

## Monster gold projects keep coming in South America

We are continuing to see volatility in the US markets, courtesy of the tech stocks. We don't have the same exposure to tech stories in Australia, but we can still suffer from the ripples as seen this week. Sentiment has softened further with the three indices that we cover all in short term downtrends. Time will tell if this is an extended correction or just a speed bump for our resources sector.

Australian companies are starting to achieve success in a number of South American countries with large scale gold projects (as opposed to narrower high grade geology that is usually constrained). There is a very positive vibe coming through, somewhat like that which we saw a bit over 10 years ago when, at BGF/Canaccord, we were heavily involved with the West African gold story. This South American thematic is likely to gather momentum if the good drill results keep coming. We have previously covered Titan Minerals (TTM) and Tesoro Resources (TSO). This week we have Los Cerros back in the limelight with the release of very positive drill results.

### *Los Cerros at the inflection point; this is big!*

Last week we highlighted Tesoro Resources (TSO) following the release of a huge intercept of 231m at 0.83 gpt at its El Zorro gold exploration project in Chile. This week we see that Los Cerros (LCL) has trumped that with 230m at 1.0 gpt at its Tesorito gold exploration project in Columbia. We now have two companies with very exciting, large scale gold projects in South America on our watch list.

Recall that Los Cerros has emerged from the ashes of Metminco. It has a reserve of 456,000 oz at 3.29 gpt that was judged to be uneconomic when modelled at US\$1,300/oz. Maybe this can still be worthwhile developing if the gold price keeps going higher and some better grade open pit ore is identified to boost cash flow returns in the first couple of years, but there is now a much bigger story that will drive the share price. Click [here](#) for our commentary on Los Cerros, in the Weekly of 29 August.

Los Cerros's first diamond drill hole, TS-DH08, returned 230m at 1 gpt from surface, including 116m at 1.38 gpt from 114m (down hole). This is now the third hole to exceed an intercept of 230m at 1 gpt, over an area of 300m x 250m and open in all directions. Previous holes returned 384m at 1.01 gpt and 253m at 1.01 gpt.

There is something very large here, but how big could this be? Taking the dimensions above to a depth of 300m, and applying a specific gravity of 2.7, we can come up with a back-of-the-envelope number of 2 Moz at 1 gpt. That is just for starters. As stated above, the zone of interest is open in all directions.

The identification of bornite copper mineralisation is an interesting new development as it suggests there could be a copper-rich resource at depth. Whether this has come from a separate pulse of mineralisation from the depths is open to conjecture, but this is entirely possible. If so, then

have a look at AngloAshanti's Nuevo Chaquiro project to the north of Tesorito, which extends to a depth of 800m vertical. This contains 602 Mt with 7 Moz at 0.37 gpt gold and 0.73% copper (about 30 Moz gold equivalent). We are not saying that Tesorito will provide us one of these, but it is not beyond the realm of possibility.

These large ore systems take a good while to drill out so the news flow will keep coming for an indefinite period. Hole TS-DH09 is currently drilling 200m north of TS-DH08, and then it will return to the south to continue testing the higher-grade porphyry core both laterally and at depth. This is the inflection point that will lead to a re-rating of the company.

We know with confidence that we are dealing with something very substantial here, something that will continue to grow with continued drilling. The market can obviously see the potential, given that on the day of the announcement the shares jumped 127% to 17¢, on turnover of 77 million shares.

*Disclosure: Interest associated with the author own share in Los Cerros, purchasing after the release of drill results last Thursday.*

### *Lucapa to restart Mothae mine*

The Mothae diamond mine (70% LOM) has been on care and maintenance since March due to a virus induced lockdown. Last week Lucapa informed the market that operations would resume in Q4 2020.

Lucapa also disclosed that new marketing arrangements have been agreed to with the Lesotho Government, that will result in better revenues. Diamond production from the Mothae mine will now be able to be sold at full and transparent rough market value into direct offtake arrangements with diamantaires. This approval will allow Mothae to implement value accretive polishing partnerships with its diamantaire partners where Mothae will see additional benefit accruing in the form of shared polished margins from beyond the mine gate.

With two mines operating soon, and the plan to expand production capacity at Mothae by 60%, the recent research note released by FEC on Lucapa appears to be well founded. Click [here](#) on the link to see the report.

*Disclosure: Interest associated with the author own share in Lucapa and FEC has been in receipt of capital raising fees in 2020*

## Mali Lithium (MLL) is going into gold

Mali Lithium has decided that its brightest future is in gold rather than lithium, with the recent announcement that it is going to buy an 80% interest in the Morila gold mine from Barrick and AngloGold for an estimated US\$22-27m.

### Putting lithium on the back burner

The Company is obviously comfortable with Mali, notwithstanding the heightened security risk in the region (see FEC commentary last week), as it has been working there on the Goulamina lithium project. MLL quotes this as one the largest uncommitted hard rock lithium reserves in the world, at 64 Mt at 1.49% Li<sub>2</sub>O in Measured and Indicated Resources. Notwithstanding how the Company has promoted this project, the quick shuffle into gold looks very timely. Everyone wants gold now, and every man and his dog has a lithium project. No matter how wonderful any particular lithium project is, any development will have to contend with oversupply for the foreseeable future.

### Majors frequently sell ageing projects to avoid departure liabilities

It is not unusual for leading gold producers to dispose of ageing assets to junior companies. They would rather hand over all of the issues and problems associated with the impending closure of a mine to someone else. Yet, such an event can be a lifeline for a junior company, enabling a lift in their status and the opportunity for profitable production from either a different operational configuration, exploration upside or some other angle.

In this case Morila has been a great mine having produced 7.4 Moz of gold over a 20 year life, with a 4.5 Mtpa plant. Mali Lithium estimates that there is still 32 Mt at 1.26 gpt containing 1.3 Moz of gold, meaning that it will be paying approximately US\$20/oz for the gold (with the plant and everything else thrown in for “free”). That resource was calculated on a US\$1,250/oz pit design. At recent gold prices the resource could be much larger, but the grade will be lower.

## Large, \$70m capital raising

MLL has a market capitalisation of \$61m with the shares selling at 19.5¢. It is planning to raise \$70m at 16¢ in a two tranche placement and a \$6m SPP (again, see last week’s comment on two tranche raisings). The first tranche of \$7.6m has been completed and commitments received for a further \$56.4m, subject to approval of a general meeting in October. Resolute Mining will become a substantial shareholder.

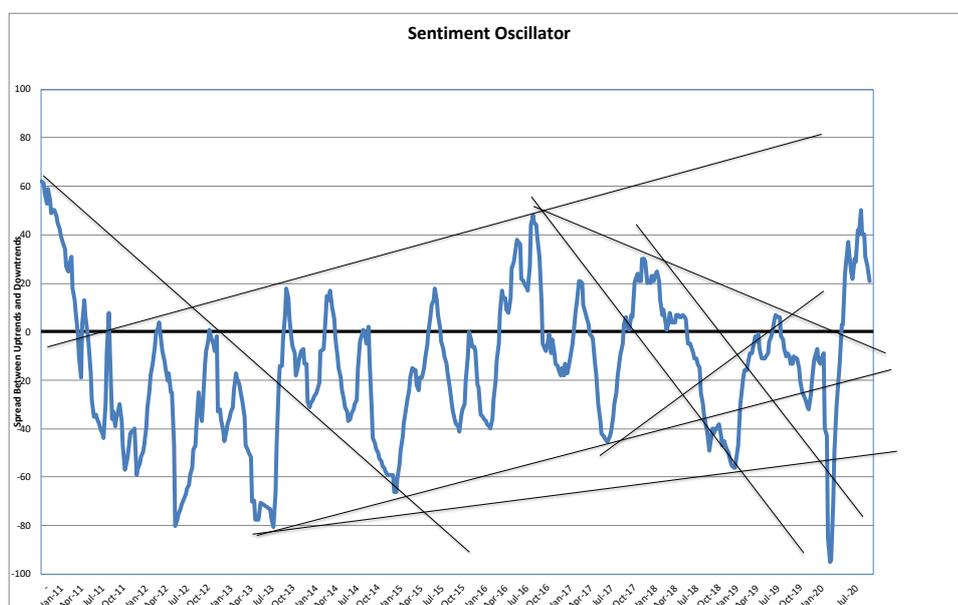
### Earnings from tailings retirement in the short term ...

Morila is currently producing gold from tailings re-treatment at a rate of 50,000 oz p.a., hydraulically mining 5.5 Mtpa with gold recoveries of 50-60% on a head grade of 0.48 gpt. MLL plans to continue with this exercise until May 2021, to generate US\$17m of net cash flow.

### ... but the long term depends upon hard rock

The real future relies on the ability to bring on hard rock mining again. Before it can do this it will need to undertake a considerable amount of work in drilling, planning new mining schedules and budgeting. It is probable that satellite pits up to 25 km distant will provide the first ore feed. Intercepts outside of the mined pit provide good encouragement with hits like 56m at 4.97 gpt, 29m at 6.23 gpt, 20m at 4.46 gpt and 54m at 2.37 gpt.

Gold mines can be difficult to kill. They can go on for many years longer than first thought, gold price willing, through the discovery of additional ore positions over time or even toll milling arrangements with neighbouring companies. Whether this one will have a longer term future remains to be seen, but the Company will be well positioned with cash to start turning the potential into reality. It has the tools. Let’s see what management can do. We have added MLL to our chart coverage.



**Sentiment Oscillator:** Sentiment has weakened further. There were 49% (50%) of the charts in uptrend and 28% (23%) 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	down	
Metals and Mining	XMM	down	
Energy	XEJ	down	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Alpha HPA	A4N	new high	HPA
Adriatic Resources	ADT	down heavily, testing uptrend	zinc, polymetallic
Aeon Metals	AML	new high	copper + cobalt
Alkane Resources	ALK	Testing downtrend	gold, zirconia
Alicanto Minerals	AQI	surge to new high	base metals, silver, gold
Allegiance Coal	AHQ	sideways	coking coal
Alliance Resources	AGS	pullback	gold predevelopment
American Rare Earths (was BPL)	ARR	heavy correction	rare earths
Apollo Consolidated	AOP	downtrend commenced	gold exploration
Arafura Resources	ARU	breached downtrend	rare earths
Aurelia Metals	AMI	continuing higher	gold + base metals
Australian Potash	APC	strongly higher	potash
Auteco Minerals	AUT	new high	gold exploration
BHP	BHP	down	diversified, iron ore
Base Resources	BSE	rising	mineral sands
BBX Minerals	BBX	higher	gold exploration
Beach Energy	BPT	down	oil and gas
Beacon Mining	BCN	gentle downtrend	gold production
Bellevue Gold	BGL	new high again	gold exploration
Blackstone Minerals	BSX	rising	nickel
Blue Star Helium	BNL	testing downtrend	gas, helium
Breaker Resources	BRB	still in LT downtrend	gold exploration
Buru Energy	BRU	sideways	oil
Buxton Resources	BUX	steeply higher	nickel exploration
Calidus Resources	CAI	sideways at highs	gold
Capricorn Metals	CMM	breached uptrend	gold
Cardinal Resources	CDV	surge on takeover bid	gold exploration
Central Petroleum	CTP	rising	oil/gas
Chalice Gold	CHN	surge to new high	nickel, copper, PGMs, gold exploration
Chase Mining	CML	hit resistance	nickel/copper/PGE
Chesser Resources	CHZ	off its highs	gold exploration
Cobalt Blue	COB	on support line	cobalt
Dacian Gold	DCN	rallying	gold

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Danakali	DNK		testing uptrend	potash
Davenport Resources	DAV		still in longer term downtrend	potash
De Grey	DEG		new high	gold
E2 Metals	E2M		at highs	gold exploration
Ecograf (was Kibaran)	EGR		stronger	graphite
Element 25	E25		off its highs	manganese
Emerald Resources	EMR		breached uptrend	gold
Euro Manganese	EMN		breached downtrend	manganese
Evolution Mining	EVN		sideways	gold
First Graphene	FGR		sideways	graphene
Fortescue Metals	FMG		new high	iron ore
Galaxy Resources	GXY		rising	lithium
Galena Mining	G1A		rising	lead
Galilee Energy	GLL		breached uptrend	oil and gas, CBM
Genesis Minerals	GMD		uptrend	gold
Gold Road	GOR		down	gold
Highfield Resources	HFR		breached support	potash
Hillgrove Resources	HGO		still in downtrend	copper
Iluka Resources	ILU		higher	mineral sands
Image Resources	IMA		higher	mineral sands
Independence Group	IGO		down	gold
ioneer (was Global Geoscience)	INR		down	lithium
Ionic Rare Earths (Oro Verde)	IXR		gentle uptrend	rare earths
Jervois Mining	JVR		surge higher	nickel/cobalt
Jindalee Resources	JRL		surge out of downtrend	lithium
Kin Mining	KIN		down	gold
Kingston Resources	KSN		new high	gold
Kingwest Resources	KWR		down	gold
Legend Mining	LEG		sideways	nickel exploration
Lepidico	LPD		sideways	lithium
Lindian Resources	LIN		higher	bauxite
Lithium Australia	LIT		new uptrend	lithium
Los Cerros	LCL		steeply higher	gold exploration
Lotus Resources	LOT		new high	uranium
Lucapa Diamond	LOM		pullback on exploration news	diamonds
Lynas Corp.	LYC		new high	rare earths
Mako Gold	MKG		breached uptrend	gold exploration
Mali Lithium	MLL		uptrend	gold & lithium
Manhattan Corp	MHC		new high	gold exploration
Marmota	MEU		drifting lower	gold exploration
Marvel Gold (was Graphex)	MVL		hitting resistance	gold exploration
MetalTech	MTC		breached uptrend	gold
MetalsX	MLX		sideways	tin, nickel
Metro Mining	MMI		new low	bauxite

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Mincor Resources	MCR		rising	gold/nickel
Musgrave Minerals	MGV		off its highs	gold exploration
Myanmar Minerals	MYL		surge to new high	lead, zinc, silver
Nelson Resources	NES		rising	gold exploration
Neometals	NMT		testing downtrend	lithium
Northern Minerals	NTU		steeply higher	REE
Northern Star Res.	NST		down	gold
NTM Gold	NTM		sideways	gold exploration
Oceana Gold	OGC		breached uptrend	gold
Oklo Resources	OKU		down	gold expl.
OreCorp	ORR		rising	gold development
Orocobre	ORE		down	lithium
Oz Minerals	OZL		new high	copper
Pacific American Holdings	PAK		breaching downtrend	coal
Pacifico Minerals	PMY		down	silver/lead
Pantoro	PNR		breached uptrend	gold
Panoramic Res	PAN		breaching downtrend	nickel
Peak Resources	PEK		steeply higher	rare earths
Peel Mining	PEX		uptrend	copper
Peninsula Energy	PEN		down again	uranium
Poseidon Nickel	POS		rising	nickel
Pure Minerals	PM1		rising	nickel/cobalt/HPA
Pensana Metals	PM8		surge to new high	rare earths
Perseus Mining	PRU		testing uptrend	gold
Pilbara Minerals	PLS		testing support	lithium
Polarex	PXX		new high	polymetallic exploration
Ramelius Resources	RMS		breached uptrend	gold production
Red5	RED		rallying	gold
Red River Resources	RVR		testing uptrend	zinc
Regis Resources	RRL		breached trend line	gold
Regergen	RLT		recapturing uptrend	gas, helium
Resolution Minerals	RML		down	gold exploration
Resolute Mining	RSG		down	gold
RIO	RIO		down	diversified, iron ore
Rumble Resources	RTR		rising again	gold exploration
Salt Lake Potash	SO4		hitting resistance	potash
Saracen Minerals	SAR		down	gold
St Barbara	SBM		breaching uptrend	gold
Sandfire Resources	SFR		Downtrend	copper
Santos	STO		down	oil/gas
Saturn Metals	STN		down	gold exploration
Sheffield Resources	SFX		new high	mineral sands
Sky Metals	SKY		breaching downtrend	gold exploration
St George Mining	SGQ		down	nickel

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Silex Systems	SLX		breaching uptrend	uranium enrichment technology
Silver Mines	SVL		off its high	silver
Sipa Resources	SRI		rising	general exploration - Ni,Cu, Co, Au
Stanmore Coal	SMR		new low	coal
Strandline Resources	STA		drifting lower	mineral sands
Talga Resources	TLG		rising	graphite
Technology Metals	TMT		on support line	vanadium
Tesoro Resources	TSO		new high	gold exploration
Theta Gold Mines	TGM		uptrend	gold
Titan Minerals	TTM		down	gold
Vango Mining	VAN		down	gold
Venturex	VXR		testing downtrend	zinc
Vimy Resources	VMY		sideways	uranium
West African Resources	WAF		off its high	gold
Westgold Resources	WGX		down	gold
West Wits Mining	WWI		rising	gold
Western Areas	WSA		down	nickel
Whitebark Energy	WBE		down	oil and gas
Whitehaven Coal	WHC		secondary downtrend	coal
Wiluna Mining	WMX		higher	gold
Yandal Resources	YRL		breached uptrend	gold exploration
Zinc Mines of Ireland	ZMI		still in downtrend	zinc
Totals	49%	70	Uptrend	
	28%	40	Downtrend	
		143	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	36	25.2%	
Gold Exploration	24	16.8%	
Nickel	12	8.4%	
Oil/Gas	8	5.6%	
Lithium	8	5.6%	
Zinc/Lead	7	4.9%	
Rare Earths	7	4.9%	
Copper	6	4.2%	
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	3		
Total	143		

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