

Perfect timing. Agua pours first gold as price hits US\$2,800/oz

In continuing with the focus on smaller gold companies that offer strong earnings potential, we revisit Agua Resources (AGR) again this week. The key news flow has been the first gold pour from the Santa Barbara gold project in Colombia.

The Company is still constrained by what it can release to the market, because it hasn't yet released JORC resources, but that doesn't stop you from joining the dots and looking over the horizon. We know the gold bearing veins are very high grade. This has been reported to the ASX. We know that there is a treatment plant on site and we now know that it works. Hence the gold pour.

You can look at this Company as a potentially strong earnings stock but that is only half the story. The real leverage lies in the exploration upside from the drilling program that will start in February/March. The proving of resources and reserves will appease those who like to tick boxes, but the more astute investors can see beyond compliance and see the speculative appeal.

Agua pours its first gold

Last Thursday Agua Resources (AGR) announced that it had poured its first gold at the Santa Barbara Gold Project in Colombia. The fact that the first gold pour has been a number of weeks behind the original schedule has been a little frustrating, but the delay has been due to short term issues that have been compounded by the Xmas shutdown and delayed access to capital items. Nothing has fundamentally changed from the business model. Most commissioning exercises in the industry involve turning on the plant to find out where additional attention is required. This has been no different.

The exact size of the pour, and its value, is subject to confidentiality until the reconciliation has taken place at the refinery. Subsequent ASX releases will provide more detail when it is available.

That sets the stage for continuous gold production but the Company is still not permitted to provide official guidance. Nevertheless, as the quarterly report said yesterday, the commissioning of the thickener over the next week will halve the residence time in the tanks and allow the 30 tpd throughput ahead of the the expansion to 50 tpd when the new crushing circuit is installed in 2-3 months.

Record time frame, amazingly low capex

Pouring the first gold is an important milestone, but take a minute to reflect on how quickly this has been achieved. It has only been six month since the takeover was completed and work commenced on the development. That is amazing in this modern world of red, green and black tape. Could it have happened this quickly in Australia? Most unlikely. Time is money and Agua hasn't wasted any time.

While talking money, the capex to date to get to this point has been around A\$2m. Further capex will be required to

get to the 50 tpd rate, but there is an expectation that cash flow from the project will be able to finance this step. We are talking less than \$2m from now to achieve this target so it is not a big ask.

What would be the replacement cost if Agua was starting out on this venture today? It wouldn't be surprising if the price tag today was something north of \$20m. It would take at least 2-3 years to get there when you take into account permitting and construction. Making the \$7m paper bid for Andean, the unlisted company that owned Santa Barbara, will go down as the smartest deal ever done by Agua.

Brownfields exploration to provide leverage

Fundamental analysts will have trouble valuing Santa Barbara right now, as the first thing they look at is the JORC resource. However, if you have some technical nous and a basic understanding of ore deposit geology, you would appreciate that a vein opened up by an adit, proving 200m of continuity on one plane gives rise to reasonable assumptions of extensions above and below that which is already exposed. The proof will be in the drilling to provide statistically reliable samples that can be tied in with the existing workings.

Agua plans to get two drill rigs turning before the end of Q1. The Company knows exactly where to drill to hit the veins, which have consistently been sampled at grades of > 30 gpt. That means we should expect a series of drill holes with very high grade hits that will excite the market. The information gained will be used for both resource calculations and for mine development planning.

The Bottom Line

Look at any gold mine around the world that is mining an orebody running near 30 gpt and you will see that its operating costs are in the order of US\$400/oz, or less. The cash operating margin at a gold price of US\$2,800/oz would be US\$2,400/oz, or A\$3,800/oz. For every 10,000 oz that a mine produces it means A\$38m p.a. of cash profit. It doesn't have to be a big mine to be very profitable. At the moment Agua is capitalised at only \$38m. Dwell on that for a minute and then speculate as to how much gold might be exposed when the drilling starts. It is a compelling story.

Disclosure: Interests associated with the author own shares in Agua. The author is the Executive Chairman.

Emmerson powers higher on upgrade

Last weekend we commented that Emmerson (ERM) was a gold company destined for better things, with the shares in an uptrend. On Wednesday, the Company announced that it had increased its Tennant Creek Mineral resource base by 130%, to 866,000 oz. Nice.

The White Devil resource is now 90% in the Indicated category, enabling the progression to the calculation of reserves. It also increases the possibility that the deposit will fall into the Major Mine category whereby Emmerson can retain a 40% contributing interest in the mine development.

The share price has reacted appropriately, rising from 8.3¢ to 9.8¢ on yesterday's close. The uptrend remains in tact.

Voting at AGMs and EGMs - a waste of time?

How effective is the voting procedure at general meetings of companies? Does it result in better outcomes, or is it irrelevant? These are questions that need to be asked. There is some false notion that a democratic vote is a fair vote that leads to a better outcome. How many shareholders would agree?

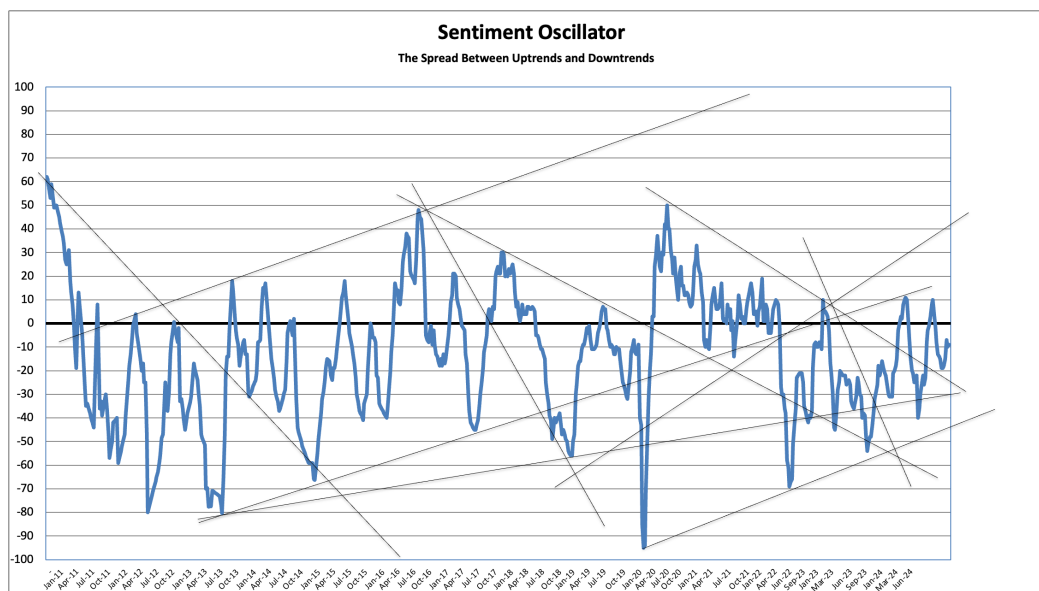
When a shareholder is unhappy about some event or action and can see no opportunity for a remedy, the logical and most simple thing to do is to sell and move on. They call this voting with your feet. It is usually not worth going into the battlefield. That effectively means that when it comes to a shareholder vote the register is full of apathetic holders in many cases, particularly when the company and the share price is underperforming.

Information of an upcoming vote is kept secret, on the rules of ASX and ASIC, but those in the box seat - directors and officers of the companies - have access to the information. They have the knowledge and the opportunity to go out and canvas more votes for particular resolutions if needed, to get them passed. Is there any logical reason why the information on proxies can't be made available to all shareholders in real time? That would be best.

A vote to ratify a placement of shares, with associated resolutions, is meaningless. What is the point of voting down such a resolution if that means that the money has to be handed back?

The ASX has some false notion that if shareholders vote in favour of a resolution, such as those that reward directors with options or performance shares, then everyone is happy and there is no merit in it scrutinising it any further - provided the relevant boxes have been ticked.

There are many flaws in the current system of notices and voting, but I'm not in the position to offer a better alternative that improves either equity or efficiency. I'd be happy to field any thought on the matter.



Sentiment Oscillator: No real change in sentiment over the week. There were 33% (33%) in uptrend and 42% (43%) in downtrend.

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	new high	
Metals and Mining	XMM	rallying	
Energy	XEJ	still down	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Aguia Resources	AGR	back to long term support line	phosphate, gold
Alkane Resources	ALK	forming a wedge	gold
Alicanto Minerals	AQI	strongly higher	base metals, silver, gold
Alligator Energy	AGE	breached uptrend	uranium
Almonty Industries	All	rising	tungsten
Alpha HPA	A4N	rising again	HPA
Altech Chemical	ATC	breached support line	HPA, anodes
American Rare Earths	ARR	sideways breach of downtrend	rare earths
Anax Metals	ANX	new low after placement	copper
Andean Silver	ASL	back to support line	silver
Anteotech	ADO	back to low	silicon anodes, biotech
Arafura Resources	ARU	secondary downtrend in play	rare earths
Ardea Resources	ARL	testing downtrend	nickel
Arizona Lithium	AZL	new low	lithium
Astral Resources	AAR	on support line	gold
Aureka	AKA	rising after name change from Navarre	gold exploration
Auric Mining	AWJ	breached uptrend	gold
Averina	AEV	hugging downtrend line after initial breakout	phosphate
Aurora Energy Metals	1AE	back to support line	uranium
Aurelia Metals	AMI	rising	copper + base metals
Aurum Resources	AUE	falling	gold
Australian Gold and Copper	AGC	weaker	base metals, silver, gold
Australian Rare Earths	AR3	sideways at lows	rare earths
Australian Strategic Materials	ASM	testing downtrend	rare earths
BHP	BHP	secondary downtrend in play	diversified, iron ore
Ballymore Resources	BMR	back to highs	gold exploration
Barton Gold	BGD	gently higher	gold exploration
Beach Energy	BPT	rising	oil and gas
Bellevue Gold	BGL	down	gold
Besra Gold	BEZ	still down	gold
Black Cat Syndicate	BC8	new high	gold
Boab Metals	BML	rising	silver/lead
Brazil Critical Minerals	BCM	new low - two tranche plus 1 for 3	rare earths
Brazilian Rare Earths	BRE	back to downtrend	rare earths
Brightstar Resources	BTR	less steep uptrend	gold

Caravel Minerals	CVV		improving	copper
Carnaby Resources	CNB		down	copper
Castile Resources	CST		down	gold/copper/cobalt
Catalyst Metals	CYL		rising again	gold
Cazaly Resources	CAZ		new low	rare earths
Celsius Resources	CLA		at lows	copper
Challenger Gold	CEL		breached downtrend	gold
Cobalt Blue	COB		at lows	cobalt
Critica. (was Venture)	CRI		rising	tin
Cyprium Metals	CYM		strong rally	copper
Emerald Resources	EMR		back to highs	gold
Empire Energy	EEG		breached uptrend	gas
Emmerson Resources	ERM		uptrend	
EQ Resources	EQR		collapse to new low	tungsten
Evolution Mining	EVN		rising	gold
Felix Gold	FXG		spiked higher	gold exploration, antimony
First Graphene	FGR		steep rise	graphene
Fortescue Metals	FMG		rally run out of steam	iron ore
Genesis Minerals	GMD		rising	gold
Globe Metals and Mining	GBE		sideways	niobium
Gold 50	G50		testing uptrend	gold exploration + gallium
Great Boulder Resources	GBR		new low	gold exploration
Hamelin Gold	HMG		back to lows	gold exploration
Hastings Technology Metals	HAS		breaching recent uptrend	rare earths
Heavy Minerals	HVY		rising	garnet
Hillgrove Resources	HGO		new low	copper
Iltani Resources	ILT		testing downtrend	antimony
Iluka Resources	ILU		new low	mineral sands
ioneer (was Global Geoscience)	INR		breached downtrend	lithium
Ionic Rare Earths	IXR		sideways at lows	rare earths
Jindalee Lithium	JLL		at lows	lithium
Jupiter Mines	JSM		sideways at lows	manganese
Kaiser Reef	KAU		improving	gold
Kalina Power	KPO		breaching steep uptrend	carbon sequestration
Larvotto Resources	LRV		new high	gold, antimony
Lindian Resources	LIN		down	rare earths + bauxite
Li-S Energy	LIS		testing downtrend	Lithium sulphur battery technology
Lotus Resources	LOT		continuing down	uranium
Lucapa Diamond	LOM		collapsed on placement	diamonds
Lunnon Metals	LM8		down	nickel
Lynas Corp.	LYC		down	rare earths
Marmota	MEU		spiked higher on titanium discovery	gold/uranium exploration
Mayur Resources	MRL		fallen to support line	renewables, cement
Meeka Gold	MEK		uptrend	gold

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MetalsX	MLX		rising	tin, nickel
Meteoric Resources	MEI		down	rare earths
Metro Mining	MMI		back to high	bauxite
Midas Minerals	MM1		pullback	lithium
Nagambie Resources	NAG		weaker	gold, antimony
Neometals	NMT		down	lithium
Newfield Resources	NWF		suspended	diamonds
Nexgen Energy	NXG		down	uranium
Northern Star Res.	NST		rallying	gold
Nova Minerals	NVA		surged higher	gold exploration
Novo Resources	NVO		down	gold exploration
Pacific Gold	PGO		new low	gold exploration
Paladin Energy	PDN		rallying, about to meet resistance line	uranium
Pantoro	PNR		testing downtrend	gold
Patriot Battery Metals	PMT		pullback after strong rally	lithium
Peninsula Energy	PEN		breached uptrend	uranium
Perseus Mining	PRU		correcting lower	gold
Provaris Energy	PV1		new low	hydrogen
QMiners	QML		testing downtrend	copper
Queensland Pacific Metals	QPM		rising	nickel/cobalt/HPA
RareX	REE		at lows	phosphate, rare earths
Regis Resources	RRL		new high	gold
Regergen	RLT		bounce from lows	gas, helium
Richmond Vanadium	RVT		down	vanadium
RIO	RIO		testing downtrend	diversified, iron ore
RTG Mining	RTG		down	copper
Rumble Resources	RTR		slump on placement	zinc exploration
S2 Resources	S2R		down	gold exploration
Sandfire Resources	SFR		off its highs	copper
Santana Minerals	SMI		testing downtrend	gold
Santos	STO		breaching downtrend	oil/gas
Sarytogan Graphite	SGA		still down	graphite
Siren Gold	SNG		back to lows	gold exploration
Southern Palladium	SPD		pullback	PGMs
Stanmore Coal	SMR		down	coal
St George Mining	SGQ		suspended	rare earths, niobium
Stellar Resources	SRZ		gently lower	tin
Summit Resources	SUM		down	niobium, rare earths
Sun Silver	SS1		secondary downtrend in play	silver
Suvo Strategic Minerals	SUV		down	kaolin
Talga Resources	TLG		rallying, about to meet resistance line	graphite
Tamboran Resources	TBN		rising	gas
Terra Uranium	T92		rallying	uranium
Theta Gold Mines	TGM		rising again	gold

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Toro Energy	TOE		down	uranium
Torque Metals	TOR		back to lows	gold exploration + lithium
Vanadium Resources	VR8		back to lows	vanadium
Vintage Energy	VEN		sideways	gas
Vertex Minerals	VTX		steeply higher	gold
Warriedar Resources	WA8		testing downtrend	gold exploration
West Cobar	WC1		new low	rare earth + lithium
Westgold Resources	WGX		spiked higher	gold
West Wits Mining	WWI		sideways	gold
Whitehaven Coal	WHC		down	coal
Totals	33%	43	Uptrend	
	42%	56	Downtrend	
		132	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	27	20.5%	
Rare Earths	14	10.6%	
Gold Exploration	14	10.6%	
Copper	11	8.3%	
Uranium	9	6.8%	
Lithium	6	4.5%	
Oil/Gas/Hydrogen	7	5.3%	
Graphite/graphene	3	2.3%	
Iron Ore/Manganese	4	3.0%	
Nickel	3	2.3%	
HPA/Kaolin	3	2.3%	
Tungsten	2	1.5%	

Tin	3	2.3%	
Silver	3	2.3%	
Antimony	4	3.0%	
Potash/Phosphate	2	1.5%	
Coal	2	1.5%	
Diamonds	2	1.5%	
Niobium	1	0.8%	
Vanadium	2	40.0%	
Zinc/Lead	1	0.8%	
PGMs	1	0.8%	
Mineral Sands	1	0.8%	
Bauxite	1	0.8%	
Cobalt	1	0.8%	
Other	5	3.8%	
Total	132		

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