

Thursday 7<sup>th</sup> December, 2017

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### Portfolio Stock Developments

**Gascoyne Resources** - (ASX: GCY, Share Price: \$0.43, Market Cap: \$162m, coverage initiated @ \$0.17 in Feb 2016 – current gain of 153%)



### Key Catalyst

#### ***Debt Facility secured for Dalgarranga gold project in WA.***

GCY has executed a debt facility agreement with Commonwealth Bank of Australia (CBA) and National Australia Bank (NAB) for a debt facility of \$60m on a 50:50 basis to fund the development of its Dalgarranga Gold Project in Western Australia.

Ahead of first drawdown, all mandated hedging of 164,000 ounces for the 4 ½ year life of the debt facility has also now been completed, taking advantage of the current strong A\$ gold price (82,000 ounces were hedged on the 9<sup>th</sup> of November and the remainder has been hedged with CBA). The rolled out hedged gold price will be determined and announced once the hedges are novated to the financiers and the delivery schedule has been agreed between Gascoyne and the financiers, however based on the secured spot gold price and the current forward gold price curve, it is anticipated that the average hedged gold price (net of fees) will be approximately A\$1,710 per ounce. First gold production is on budget and on schedule for late Q2 2018.

## Technical Significance

Finalising the debt facility with two tier 1 Australian lenders is a major step forward for the development of Dalgaranga and significantly de-risks the project. The terms negotiated highlight the quality of the project and represent a strong vote of confidence in the project and the work undertaken by the Gascoyne team since completion of the Feasibility Study 12 months ago. With the debt facility in place, construction is continuing on schedule towards production in Q2 2018.



**Figure 1:** Construction of the Dalgaranga Gold Project Well Advanced

## Summary

***GCY should garner strong support as the Dalgaranga project moves inexorably towards production, which will fulfil the company’s ambition to successfully transition to producer status. GCY will continue to remain firmly held within our Portfolio.***

**Lake Resources** - (ASX: LKE, Share Price: \$0.18, Market Cap: \$47m, coverage initiated @ \$0.045 in July 2017 – current gain of 322%)



## Key Catalyst

### ***Drilling progressing at Kachi lithium brine project in Argentina.***

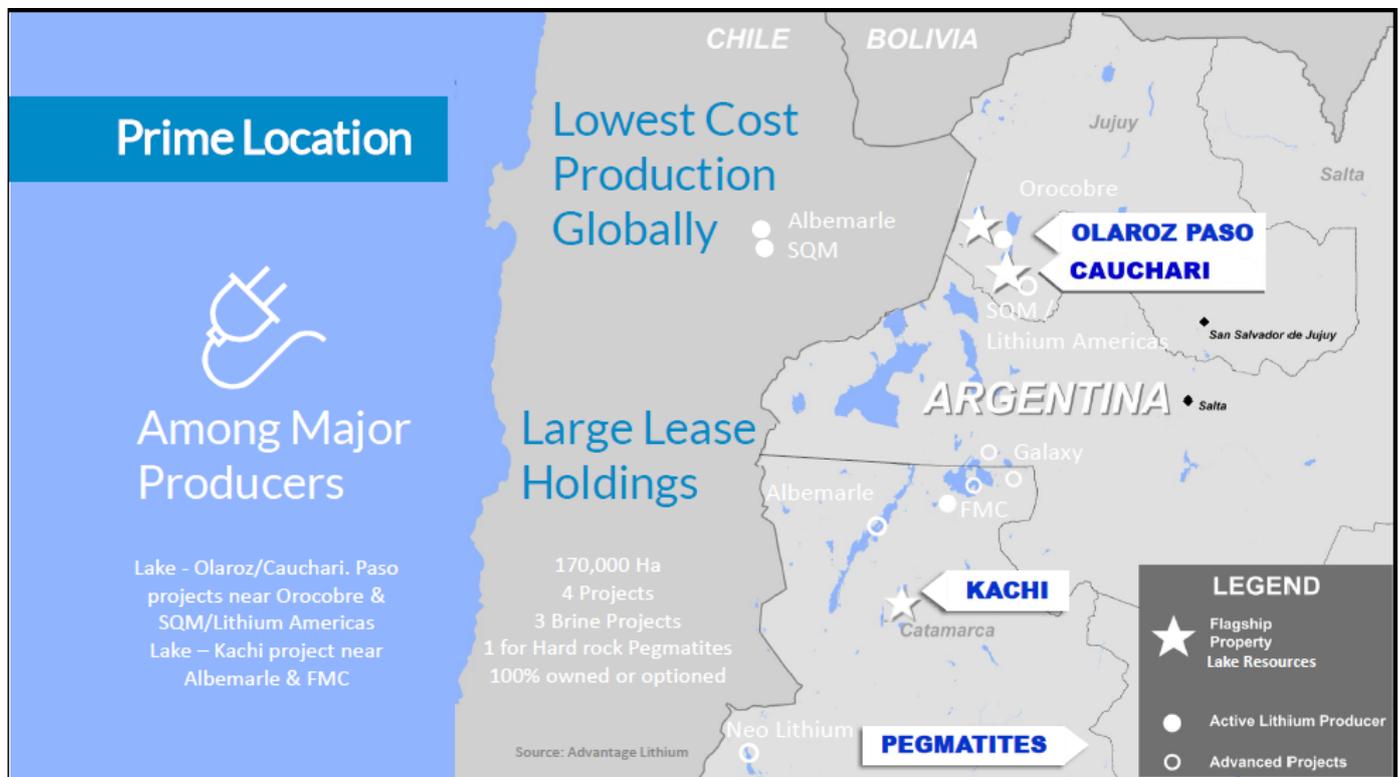
Drilling is progressing below 70m depth and has successfully encountered concentrated brine horizons within the first drill-hole at LKE's 100%-owned Kachi lithium brine project in Catamarca, Argentina. The brines display conductivities similar to the lithium-bearing brines sampled at surface and are a positive indicator for future results.

The first drill-hole is planned to terminate at approximately 100-110m, with the rig then commencing on the deeper second hole nearby as part of the maiden 1,000m diamond drilling program. The programme can be extended pending the outcome of assay results, with initial assays anticipated in 3-4 weeks' time.

## Technical Significance

Maiden drilling is a key milestone for LKE that has already driven significant speculative investor interest. Over the past two months LKE's share price has surged from below \$0.05 to a high of \$0.265.

The intersection of near-surface brines confirms the basis of the project and a second hole will target deeper aquifers. Conductivity and density are both positive and have proven good indicators of lithium at surface. We therefore look forward to the release of the first set of assay results.



**Figure 1:** Project Locations

## Summary

***LKE has provided a spectacularly successful exposure to the lithium sector at just the right time – capitalising on growing investor interest with the battery sector with maiden drilling programs in Argentina. The stock has performed exceptionally well in share price terms and will remain firmly held within our Portfolio, as we look forward to initial assay results.***

**Allegiance Coal - (ASX: AHQ, Share Price: \$0.033, Market Cap: \$9m, coverage initiated @ \$0.022 in June 2017 – current gain of 50%)**



## Key Catalyst

### ***Acquisition of 100% of Telkwa Coal Project.***

AHQ has entered into an agreement to acquire full 100% ownership of all the rights to coal licences that make up its Telkwa Metallurgical Coal Project in northwest British Columbia, Canada. Up until now, AHQ had earned 20% project ownership, with the right to earn up to 90% project ownership upon satisfaction of several milestones. The remaining 10% project ownership would be retained by Altius Minerals, which had a free carry on its project equity in relation to a small mine.

Altius has agreed to transfer full ownership of the project to AHQ in consideration for the issue to Altius of 40.6m AHQ shares (representing a 10.5% stake in AHQ) and the continued performance of the milestone obligations. In addition, AHQ has attracted Altius as a strategic institutional shareholder.

## Technical Significance

Altius is a diversified mining royalty company listed on the Toronto Stock Exchange (TSX:ALS) with a market capitalization of around C\$520m, generates around C\$65m per annum of royalty revenue with current available liquidity for investment of around C\$150m. Altius has invested in and been a substantial shareholder in AHQ since the project was acquired in November 2016 and prior to the acquisition held 14,864,395 ordinary shares. Following the Acquisition Altius will hold 55,464,395 ordinary shares representing approximately 14.4% of AHQ's share capital, on a diluted basis.

AHQ has been actively engaged with steel mills, commodity trading and investment houses for several months in relation to potential joint venture investment and off-take commitment with respect to the project at the TCL level. Securing complete ownership of the project clears the pathway to securing a joint venture partner for AHQ.

### Next Steps

AHQ anticipates that by the end of 2018, all environmental and socio-cultural baseline programs with respect to Telkwa will be complete in time for a regulatory submission during Q1 2019 - subject to both the completion of a feasibility study as well as a modest exploration program during early 2018. Assuming submission of the joint Mines Act and Environmental Management Act permit applications during Q1 2019, approval is anticipated during H2 2019.

### Summary

***The recently released revised Stage 1 PFS results for the Telkwa project demonstrate a robust operation. The results are based on the assumption that AHQ will only ever mine at the rate of 250,000 saleable tonnes annually. On this basis, Telkwa would have a 19-year life with an ultra-low average strip ratio of 1.9:1 BCM/ROMt, resulting in average life-of-mine all-in FOB (ex-port) cash costs before tax of US\$54 per tonne (less than half the current spot sale price). As a result, Telkwa will be positioned within the lowest five-percentile of the global seaborne metallurgical coal cost curve. AHQ will remain firmly held within our Portfolio.***

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