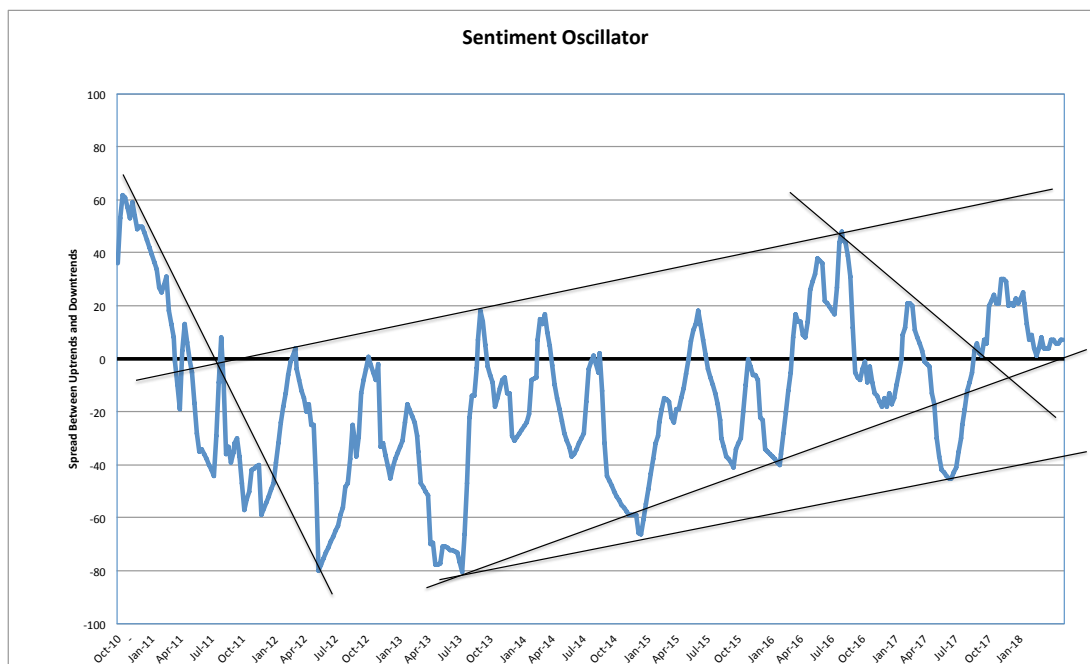
Alchemy has a number of projects covering gold near Karonie, gold in the Bryah Basin and copper near Cobar, but the most topical one is the nickel-cobalt project in NSW. Here, at the West Lynn Project, ALY is earning an 80% interest along with a number of other projects for expenditure of \$1.5m over three years, from Heron Resources. When Jervois previously held it, a non-JORC resource of 15-30 Mt was estimated at grades of 0.7-0.9% Ni and 0.05%-0.07% Co.

There are a number of Ni-Co hopefuls in NSW, with grades that are more or less similar. They are part of the revival of projects that were previously looked at back in the hey day of Anaconda Nickel, but none of them had the critical mass or the merits to justify development at the time with HPAL treatment methods. This time around though, rather than looking at LME metal production, lower cost methods to produce intermediate products are being investigated. There is no guarantee that any of these will get up and running, but they are still generating interest.

What is notable with ALY is the very low market capitalisation of only \$6m. This is a fraction of other companies on the same path, such as Jervois (JRV) at \$90m, Collerina (CLL) at \$60m and Scandium International (SCY) at \$52m. Being cheap is not reason alone to buy a stock like ALY, but it is a good start. Management integrity certainly helps, though at ALY it is sometimes less

promotional. Northern Star Resources is the largest shareholder with 14.2%, so that is another tick. At some time soon the Alchemy will need to raise some money as the cash has just drop below \$1m. That might be a good entry point, when it does so. I went out and bought a few in the market last week as the risk reward ratio looks attractive.

Disclosure: Interests associated with the author hold shares in Alchemy Resources




























Sentiment Indicator: Sentiment didn't really change last week; 36% (37%) of the charts in uptrend and 30% (30%) 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.

Indices	Code	Trend Comment	
All Ordinaries	XAO	consolidating near highs	
Metals and Mining	XMM	pullback from high	
Energy	XEJ	small correction from high	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Aeon Metals	AML	rising again	copper + cobalt
Alacer Gold	AQG	surge higher	gold – production
Alkane Resources	ALK	down after hitting LT resistance	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Agua Resources	AGR	weaker	phosphate
Alchemy Resources	ALY	base forming	nickel, cobalt
Alicanto Minerals	AQI	down	gold exploration
Allegiance Coal	AHQ	breached support	coal
Alliance Resources	AGS	continuing down	gold exploration
Altech Chemicals	ATC	holding on support line	industrial minerals - synthetic sapphire
Anova Metals	AWV	sideways through downtrend	gold
Antipa Minerals	AZY	new low	gold

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Apollo Consolidated	AOP		slump	gold exploration
Archer Exploration	AXE		stronger but met resistance	magnesite, graphite
Argent Minerals	ARD		still in downtrend	polymetallic
Aurelia Metals	AMI		new high	gold + base metals
AusTin	ANW		down	tin, cobalt
Australian Bauxite	ABX		sideways	bauxite
Australian Potash	APC		down	potash
Australian Mines	AUZ		down	cobalt/nickel
Australian Vanadium	AVL		correcting	vanadium
Azure Minerals	AZS		new low	silver
BHP	BHP		surge to new high	diversified
Base Resources	BSE		sideways through downtrend	mineral sands
Bathurst Resources	BRL		sideways	coal
Battery Minerals	BAT		down	graphite
BBX Minerals	BBX		down	gold
Beach Energy	BPT		new high	oil and gas
Beadell Resources	BDR		another new low	gold
Berkeley Energia	BKY		down	uranium
Berkut Minerals	BMT		sideways through downtrend	cobalt
Blackham Resources	BLK		correcting lower again	gold
Blackstone Minerals	BSX		just hanging onto uptrend	gold, cobalt
Broken Hill Prospect.	BPL		sideways	minerals sands, cobalt
Buru Energy	BRU		new high	oil
Cardinal Resources	CDV		testing uptrend	gold exploration
Cassini Resources	CZI		sideways	nickel/Cu expl.
Celsius Resources	CLA		off high after placement	copper/cobalt
Chalice Gold	CHN		heading lower	gold
Cobalt Blue	COB		correcting but still in uptrend	cobalt
Comet Resources	CRL		heavy slump	graphite/graphene
Consolidated Zinc	CZL		continuing weakness	zinc
Crusader Resources	CAS		new low	gold/iron ore
Dacian Gold	DCN		off its highs	gold exploration
Danakali	DNK		weakness confirms downward direction	potash
Doray Minerals	DRM		resumed uptrend	gold
Draig Resources	DRG		testing uptrend	gold
Eden Innovations	EDE		down	carbon nanotubes in concrete
Egan Street Resources	EGA		sideways	gold
Emerald Resource	EMR		testing downtrend	gold
Evolution Mining	EVN		new high	gold
Excelsior Gold	EXG		slump, testing uptrend	gold
FAR	FAR		risen to meet long term resistance line	oil/gas
First Cobalt	FCC		new low	cobalt
First Graphene	FGR		strong rise	graphite
Frontier Diamonds	FDX		down after IPO	diamonds
Fortescue Metals	FMG		rallied out of steepest, but still in LT downtrend	iron ore
Galaxy Resources	GXY		breaching downtrend	lithium
Galilee Energy	GLL		pullback	oil and gas, CBM
Gascoyne Resources	GCY		holding longer term uptrend	gold
Global Geoscience	GSC		new high	lithium
Gold Road	GOR		new high	gold exploration
Golden Rim	GMR		breached downtrend	gold exploration
Graphex Mining	GPX		breaching downtrend	graphite
Heron Resources	HRR		downtrend persisting	zinc
Highfield Resources	HFR		rally within long term downtrend	potash

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Highlands Pacific	HIG		sideways	copper, nickel
Hillgrove Resources	HGO		sideways	copper
Iluka Resources	ILU		new high	mineral sands
Image Resources	IMA		resumed LT uptrend	mineral sands
Independence Group	IGO		rising, but with a pullback	gold, nickel
Jervois Mining	JVR		sideways through downtrend	nickel/cobalt
Karoo Gas	KAR		at lows	gas
Kasbah Resources	KAS		still in LT downtrend	tin
Kibaran Resources	KNL		gently lower	graphite
Kin Mining	KIN		down heavily	gold
Legend Mining	LEG		surge higher, now correcting	exploration
Lepidico	LPD		breached uptrend	lithium
Lithium Australia	LIT		breached uptrend	lithium
Lucapa Diamond	LOM		breached downtrend	diamonds
Macphersons Res.	MRP		Spike though downtrend, then pullback	silver
Marmota	MEU		sideways	gold exploration
MetalsX	MLX		rising again	tin, nickel
Metro Mining	MMI		breached steepest uptrend	bauxite
Mincor Resources	MCR		uptrend	nickel
Mineral Deposits	MDL		strongly higher on takeover approach	mineral sands
Myanmar Minerals	MYL		downtrend	zinc
MZI Resources	MZI		testing downtrend	mineral sands
Neometals	NMT		down	lithium
Northern Cobalt	N27		down again	cobalt
Northern Minerals	NTU		rallied back to resistance line	REE
Northern Star Res.	NST		off its high	gold
NTM Gold	NTM		breached downtrend	gold
Oceana Gold	OGC		breached downtrend	gold
Oklo Resources	OKU		downside break from wedge	gold expl.
OreCorp	ORR		breached recent uptrend	gold development
Orinoco Gold	OGX		testing correcting pattern	gold development
Orocobre	ORE		upside breakout from downtrend	lithium
Oz Minerals	OZL		continuing in uptrend	copper
Pacific American Coal	PAK		strongly higher	coal, graphene
Pantoro	PNR		new high	gold
Panoramic Res	PAN		on support line	nickel
Peel Mining	PEX		surge to new high, then pullback	copper
Peninsula Energy	PEN		sideways through downtrend	uranium
Perseus Mining	PRU		breached downtrend	gold
Pilbara Minerals	PLS		rallying	lithium/tantalum
PNX Metals	PNX		sideways	gold, silver, zinc
Prodigy Gold	PRX		name change from ABM Resources	gold
Red5	RED		down	gold
Red River Resources	RVR		fallen to support line	zinc
Regis Resources	RRL		new high	gold
Resolute Mining	RSG		sideways	gold
RIO	RIO		new high	diversified
Salt Lake Potash	SO4		breached downtrend	potash
Saracen Minerals	SAR		new high	gold
St Barbara	SBM		strong	gold
Sandfire Resources	SFR		new high	copper
Santana Minerals	SMI		new low	silver
Santos	STO		new high	oil/gas
Sheffield Resources	SFX		rising again	mineral sands

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Sino Gas & Energy	SEH		confirming uptrend	gas
Sipa Resources	SRI		sideways	general exploration - Ni,Cu, Co, Au
Stanmore Coal	SMR		correcting lower	coal
Sundance Energy	SEA		testing uptrend	oil/gas
Syrah Resources	SYR		back to downtrend	graphite
Talga Resources	TLG		breaching resistance line	graphene
Tanami Gold	TAM		down	gold
Tempo Australia	TPP		testing downtrend	mining services
Tiger Realm	TIG		spiked higher, off lows	coal
Torian Resources	TNR		new low	gold expl'n
Triton Minerals	TON		uptrend being tested	graphite
Troy Resources	TRY		uptrend	gold
Tyranna Resources	TYX		back to lows	gold exploration
Vango Mining	VAN		surge to new high	gold
Vector Resources	VEC		near lows	gold
Vimy Resources	VMY		down	uranium
Volt Resources	VRC		uptrend	graphite
West African Resources	WAF		uptrend being tested	gold
Westwits	WWI		sideways	gold exploration/development
Western Areas	WSA		rising again	nickel
White Rock Minerals	WRM		new low	silver
Whitehaven Coal	WHC		new high	coal
WPG Resources	WPG		down again	gold
Wolf Minerals	WLF		sideways at lows	tungsten
Totals	36%	52	Uptrend	
	30%	43	Downtrend	
		143	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	23.1%
Gold Exploration	16	11.2%
Copper	8	5.6%

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Weightings of Sectors Represented in the Company Charts			
Coal	8	5.6%	
Oil/Gas	8	5.6%	
Graphite	9	6.3%	
Mineral Sands	7	4.9%	
Cobalt	7	4.9%	
Zinc	6	4.2%	
Lithium	7	4.9%	
Silver	5	3.5%	
Nickel	5	3.5%	
Potash/Phosphate	5	3.5%	
Uranium	3	2.1%	
Bauxite	2	1.4%	
Tin	3	2.1%	
Diamonds	3	2.1%	
Iron Ore	1	0.7%	
Other	7		
Total	143		

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