

Brazilian rare earths hot spot

Lack of inspiration was the signature last week as the end of financial year blues dominated activity. We see this every year, so there is no need to think too much about it. The normal cycle involves a very quiet June, then school holidays in July, followed by a gentle improvement thereafter.

Rare earths and niobium in Brazil still in vogue

There will always be some pockets of activity that seem to defy the trend but it is interesting how the procession of companies going into rare earth in Brazil continues, now with a flavour of niobium to add to the story. The latest entrant is the \$15m IPO of Axel REE Limited, launched by Bell Potter.

Brazilian REE has been leading the pack

Much of the Brazilian inspiration is coming from Brazilian Rare Earths (BRE), a company that IPO'd on the ASX in December 2023, after raising \$50m at \$1.47. That gave it an initial market capitalisation of \$314m that has since risen to more than \$700m as at last Friday's close of \$3.25 (having hit \$3.88 a few days earlier). Last week it raised another \$80m at \$3.30 a share. That is exactly what it should be doing; feeding the ducks when they are quacking.

BRE's initial Inferred JORC Resource was 510 Mt at 1,513 ppm TREO including a NdPr proportion of 17.9% of the TREO. However, it turned up the heat last week with the announcement of very high grades at its Sulista Project. It highlighted exceptional REE-Nb-Sc-U grades (remember what the word "exceptional" means). Without detracting from what is obviously a good project, highlighting drill intervals 12.5% TREO , 3.9% NdPr, 0.15% DyTb, 0.48% niobium, 241 ppm scandium and 0.24% uranium can quickly confuse readers. The rare earth grades are good but the niobium is insignificant. The scandium is meaningless due to the tiny market but the uranium could be a worry. Most rare earth companies try to boast the absence of radioactive materials because they are problematic, so why is BRE trying to make them sound good?

The Bottom Line

If you have a good look you will see many rare earth deposits around the world, not just Brazil. Yet Brazil is the hotspot just now, perhaps because of BRE having Gina Rinehart as a substantial shareholder. This is notwithstanding the collapse of the rare earth prices and the glaring problems involved in turning a deposit into an operating, profitable mine. Are we seeing the Pied Piper at work?

I can't help but think about how enthusiastic the market was regarding the multi-metal Julimar discovery of Challice, taking the share price to \$10.00 and a market capitalisation of more than A\$3bn late in 2022. That all fell apart when we

were told of the metallurgical complications of the project, resulting in a share price of \$1.34 last week. Thus, it is just as easy to lose money on "quality" projects if you get the timing wrong. BRE is going through the sugar hit phase now and there is no telling where the share price will go, but remember that the most successful investors will be the smartest traders.

Agua showing an alternative view

Agua Resources (AGR) has both rare earths and niobium in its carbonatites in Brazil but it is taking the view that getting strong cash flow from the pending rock phosphate operation is more tangible for shareholders than speculative narratives. Nevertheless, it is being approached by companies that are interested in farming-in to the speculative elements. Agua shareholders could find that there is additional news flow to consider.

Disclosure: The author is Chairman of Agua. Interests associated with the author own shares and FEC has received capital raising fees.

Examples of where heavily discounted issues, with options, can kill share price performance

Back in April the Anteotech share price was nudging 4¢, having made a strong break out of a downtrend. News flow was good as the company was leading the charge on battery anodes using silicon. Then the company committed harakiri, launching a \$6.4m placement priced at 2.5¢ with a 1 for 2 option. The shares immediately collapsed to 2.1¢ and have been sub-2.5¢ ever since, and friendless in the market place.

This is a perfect example of the folly of doing heavily discounted placements and the negative effect of attaching options. Traders who take such placements think they are getting a good deal, but it is illusory. The standard trading strategy is to sell the shares to recover the outlay, and let the options ride for free. That only works for fast moving people. The majority of the placees are left holding a stock that they probably don't understand and don't really want, and they are under water. They will probably want to sell as soon as they can get their money back, creating an overhang in the market that will dog the share price for some time.

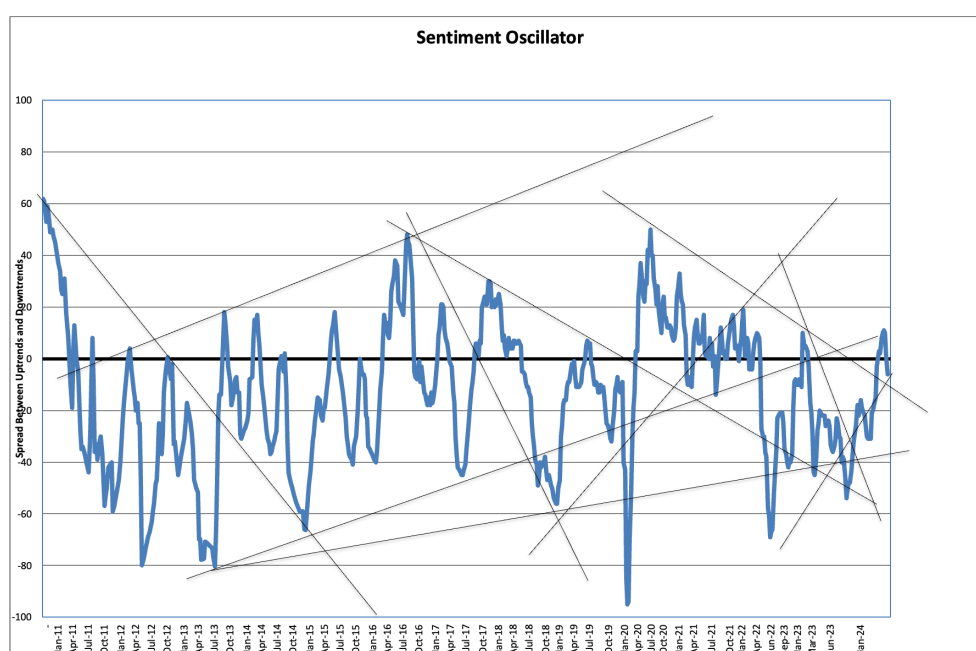
Consider the general population of shareholders on the register, especially those that were not offered any stock in the placement - which is most of them. The value of their holding will have been slashed indiscriminately; so much for being loyal. Understandably these people will be pissed off at the inept performance of those responsible for the heavily discounted placement, so much so that many of them will become sellers, meaning there is even more

overhang in the market. There is no point in holding shares in a company, no matter how successful it may be operationally, if the mismanagement of capital raisings kills the share price. It is about time that directors and advisors started to wake up to this reality and lifted their game.

than ever for these two wildcat holes to deliver good results, but that is the life of grass roots exploration companies.

A more recent example is the placement by Copper Search that raised \$2m at 10¢, with a 1 for 2 option, when the share price was 13.5¢. The shares were quickly sold down to 8.9¢, back to the level they were at prior to the news of the proposed drill program. Has that snuffed out the speculative activity leading up to the drilling? Perhaps, as there will be steady selling of shares as traders recover their capital while keeping the options. It is more important

Disclosure: FEC received capital raising fees, as some of its clients took up the CUS placement.



Sentiment Oscillator: The switch to weaker sentiment continued last week. There were 33% (36%) of stocks in uptrend and 39% (35%) in downtrend at the close of the week.

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	falling
Energy	XEJ	still under long term downtrend line
Information Technology	XIJ	off its highs

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Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
5EA Advanced Materials	5EA	back to lows	boron
Advance Metals (was Pacific American)	AVM	back to lows	coal, gold exploration
Aguia Resources	AGR	gentle uptrend	phosphate, gold
Alkane Resources	ALK	testing downtrend	gold
Alicanto Minerals	AQI	new low	base metals, silver, gold
Alligator Energy	AGE	sideways	uranium
Almonty Industries	All	fallen to support line	tungsten
Alpha HPA	A4N	testing longer term uptrend	HPA
Altech Chemical	ATC	back in downtrend	HPA, anodes
Alto Metals	AME	breached new uptrend	gold
American Rare Earths	ARR	consolidating	rare earths
Anax Metals	ANX	heavy slump	copper
Anteotech	ADO	sideways at lows	silicon anodes, biotech
Arafura Resources	ARU	pullback	rare earths
Ardea Resources	ARL	down	nickel
Arizona Lithium	AZL	strong rally	lithium
Astral Resources	AAR	new uptrend	gold
Averina	AEV	down heavily	phosphate
Aurora Energy Metals	1AE	down	uranium
Aurelia Metals	AMI	rising	copper + base metals
Australian Gold and Copper	AGC	heavy correction on placement	base metals, silver, gold
Australian Rare Earths	AR3	breaching downtrend	rare earths
Australian Strategic Materials	ASM	new low	rare earths
BHP	BHP	down	diversified, iron ore
Barton Gold	BGD	rising gently	gold exploration
Beach Energy	BPT	testing uptrend	oil and gas
Bellevue Gold	BGL	breached uptrend	gold
Besra Gold	BEZ	collapse to new low	gold
Black Cat Syndicate	BC8	testing uptrend	gold
Boab Metals	BML	down	silver/lead
Brazil Critical Minerals	BCM	down on placement	rare earths
Brazilian Rare Earths	BRE	new high	rare earths
Brightstar Resources	BTR	uptrend	gold
Calidus Resources	CAI	back to downtrend	gold
Caravel Minerals	CVV	strong rise	copper
Carnaby Resources	CNB	collapse on Scoping Study, testing support	copper
Castile Resources	CST	trying to hold support line	gold/copper/cobalt
Catalyst Metals	CYL	new uptrend	gold
Cazaly Resources	CAZ	forming a base	rare earths
Celsius Resources	CLA	stronger	copper
Cobalt Blue	COB	new low	cobalt
Cyprium Metals	CYM	breached downtrend, surged higher	copper
Emerald Resources	EMR	rising, new high	gold

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Empire Energy	EEG		improving	gas
EQ Resources	EQR		breaching downtrend	tungsten
Evolution Energy	EV1		collapse to a new low	graphite
Evolution Mining	EVN		rising	gold
First Graphene	FGR		down	graphene
Fortescue Metals	FMG		down	iron ore
Genesis Minerals	GMD		rising	gold
Globe Metals and Mining	GBE		steeply higher	niobium
Gold 50	G50		back into	gold exploration + gallium
Great Boulder Resources	GBR		sideways at lows	gold exploration
Group 6 Metals	G6M		collapse to a new low	tungsten
Hamelin Gold	HMG		sideways through downtrend	gold exploration
Hastings Technology Metals	HAS		collapse to new low	rare earths
Heavy Minerals	HVY		new low	garnet
Hillgrove Resources	HGO		rising gently	copper
Iluka Resources	ILU		improving	mineral sands
ioneer (was Global Geoscience)	INR		testing uptrend	lithium
Ionic Rare Earths	IXR		down	rare earths
Jervois Mining	JVR		new low	nickel/cobalt
Jindalee Lithium	JLL		new low	lithium
Jupiter Mines	JSM		breached uptrend	manganese
Kaiser Reef	KAU		improving	gold
Krakatoa Resources	KTA		steep rise on niobium news	rare earths
Larvotto Resources	LRV		rising	gold, antimony
Lindian Resources	LIN		new low	rare earths + bauxite
Li-S Energy	LIS		new low	Lithium sulphur battery technology
LCL Resources	LCL		sideways at lows	gold/nickel exploration
Lotus Resources	LOT		rising	uranium
Lucapa Diamond	LOM		new low	diamonds
Lunnon Metals	LM8		down	nickel
Lynas Corp.	LYC		rallied to meet resistance	rare earths
Marmota	MEU		rising	gold/uranium exploration
Mayur Resources	MRL		breached uptrend	renewables, cement
Meeka Gold	MEK		rallying	gold
MetalsX	MLX		rising	tin, nickel
Meteoric Resources	MEI		sideways	rare earths
Metro Mining	MMI		new high	bauxite
Midas Minerals	MM1		slump	lithium
Mitre Mining	MMC		steep rise	silver
Nagambie Resources	NAG		another new low	gold, antimony
Neometals	NMT		new low	lithium
Newfield Resources	NWF		breached downtrend	diamonds
Nexgen Energy	NXG		breached uptrend	uranium
Northern Star Res.	NST		breached uptrend	gold

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Nova Minerals	NVA	down	gold exploration
Novo Resources	NVO	down	gold exploration
Pacific Gold	PGO	new low	gold exploration
Paladin Energy	PDN	heavy fall	uranium
Pantoro	PNR	rising again	gold
Patriot Battery Metals	PMT	near lows	lithium
Peninsula Energy	PEN	gently lower	uranium
Perseus Mining	PRU	new high	gold
Provaris Energy	PV1	down	hydrogen
QMiners	QML	new low	copper
Queensland Pacific Metals	QPM	new low	nickel/cobalt/HPA
RareX	REE	new low	phosphate, rare earths
Regis Resources	RRL	testing uptrend	gold
Regergen	RLT	down	gas, helium
Richmond Vanadium	RVT	testing downtrend	vanadium
RIO	RIO	heavy slump	diversified, iron ore
RTG Mining	RTG	rising	copper
Rumble Resources	RTR	new low	zinc exploration
S2 Resources	S2R	gentle downtrend	gold exploration
Sandfire Resources	SFR	pullback	copper
Santos	STO	weaker	oil/gas
Sarytogan Graphite	SGA	down	graphite
Siren Gold	SNG	rising	gold exploration
South Harz Potash	SHP	new low	potash
Southern Cross Gold	SXG	spike to new high	gold exploration
Southern Palladium	SPD	rising again	PGMs
Stanmore Coal	SMR	testing downtrend	coal
Stellar Resources	SRZ	uptrend	tin
Summit Resources	SUM	new high	niobium, rare earths
Suvo Strategic Minerals	SUV	spiked higher	kaolin
Talga Resources	TLG	slump	graphite
Tamboran Resources	TBN	rising again	gas
Theta Gold Mines	TGM	rising again	gold
Thor Energy	THR	down	uranium
Tietto Minerals	TIE	surge on takeover approach	gold
Torque Metals	TOR	breached downtrend	gold exploration + lithium
Vanadium Resources	VR8	new uptrend	vanadium
Venture Minerals	VMS	back to recent high	tin, tungsten
Vintage Energy	VEN	new low	gas
Voltaic Strategic Resources	VSR	at lows	REO + lithium
Vertex Minerals	VTX	breached downtrend	gold
Walkabout Resources	WKT	sideways	graphite
Warriedar Resources	WA8	breached downtrend	gold exploration
West Cobar	WC1	new low	rare earth + lithium

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Westgold Resources	WGX		testing downtrend	gold
West Wits Mining	WWI		correcting lower	gold
Whitehaven Coal	WHC		testing uptrend	coal
Zenith Minerals	ZNC		new low	gold exploration
Totals	33%	45	Uptrend	
	39%	54	Downtrend	
		137	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	28	20.4%
Gold Exploration	16	11.7%
Rare Earths	13	9.5%
Copper	10	7.3%
Uranium	7	5.1%
Lithium	6	4.4%
Oil/Gas	6	4.4%
Nickel	5	3.6%
Graphite/graphene	5	3.6%
Iron Ore/Manganese	4	2.9%
Potash/Phosphate	4	2.9%
Coal	3	2.2%
Tungsten	3	2.2%
Tin	3	2.2%
Silver	3	30.0%
Diamonds	2	1.5%
Niobium	2	1.5%

Vanadium	2	20.0%	
Zinc/Lead	2	1.5%	
Mineral Sands	1	0.7%	
Bauxite	1	0.7%	
Cobalt	1	0.7%	
Other	10		
Total	137		

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