

Optimism coming through the opaqueness of reasoning

Gold price recovery is assisting with sentiment

During the week we saw the All Ords break strongly to a new recent high, back to where it was pre-virus, while the Metals and Mining Index surged through a short-term downtrend line. Both moves were very positive.

The gold price has been on the rebound over the last week, rising about \$60/oz from its recent low of US\$1,684. Gold producer share prices have rebounded as well with a number of them testing downtrends. Time will tell whether this is another trap or if it is indeed a serious reversal of the down trend. In the interim, it is delivering a more positive sentiment this week.

Opaqueness and optimism in economics

We have seen a departure from conventional economics and market behaviour over the past 13 months that have been dominated by the virus. Fundamental principles have taken a back seat as the need for fiscal discipline has been sidelined in preference for massive stimulation from government handouts. Stock markets have been boosted by the injection of liquidity into the hands of punters who have thrown caution to the wind. Making money has been all about FOMO and buying ahead of the next buyer with various sectors being aggressively bought, one after another, as money rotates in 3-4 week cycles of frenzied activity.

Supply and demand economic analysis has been compromised by virus induced disruption to supply chains. Trade wars and the vindictiveness of China are having a distorting effect while the increasing aggression of that same country in the South China Sea is causing countries to seek greater national independence in manufacturing so as to reduce reliance on foreign and increasingly unreliable partners. We have been lacking any stabilising ballast in commodity markets.

Yet, through all of this opaqueness, we see optimism coming from the CEO of JPMorgan, Jamie Dixon. He is saying that the USA is going through a Goldilocks period that could continue until 2023, on the basis of strong consumer savings, expanded vaccine distribution and the Biden administration's proposed US\$2.3 trillion infrastructure plan. He anticipates fast, sustained growth alongside inflation and interest rates that drift slowly upward.

If Jamie Dixon is correct, and the rest of the world benefits from his positive outlook for the US economy, then our markets should continue with its positive spin on events. The period of high profitability may be sustainable for longer than what we may have previously thought.

LCL may come onto the institutional radar soon

Los Cerros is one of the more interesting gold exploration stocks at the moment, having risen by more than 1000% from its 2020 low, to hit a high of 20.5¢ in October last year. Late in 2020, it dipped below 10¢ for a day as money was

departing gold exploration stocks generally, but it was back up to a new high for 21.5¢ on 21st of January, on the back of incrementally good drill results. Then it was sold down to 11.5¢ early in March, only to push back to 20.5¢ last week on more good drill results. Thus there have been great trading opportunities.

Where to position the company now?

At what point do we begin to understand that Los Cerros is more than a great trading stock? Is it when you stand back and take a birds-eye view of the drill holes results coming out of the Tesorito Project in Colombia and see the big picture? If you do so you will recognise that you are dealing with a "world class project", in the true meaning of the phrase. However, the key to a lasting re-rating of the stock is when large, long term investors decide that they want a piece of the action. This could happen via a large placement to introduce institutions or it could be through on-market purchases that take the slop out of the market. When it happens is the variable we don't know yet, but it is only a matter of time.

The latest hole; # 16 with 629m at 0.88 gpt

Last Tuesday LCL reported Hole TS-DH16, with 629m at 0.88 gpt and the first 460m at 1.11 gpt starting from surface. Within that huge interval and starting at 90m is the higher grade zone that the company has hit many times before, grading 1.61 gpt for an interval of 254m downhole. If you try and cut the full intercept up into a number of different zones you can become a little confused as you are trying to place them in perspective, so I will try and simplify it.

Hole 16 delivered as expected for the first 356m, confirming the interpretation and the understanding of the geometry. All good, but there was a pleasant surprise from 356m to about 460m down hole. It was expected that a secondary fault would terminate the mineralisation but it actually continued beyond the fault. A second surprise was that as the drill hole went even deeper, it ran into a second mineralised porphyry suite at depth without passing through barren rocks. Effectively, Los Cerros demonstrated that it is looking at "stacked porphyries", which is not a common event.

A ring of porphyries give multiple opportunities

Staying in the big picture vision for a minute, the Figure 4 of the ASX release shows that Tesorito is only one of 6-7 porphyry bodies lying in a circle within the exploration licence. This is classic porphyry structural setting with all of these bodies being nearer surface expressions motivated by a deep geological event that has been sending mineralisation to the surface. The original Miraflores mineralisation, which was where the previous licence owners expended most of their efforts, is a breccia pipe that was effectively a red herring. Sure, there is plenty of

gold there, but it was a distraction away from the real story. We are now seeing that it is not the main game.

There could be a mirror image at Ceibal

Early results from Ceibal, about 1 km to the SW of Tesorito, add weight to the interpretation. Like Tesorito, it sits on a jog of a N-S fault at the intersection of a NW crosscutting fault (a signature structural setting for all the major discoveries in the region). It is the same lithology as Tesorito. The first grab samples taken a year ago have been followed up with 75m and 25m channel samples averaging 1.2 gpt. So far this looks very promising.

Next news on the agenda

There are assays pending on four additional holes that are testing the high grade extensions on four side. The core looks good but we need the assays before passing judgement.

The new, deeper porphyry is very interesting, especially as it abuts the shallower one that has received all the focus so far. This is what takes the length of the intercept to the ultimate 629m depth. That extension is effectively the "discovery hole" of the second porphyry. Who knows what that holds in store for the company, apart from making the picture much bigger?

Hillgrove is looking at a new lease of life

Hillgrove Resources is a low profile copper company with operations based in the Adelaide Hills. With a market capitalisation of only \$41m, it is priced at levels normally attributed to exploration companies. Maybe that is not surprising given that it has been one of the most disappointing copper stocks on the bourse over a period of years. So, why am I mentioning it? As they say, every dog has its day, and the door to that day opened in February when the share price rose from 3.5¢ to hit 5.5¢. Something is happening.

The Kanmantoo copper mine was commissioned in 2011, but it never really hit the big time. By 2015/16, it became apparent that the company had incorrectly modelled the grade profile of the orebody, overestimating it. The company started to experience cashflow problems and its future was becoming precarious, but it struggled on with a rescue finance package. In the last two years of operations, being 2019 and 2020, it reported Net Losses of \$10m and \$5.9m respectively.

In anticipation of the closure of operations Hillgrove entered into an agreement to sell the 360m deep open pit to AGL Energy Ltd for use in a pumped hydro energy storage (PHES) opportunity, but this was terminated, enabling drilling to continue at depth, which returned positive results.

In March 2020, Hillgrove completed the processing of the low grade stockpiles. The workforce was slashed from 55 employees to nine and the treatment plant was placed on care and maintenance but soon after this event a deep drilling program identified economic extensions of the previously worked orebodies, suggesting a rebirth of mining operations was possible.

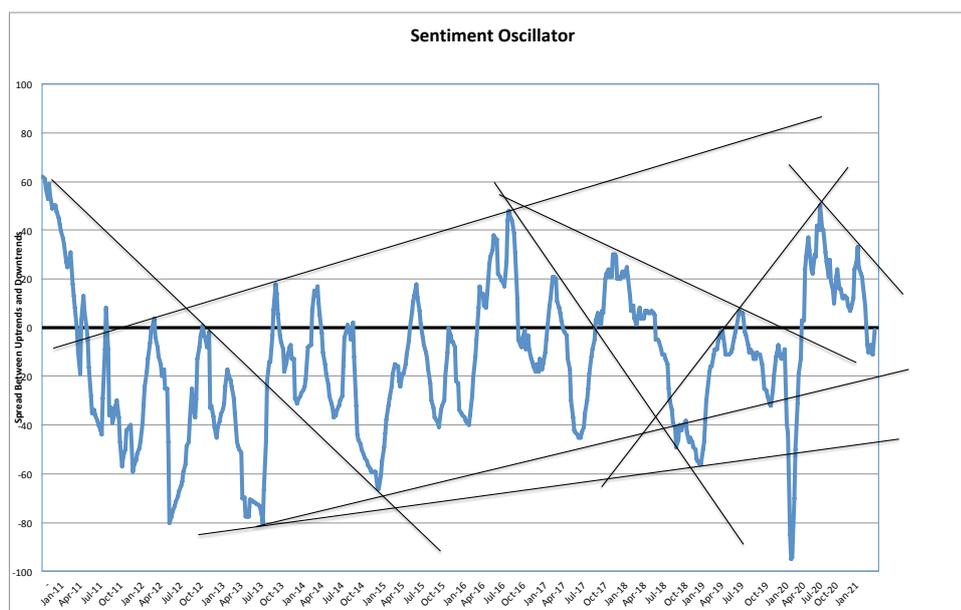
Late in 2020, the company successfully raised \$10.9m to finance further drilling and the preparation of feasibility studies. As at 31 December 2020, Hillgrove had an Indicated and Inferred Resource of 2.2 Mt at 1.56% Cu and 0.32 gpt gold. However, you need to add to this tonnage the 8-16 Mt Exploration Target at 1-2% Cu and 0.2-0.4 gpt gold identified in extension along strike and down dip of existing orebodies. The possibility exists for mining to continue for another 400-600m below the existing workings, though there are still a number of studies to be undertaken before we have any certainty. Mining rates and cut-off grades need to be considered.

The existence of the treatment plant will be a big advantage in keeping startup capex low. The plant has a capacity to process about 2.5 Mtpa, and maybe more, but we are unlikely to see this volume of ore being mined from the underground extensions. A campaign milling strategy is the most likely scenario.

We obviously have to wait for the studies before we can accurately assess the profitability of a restarted operation, but there is a general feeling that a copper price of US\$8,000 or US\$3.60/lb would result in good profitability, especially when the gold credit is added. A life of 5-10 years is a definite possibility.

So, after going through a near death experience it seems that there is a much more promising future for Hillgrove with the stronger copper price predications being supportive. The future is looking brighter every day.

Disclosure: Interests associated with the author own shares in Hillgrove Resources



Sentiment Oscillator: There was a rebound in sentiment over the week as a number of gold producers started to test their downtrends . There were 34% (31%) of the charts in uptrend and 35% (42%) 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	new high	
Metals and Mining	XMM	strong rise through ST downtrend	
Energy	XEJ	risen to resistance line	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Alpha HPA	A4N	new high	HPA
Adriatic Resources	ADT	testing downtrend	zinc, polymetallic
Alkane Resources	ALK	breached uptrend, heading down	gold, zirconia
Alicanto Minerals	AQI	sideways	base metals, silver, gold
Altech Chemical	ATC	uptrend - flag forming	HPA, anodes
Alto Metals	AME	rallying	gold exploration
American Rare Earths (was BPL)	ARR	testing uptrend	rare earths
Apollo Consolidated	AOP	down	gold exploration
Arafura Resources	ARU	on support line	rare earths
Ardea Resources	ARL	breaching support	nickel
Aurelia Metals	AMI	down	gold + base metals
Australian Potash	APC	holding shallower uptrend	potash
Auteco Minerals	AUT	down	gold exploration
BHP	BHP	aggressive downtrend	diversified, iron ore
Base Resources	BSE	weaker	mineral sands

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Beach Energy	BPT		LT downtrend continuing	oil and gas
Bellevue Gold	BGL		off again	gold exploration
Blue Star Helium	BNL		sideways	gas, helium
Boab Metals	BML		down	silver/lead
Breaker Resources	BRB		sideways	gold exploration
Buru Energy	BRU		stronger	oil
Calidus Resources	CAI		down	gold
Capricorn Metals	CMM		testing downtrend	gold
Caravel Minerals	CVV		recovering	copper
Celsius Resources	CLA		testing downtrend	uptrend
Chalice Gold	CHN		new high	nickel, copper, PGMs, gold exploration
Chase Mining	CML		back to lows	nickel/copper/PGE
Chesser Resources	CHZ		down now	gold exploration
Cobalt Blue	COB		new high	cobalt
Cyprium Metals	CYM		testing uptrend	copper
Danakali	DNK		steeply higher	potash
Davenport Resources	DAV		rising again	potash
De Grey	DEG		breached downtrend	gold
E2 Metals	E2M		correcting lower, ST downtrend	gold exploration
Ecograf (was Kibaran)	EGR		heavy pullback	graphite
Element 25	E25		pullback	manganese
Emerald Resources	EMR		coming back to support line	gold
Euro Manganese	EMN		breached downtrend	manganese
Evolution Mining	EVN		testing downtrend	gold
Firefinch	FFX		strongly higher	gold
First Graphene	FGR		correcting lower	graphene
Fortescue Metals	FMG		down	iron ore
Galaxy Resources	GXY		rising again	lithium
Galena Mining	G1A		at recent highs	lead
Galilee Energy	GLL		pullback	oil and gas, CBM
Genesis Minerals	GMD		down	gold
Gold Road	GOR		breaching downtrend	gold
Hastings Technology Metals	HAS		breached uptrend	rare earths
Hazer Group	HZR		down	hydrogen
Highfield Resources	HFR		rising	potash
Hillgrove Resources	HGO		heavy pullback	copper
Iluka Resources	ILU		testing uptrend	mineral sands
Image Resources	IMA		testing support	mineral sands
Independence Group	IGO		pullback	gold
ioneer (was Global Geoscience)	INR		breached uptrend	lithium
Ionic Rare Earths (Oro Verde)	IXR		at highs	rare earths
Jervois Mining	JVR		rising again	nickel/cobalt
Jindalee Resources	JRL		correcting lower	lithium
Kairos Minerals	KAI		breached downtrend	gold exploration

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Kin Mining	KIN		risen to resistance line	gold
Kingston Resources	KSN		testing downtrend	gold
Kingwest Resources	KWR		down	gold
Legend Mining	LEG		turned down at resistance line	nickel exploration
Lepidico	LPD		on support line	lithium
Lindian Resources	LIN		down	bauxite
Lithium Australia	LIT		down	lithium
Los Cerros	LCL		rising again on drill results	gold exploration
Lotus Resources	LOT		new high	uranium
Lucapa Diamond	LOM		breaking downtrend	diamonds
Lynas Corp.	LYC		testing downtrend	rare earths
Magnetic Resources	MAU		uptrend	gold exploration
Mako Gold	MKG		down again	gold exploration
Manhattan Corp	MHC		down	gold exploration
Marmota	MEU		still down	gold exploration
Marvel Gold	MVL		breached downtrend	gold exploration
Matador Mining	MZZ		down	gold exploration
MetalTech	MTC		heavy fall	gold
Meteoric Resources	MEI		down	gold exploration
MetalsX	MLX		near highs	tin, nickel
Metro Mining	MMI		down again	bauxite
Mincor Resources	MCR		down	gold/nickel
Musgrave Minerals	MGV		rallying	gold exploration
Myanmar Minerals	MYL		breaching downtrend	lead, zinc, silver
Nelson Resources	NES		new high	gold exploration
Neometals	NMT		near high	lithium
Northern Minerals	NTU		down	REE
Northern Star Res.	NST		down	gold
Oceana Gold	OGC		down	gold
Oklo Resources	OKU		down	gold expl.
OreCorp	ORR		down	gold development
Orocobre	ORE		shallower uptrend	lithium
Oz Minerals	OZL		new high	copper
Pacific American Holdings	PAK		sideways	coal
Pantoro	PNR		breached support line	gold
Panoramic Res	PAN		breaching uptrend	nickel
Peak Minerals	PUA		testing downtrend	copper exploration
Peak Resources	PEK		correcting lower	rare earths
Peel Mining	PEX		off its highs, on support line	copper
Peninsula Energy	PEN		rallying	uranium
Poseidon Nickel	POS		down	nickel
Perseus Mining	PRU		down	gold
Pilbara Minerals	PLS		pullback	lithium
Polarex	PXX		down	polymetallic exploration

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Queensland Pacific Metals	QPM		new high	nickel/cobalt/HPA
Ramelius Resources	RMS		testing downtrend	gold production
Red5	RED		down	gold
Red River Resources	RVR		breached uptrend	zinc
Regis Resources	RRL		testing downtrend	gold
Regergen	RLT		rising	gas, helium
Resolution Minerals	RML		new low	gold exploration
Resolute Mining	RSG		down	gold
RIO	RIO		breached downtrend	diversified, iron ore
Rumble Resources	RTR		risen to resistance line	gold exploration
Salt Lake Potash	SO4		down	potash
St Barbara	SBM		testing downtrend	gold
Sandfire Resources	SFR		ST down	copper
Santos	STO		strongly higher	oil/gas
Saturn Metals	STN		breached downtrend	gold exploration
Sheffield Resources	SFX		rising	mineral sands
St George Mining	SGQ		down	nickel
Silex Systems	SLX		testing downtrend	uranium enrichment technology
Silver Mines	SVL		testing downtrend	silver
Sipa Resources	SRI		testing downtrend	general exploration - Ni,Cu, Co, Au
Stanmore Coal	SMR		breached steepest downtrend	coal
Strandline Resources	STA		rising	mineral sands
Sunstone Metals	STM		improving	
Talga Resources	TLG		breached support line, down	graphite
Technology Metals	TMT		sideways	vanadium
Tesoro Resources	TSO		down	gold exploration
Theta Gold Mines	TGM		down	gold
Thor Mining	THR		lower	gold exploration
Tietto Minerals	TIE		rallying	gold
Titan Minerals	TTM		sideways	gold
Venturex	VXR		surge on funding	zinc
Vimy Resources	VMY		steeply higher	uranium
West African Resources	WAF		higher	gold
Westgold Resources	WGX		breached downtrend	gold
West Wits Mining	WWI		off its highs	gold
Western Areas	WSA		strong rally	nickel
Whitehaven Coal	WHC		on support line	coal
Wiluna Mining	WMX		down	gold
Yandal Resources	YRL		rising again	gold exploration
Zenith Minerals	ZNC		sideways	gold exploration
Zinc Mines of Ireland	ZMI		rising	zinc
Totals	34%	49	Uptrend	
	35%	51	Downtrend	
		144	Total	

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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	32	22.2%	
Gold Exploration	26	18.1%	
Nickel	12	8.3%	
Copper	9	6.3%	
Oil/Gas	6	4.2%	
Lithium	8	5.6%	
Zinc/Lead	7	4.9%	
Rare Earths	7	4.9%	
Mineral Sands	5	3.5%	
Iron Ore/Manganese	5	3.5%	
Potash/Phosphate	5	3.5%	
Coal	4	2.8%	
Uranium	4	2.8%	
Graphite	2	1.4%	
Bauxite	2	1.4%	
Silver	2	1.4%	
Cobalt	1	0.7%	
Tin	1	0.7%	
Diamonds	1	0.7%	

Other	5		
Total	144		

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