

Agua Resources - strong value in phosphate with rare earths

The general market in the US is being affected by the debate about which way interest rates will go, with many thinking that there is likely to be another tick upwards due to the strength in the US economy. That may be the case, but if we are near the top of the cycle, then we should be looking beyond this point.

Once again we will find ourselves in the position where bad news for the economy is good news for the stock market because of the implications for interest rates. Been there, done that.

Should we have faith that the Fed, or our Reserve Bank, knows what it is doing? Sort of, but they will never get it absolutely right. They didn't start to tighten rates early enough and so they had to play catch up. Now, in trying to appear responsible they will keep interest rates higher for longer than what we, the people, believe necessary. Once again we will see a period where monetary policy is in the vanguard and fiscal policy fluffs around with political issues rather than working in tandem. This leaves the markets to be pushed either way depending upon the mood of speculators in any given week. Learn to live with it.

The flight to gold continues

We are at the juncture in the markets where gold and oil are working together to provide trading opportunities; and yes, it is because of conflict in the Middle East, again. The oil price continues to be a big factor notwithstanding the Greenies efforts to diminish its importance. We saw coal become more important when the screws were tightened on new coal developments. Well, expect the same with oil. The more its enemies try to suppress its use, the stronger will be the price. We will never be able to do away with oil forever. Developers of oil projects may have more problems but producers are in the box seat.

With global warfare increasing all the time and peace becoming a scarce commodity, the flight to gold will continue. Whilst attending a 121 Conference last week, we scanned through the various commodities in quick survey as we wondered where we could go to recover trading losses of the last 12 months. Everyone has rare earth and lithium prospects and more companies are entering these fields each week. There is only so much money to go around. Once the flow starts to slow, then stop, the next move will be out of these sectors. So where will it go - or has it just evaporated. Hopefully not.

We are already seeing signs that attention is being turned gold with the strength of the last week being a factor. As we have been saying for several weeks now, gold is looking the most likely. It is all about here and now, whereas as many of the exotics require faith in the long term and long term invariable tests people's patience.

Agua reports high grade rare earths

As the ASX release of 9 October stated, Agua Resources (AGR) does indeed have extensive rare earth occurrences at its Tres Estradas carbonatite in Brazil. Previous reporting has focused on its potentially very profitable phosphate at Tres Estradas but without much attention being given to the rare earths.

You have to go back more than 10 years to 2011, when rare earths were not considered interesting, to find the historical assays. The best diamond drill hole assay was 24.7m at 1.27% (12,700 ppm) TREO from a depth of 10m. A second intercept was 18.6m at 0.75% (7,500 ppm) TREO. A total of 19 diamond drill holes had REE assays, including 113 samples of oxidised carbonatite (sapolite) and 431 samples of fresh, unweathered carbonatite. Niobium grades have also been recorded. These results warrant more detailed follow up.

Excellent fundamentals for the phosphate ...

Agua has completed a Bankable Feasibility Study on the phosphate project, which has Measured and Indicated Resources of 83 Mt at 4.11% P₂O₅. The first phase of development has an estimated capex of A\$26m, capex payback of 2.9 years and an excellent IRR of 54.7% on annual production of 306,000 tpa of natural phosphate fertiliser. Brazil is dependent on imports to satisfy its annual demand of 2.4 Mtpa. Thus import replacement is the logical business model to pursue, especially with a commodity such as phosphate where transport costs determine competitiveness in most cases.

While it is still early on the rare earth front, the company will want to consider a rare earths recovery circuit at some point as it may add significantly to the earnings from Tres Estradas, depending upon commodity prices.

... but an NGO action is causing delays

An NGO has lodged an injunction that is alleging flaws in the technical and environmental studies, meaning that financing and project development is temporarily on hold pending a decision by the court. How seriously should shareholders take this? Is it a speed bump or something more fundamental? I think the speed bump description is closer to the mark.

From what I can tell, there is no legitimacy for this allegation but it is typical of NGO strategies all around the world. NGOs want to obstruct mining developments. They are spoilers and it doesn't matter if they don't have a strong case. They will still launch an action because they can. For them, success is defined as achieving a delay in the project. It is like guerrilla warfare; harass the companies and make life difficult. The projects usually get the go-ahead, but there is a cost to delays. It might be resolved quickly, but lawyers never do things quickly; they charge by

the hour. In the meantime, Agüa's share price has been heavily discounted.

The Bottom Line

Agüa is capitalised at only \$7m with the last sale at 1.5¢. This capitalisation stands in stark contrast to the estimated annual A\$22m EBITDA released to the ASX, in the BFS. One would have to say that it looks excellent value, and it should be selling at a multiple of the current market price. Certainly, the downside from these levels should be minimal.

What about the speculative upside? Consider the other five carbonatites that have not yet been explored. They could contain all sorts of mineralisation. Consider WA1, which is currently capitalised at \$208m, having run from 22¢ to hit a high of \$5.97 in July, with the excitement coming from rare earths and niobium in a carbonatite. It shows how the market can get excited if you deliver the right results.

Further, the company has the useful Andrade Copper Project in Brazil with an M&I resource of 22.6 Mt at 0.43% Cu and 2.11 gpt Ag. A further 11 drill ready targets await testing in a belt that shows similarities to the Kalahari copper belt in Africa.

Agüa is currently undertaking a 1 for 4 entitlement issue at 1.4¢, that could raise \$1.6m.

Disclosure: Interests associated with the author owns shares in Agüa. FEC is entitled to receive capital raising fees and the author is the chairman.

Good news from Colombia for LCL

In talking to investors about the merits of investing in Colombia, opinions seem to fall into two camps. Those who have travelled to Colombia and experienced it first hand invariably give it glowing reports. They highly recommend the country as both a society and a destination for mining companies. The other camp - those who have never been there - are haunted by visions of Pablo Escobar and the drug trade. The reality is that most of the drugs come out of Mexico nowadays, with Colombia being only a very minor player in the drug scene. Many of the big mining companies are in Colombia so it should be seen as a destination of merit.

With these thoughts in mind, it was pleasing to see that LCL Resources (LCL) has received an Environmental Licence for the Miraflores gold deposit, part of the 2.6 Moz Quinchia Gold Project in Colombia. That granting testifies to the strong political and social support for the development of the mining project. Miraflores has a 0.87 Moz gold resource and a 0.45 Moz reserve.

LCL still has to obtain a similar approval for the larger Tesorito porphyry gold deposit, 1 km east of the Miraflores, but that should be seen as work in progress. The main point is that mining projects can be permitted in Colombia even when the President is not seen as pro-mining.

Disclosure: Interests associated with the author owns shares in LCL.

Postmortem of the Voice Referendum

That the No vote carried the on the 14th should not have been a surprise. The overwhelming majority of Australians saw through the deception in the campaign, recognising that the Government already has the tools that are needed to better the lives of Aborigines in Australia. It just needs to do its job properly, with conviction and competence. There was no need to bring a Trojan Horse through the gates.

One might have been idealistic and thought that once the referendum was done, Australia could move on and get back to solving the core problem, but no. We have seen almost Trump-like whinging about the result. While not complaining about the actual number of votes - it was a crushing defeat with no doubt about how the majority felt - you certainly can't say that the Yes voters were gracious in defeat. They have been very sore losers. One wonders what tactics they might employ next as they circle back for revenge. As usual, the minorities make the great noise. They are the greatest troublemakers.

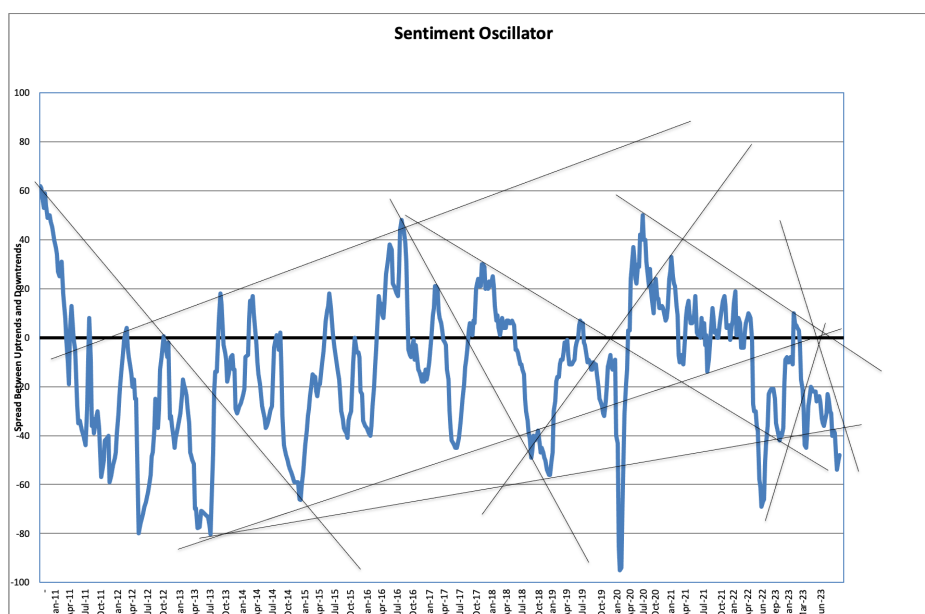
To suggest that Australia's standing in the global society has taken a blow, a theme being pushed by the ABC and like-minded people, is absolute rubbish. To think that the rest of the world thinks about what is happening in Australia for more than a nanosecond is naive and the proponents of this view are clutching at straws. As my daughter would say, "build a bridge".

Talking about disadvantaged people, spare a thought for the general rural population, irrespective of race or origin. The latte sipping city dwellers have significant advantages over our country folk across all matters of society, including education, health care, infrastructure, communications, job opportunities and many other matters. They accept this is natural consequence of our one man one vote system of democracy. There are more votes in the cities so they get more money spent them. Maybe this gives some insight into why the strongest Yes vote was in the inner-city electorates rather than in the rural seats where life is tougher, for everyone.

ABC hits a new low with story on periods

On Saturday morning the ABC News radio hit a new low when it ran a story about periods becoming more expensive for women. Yes, that is right, periods! They even sought to legitimise the story by getting a quote, from a woman of course. What sort of mindless journalism is this? Why are taxpayers funding such idiots?

Everything is getting more expensive. That is what inflation does to the economy. What is so special about periods?



Sentiment Oscillator: Sentiment improved slightly last week. There were 13% (13%) of the charts in uptrend, and 61% (63%) 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	still in downtrend	
Metals and Mining	XMM	continuing lower	
Energy	XEJ	breached uptrend	
Information Technology	XIJ	turning down	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
5EA Advanced Materials	5EA	breached steepest downtrend	boron
92 Energy	92E	heavy fall on exploration news	uranium
A-Cap Energy	ACB	testing uptrend	uranium
Alpha HPA	A4N	breaching downtrend	HPA
Adriatic Resources	ADT	new high	zinc, polymetallic
Advance Metals (was Pacific American)	AVM	back to lows	coal, gold exploration
Agua Resources	AGR	at lows	phosphate, copper exploration
Alkane Resources	ALK	down	gold
Alicanto Minerals	AQI	stronger	base metals, silver, gold
Almonty Industries	All	weaker	tungsten
Altech Chemical	ATC	new low on placement	HPA, anodes
Anteotech	ADO	new low on placement	silicon anodes, biotech
Alto Metals	AME	at lows with a placement	gold exploration

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American Rare Earths	ARR	sideways	rare earths
Antilles Gold	AAU	new low	gold and copper expl.
Anax Metals	ANX	new low	copper
Arafura Resources	ARU	new low	rare earths
Ardea Resources	ARL	secondary downtrend	nickel
Aurelia Metals	AMI	failed at secondary downtrend	gold + base metals
Australian Rare Earths	AR3	down	rare earths
Australian Strategic Materials	ASM	testing uptrend	rare earths
Arizona Lithium	AZL	new low	lithium
Azure Minerals	AZS	another surge higher then pullback	nickel exploration
BHP	BHP	down	diversified, iron ore
Barton Gold	BGD	testing downtrend	gold exploration
Beach Energy	BPT	breached uptrend	oil and gas
Bellevue Gold	BGL	new high	gold exploration
Benz Mining	BNZ	breached uptrend	gold
Black Cat Syndicate	BC8	new low on placement	gold
BMG Resources	BMG	down	gold exploration
Boab Metals	BML	new low	silver/lead
Calidus Resources	CAI	new low	gold
Caravel Minerals	CVV	still down	copper
Carnaby Resources	CNB	new low	copper
Castile Resources	CST	back to lows	gold/copper/cobalt
Cazaly Resources	CAZ	breached uptrend	rare earths
Celsius Resources	CLA	at lows	copper
Cobalt Blue	COB	down again	cobalt
Cyprium Metals	CYM	collapse on return from suspension	copper
Dateline	DTR	down	rare earths
Ecograf	EGR	new low	graphite
Emerald Resources	EMR	rising, new high	gold
Empire Energy	EEG	risen to resistance line	gas
EQ Resources	EQR	testing uptrend	tungsten
Euro Manganese	EMN	new low	manganese
Evolution Energy	EV1	new low	graphite
Evolution Mining	EVN	breached uptrend	gold
First Graphene	FGR	breached uptrend	graphene
Fortescue Metals	FMG	bounced above downtrend line	iron ore
FYI Resources	FYI	down	HPA
Galena Mining	G1A	testing downtrend	lead
Genesis Minerals	GMD	testing support	gold
Genmin	GEN	suspended	iron ore
Gold 50	G50	down	gold exploration + gallium
Great Boulder Resources	GBR	new low	gold exploration
Group 6 Metals	G6M	down	tungsten
Hamelin Gold	HMG	testing downtrend	gold exploration

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Hastings Technology Metals	HAS		new low	rare earths
Hazer Group	HZR		breached steepest downtrend	hydrogen
Heavy Minerals	HVY		down	garnet
Highfield Resources	HFR		new low	potash
Hillgrove Resources	HGO		rising gently	copper
Iluka Resources	ILU		heavy fall	mineral sands
ioneer (was Global Geoscience)	INR		down	lithium
Ionic Rare Earths	IXR		breached downtrend	rare earths
Jervois Mining	JVR		new low	nickel/cobalt
Jindalee Resources	JRL		testing downtrend	lithium
Kaiser Reef	KAU		sideways through downtrend	gold
Kalina Power	KPO		testing downtrend	power station additive
Krakatoa Resources	KTA		secondary downtrend	rare earths
Kingfisher Mining	KFM		down	rare earths
Lepidico	LPD		improving	lithium
Lindian Resources	LIN		down	rare earths + bauxite
Lion One Metals	LLO		surge out of downtrend	gold
Li-S Energy	LIS		new low	Lithium sulphur battery technology
LCL Resources	LCL		breached downtrend	gold exploration
Lotus Resources	LOT		rising	uranium
Lucapa Diamond	LOM		testing downtrend	diamonds
Lunnon Metals	LM8		new low	nickel
Lynas Corp.	LYC		still down	rare earths
Mako Gold	MKG		new low	gold exploration
Marmota	MEU		breached downtrend	gold exploration
Matador Mining	MZZ		down	gold exploration
Mayur Resources	MRL		breached uptrend	renewables, cement
Meeka Gold	MEK		down	gold
Megado Minerals	MEG		down	rare earths, gold exploration
MetalsX	MLX		down	tin, nickel
Meteoric Resources	MEI		off its high	rare earths
Metro Mining	MMI		sideways	bauxite
Midas Minerals	MM1		slump	lithium
Nagambie Resources	NAG		new low	gold, antimony
Neometals	NMT		new low	lithium
Newfield Resources	NWF		down	diamonds
Northern Star Res.	NST		rising	gold
Nova Minerals	NVA		spiked higher	gold exploration
OreCorp	ORR		rising	gold development
Pacific Gold	PGO		breached short term uptrend	gold exploration
Pantoro	PNR		fallen back to lows	gold
Panoramic Res	PAN		collapse on placement	nickel
Parabellum Resources	PBL		down - suspended	rare earths
Patriot Battery Metals	PMT		breached uptrend	lithium

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Peak Resources	PEK	■	new low	rare earths
Peninsula Energy	PEN	■	collapse	uranium
Perseus Mining	PRU	■	breached downtrend	gold
Poseidon Nickel	POS	■	collapse	nickel
Provaris Energy	PV1	■	sideways through uptrend	hydrogen
QMiners	QML	■	new low	copper
Queensland Pacific Metals	QPM	■	long term down	nickel/cobalt/HPA
RareX	REE	■	breached downtrend	rare earths, phosphate
Regis Resources	RRL	■	collapse	gold
Regergen	RLT	■	down	gas, helium
Richmond Vanadium	RVT	■	sideways	vanadium
RIO	RIO	■	breached resistance line	diversified, iron ore
Rumble Resources	RTR	■	secondary downtrend	gold exploration
S2 Resources	S2R	■	sideways though uptrend	gold exploration
Sandfire Resources	SFR	■	down	copper
Santos	STO	■	rising	oil/gas
Sarama Resources	SRR	■	at rock bottom	gold exploration
Sarytogan Graphite	SGA	■	new low	graphite
Siren Gold	SNG	■	breaching short term uptrend	gold exploration
South Harz Potash	SHP	■	down again	potash
Southern Cross Gold	SXG	■	surge higher	gold exploration
Southern Palladium	SPD	■	breached downtrend	PGMs
Stanmore Coal	SMR	■	new high	coal
Strandline Resources	STA	■	new low	mineral sands
Sunstone Metals	STM	■	meeting resistance line	gold/copper exploration
Suvo Strategic Minerals	SUV	■	improving	kaolin
Talga Resources	TLG	■	down	graphite
Tamboran Resources	TBN	■	improving	gas
Technology Metals	TMT	■	down	vanadium
Theta Gold Mines	TGM	■	strong rise	gold
Thor Energy	THR	■	back into downtrend	uranium
Tietto Minerals	TIE	■	testing downtrend	gold
Vanadium Resources	VR8	■	drifting lower	vanadium
Venture Minerals	VMS	■	down	tin, tungsten
Vintage Energy	VEN	■	breached downtrend	gas
Voltaic Strategic Resources	VSR	■	new low	REO + lithium
West African Resources	WAF	■	new low	gold
West Cobar	WC1	■	down	rare earth + lithium
Westgold Resources	WGX	■	new high	gold
West Wits Mining	WWI	■	sideways	gold
Whitehaven Coal	WHC	■	testing downtrend	coal
Xantippe Resources	XTC	■	down	lithium
Zenith Minerals	ZNC	■	breached downtrend	gold exploration
Totals	13%	18	Uptrend	

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	61%	86	Downtrend	
		142	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 Exploration	19	13.4%	
Gold	20	14.1%	
Rare Earths	17	12.0%	
Lithium	10	7.0%	
Oil/Gas	8	5.6%	
Copper	9	6.3%	
Nickel	7	4.9%	
Iron Ore/Manganese	5	3.5%	
Graphite/graphene	5	3.5%	
Uranium	6	4.2%	
Silver	4	40.0%	
Tungsten	3	2.1%	
Mineral Sands	2	1.4%	
Vanadium	3	30.0%	
Zinc/Lead	2	1.4%	
Coal	2	1.4%	
Potash/Phosphate	3	2.1%	
Bauxite	2	1.4%	

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Tin	2	1.4%	
Cobalt	1	0.7%	
Diamonds	2	1.4%	
Other	10		
Total	142		

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