

## A few home truths as we embark on 2024

As usual at this time of the year, journalists ring around to build a story on what will be the best sectors in which to invest in the new year, and the best companies. The trouble is, 12 months is a long time in the stock market. Three months is about as far as my crystal ball can see, so perhaps those journalists should make a habit of running the story on a quarterly basis.

The general indices in the markets are up at near record highs but the resources market is only just coming of the bottom of a painful bear market. Movements are always exaggerated in the speculative end. Unless you were smart enough to exit the market at the top, you will be long and wrong in many stocks. Sure, most of them will improve as the cycle moves beyond the bear market, but it is too simplistic to expect the share prices to recover previous highs. There are too many stale bulls.

Whatever the overriding thematics are - and it is difficult to identify the next one just yet - it will be the new stories that offer greatest hope. These will have less warts on them and there is greater opportunity to speculate about the possibilities than there is with tired, well worn stories. That means keeping an eye on news flow and stock specific dynamics. It could be the acquisition of new projects and/or a management overhaul.

As each new story gathers attention, and as the share price improves, it will be an inspiration for other companies to follow suit. They will be pragmatically trying to place themselves in the money flow and join the momentum. Those companies that don't have the dexterity to change gear will need to make sure that there is serious progress in advancing their existing portfolio of projects, as shareholders will be wary of management that has failed to deliver previously. The projects and resources might have merit, but if the company is suffering from poor management - like most of them - don't expect the share price to perform like it did in the previous cycle.

### *Last week was a good one for uranium stocks*

When asked for predictions for 2024, we suggested that uranium could be one of the brighter spots notwithstanding having already had an excellent year in 2023. So far so good, with increasing upwards pressure on the uranium price being observed from a number of directions, enabling the spot price to remain above US\$90/lb when the long term contract price is much lower at US\$68/lb. Factors affecting the spot price include;

- delays in ramp-up of supply
- lower than guidance production figures from Cameco
- increasing EFT activity in the spot market with Sprott looking to buy 9 Mlb in 2024
- uncertainty regarding sanctions on Russian-owned operations in Kazakhstan
- expanding utility demand, being the highest since 2012
- China has 21 nuclear power plants under construction

- forecasts of a trebling of nuclear power capacity by 2050

Fundamental analysis suggests that the uranium market will remain firm for the foreseeable future provided that there is no Black Swan event such as the Russians blowing up Ukraine nuclear power plants. Though, once identified as a risk, it is more of a Grey Swan than a Black Swan.

### *The graphite thematic does not compute*

There is no shortage of graphite companies out there but there is shortage of success stories. How many times have we seen forecasts of huge increases in demand for graphite for battery anodes e.g. in Renascor's (RNU) AGM presentation last November, it says that demand for natural graphite will increase from 0.6 Mt in 2023, to 1.94 Mt in 2028, then 3.7 Mt in 2033; that is a 500% increase. Yet, the graphite price has fallen from about US\$900 pt to less than \$700 pt in 2023. The Renascor share price has fallen from 35¢ late in 2022, to less than 10¢ last week. It doesn't correlate with the demand forecasts. The stock market isn't buying the graphite narrative.

Walkabout Resources (WKT) resources is one of the more advanced graphite companies, announcing the first ore feed into the Lindi Jumbo Graphite Mine in Tanzania two weeks ago. That company had a share price of 34¢ back in 2019, but has recently sold at 12.5¢. Is this another example of the market not buying the graphite thematic, or is it a case of caution as the commissioning risk comes into play?

The next question that has to be asked is whether or not the projected demand figures are reliable in the light of technological changes in the composition of anodes e.g. with companies like Anteotech opening the door to a move towards silicon being combined with graphite, to significantly improve anode performance. Should investors be backing the established technology or the next generation?

At the end of the day the commerciality of any graphite anode initiative, be it the mining of the graphite with or without downstream processing capability, will be the ability to come in at the bottom of the cost curve. Battery manufacturers are very sensitive to costs of input materials. That comes down to the ability of a producer to sell its product in a competitive market.

These questions were going around my mind yesterday as I sat through a presentation delivered by Scott Lowe, of Minerals Commodities (MRC). Mineral Commodities is an established, currently marginally profitable miner of minerals sands in South Africa. As the incoming CEO of MRC, Scott is more excited about the prospects of its graphite projects than the sands.

### MRC - new management brings a fresh look

I have looked at MCR a few times in the past, thinking it was interesting, but at the same time confusing. The share price has fallen from 35¢ three years ago, to only 3.3¢ last week; yet another example of shareholders being butchered in the market place.

The once very profitable mineral sand operation in South Africa is problematic at the moment as it is batch treating ore from both beach mining and inland mining. The operation produces 300,000 tpa of garnet, ilmenite, zircon and rutile. It had been optimised for the beach feedstock but needs modification for the inland ore source. Given the fine tuning needed to get this sort of treatment facility working efficiently, this batching is not going to give the best result. It is not surprising that the profitability has been adversely impacted. The Company needs to remedy the situation, or find someone who will.

So, that leaves graphite as the division that provides more speculative upside. The two main graphite assets comprise the underground Skarland graphite mine in Norway (100% MRC) and the Munlinup Project (51% MRC) near Esperance in WA. Skarland is the only known operating graphite mine in Europe (assuming Ukraine is not in Europe yet). It has capacity for 10,000 tpa of saleable product whilst operating five days per week, but could lift this figure to 14,000 tpa with some rescheduling. At the current rate and graphite prices, the mine is believed somewhat marginally profitable.

The 12% TCG Munlinup Project had a DFS completed a few years ago, showing a 15 year mine life for approximately 50,000 tpa of saleable product capacity, with a capex of US\$60m. The most prominent technical feature is a very low sulphur content.

Given that graphite is an industrial mineral, having a resource is not as important as being able to find a buyer for the output. MRC is thinking that it wants to go into the anode manufacturing business using the Munlinup and Skaland product as the feedstock. A vertically integrated operation to do so could cost around US\$400m (based on

a study in 2020), so MRC will need to team up with a strong JV partner.

Processing technology is a key factor. To that end MRC has signed an MoU with Mitsubishi to investigate the process for the coating step in the anode production process, involving the purification and coating of the graphite. Whether or not this is successful remains to be seen, but it is a step in the right direction. Pilot plant work will give the answers.

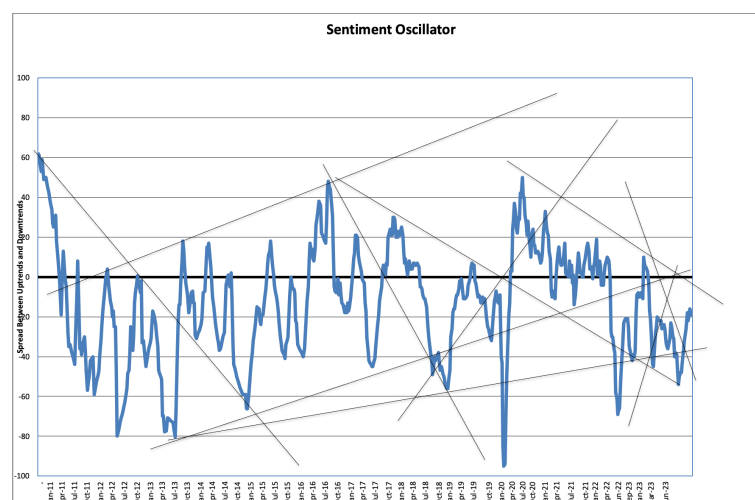
### The Bottom Line

The new CEO is somewhat aspirational in his plans for the Company. He has some potentially valuable assets under his control with one being a turnaround situation, and the other a start-up possibility. Management's ability will be a key determinant of success. The \$39m market capitalisation, after recently raising \$9m in a placement, is modest. The share register is tightly held with the top six holding 70% of the issued capital, with most of this being in London. So, positive news could rapidly be reflected in the share price.

Whether or not you should have a graphite stock in your portfolio depends on whether or not you can make sense of the mixed signals in the market place. If the projected demand curve has any merit, and the relationship with Mitsubishi can be advanced, MRC could be an interesting play.

### Image Resources is back on the watch list

Image Resources (IMA) has been a successful mineral sands producer in the past but there is no production at present. This is because of delays in obtaining environmental approvals for its pipeline of additional mineral sands projects in WA. The Company is hoping that this will be sorted by the end of 2024, so patience is needed. The Company is currently capitalised at about \$66m. By the end of the year it anticipated that it will have \$40m+ still in the kitty. So, the fundamentals are sound. We should have a closer look in 10 months to see how things are tracking.



**Sentiment Oscillator:** Sentiment weakened a little. There were 29% (28%) of stocks in uptrend and 48% (44%) in downtrend at the close of the week.

## 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	off its highs	
Metals and Mining	XMM	off its highs	
Energy	XEJ	breached downtrend	
Information Technology	XIJ	breached downtrend	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
5EA Advanced Materials	5EA	another new low	boron
92 Energy	92E	rising	uranium
Adriatic Resources	ADT	new high	zinc, polymetallic
Advance Metals (was Pacific American)	AVM	back to lows	coal, gold exploration
Aguia Resources	AGR	new uptrend	phosphate, copper exploration
Alkane Resources	ALK	down	gold
Alicanto Minerals	AQI	back to lows	base metals, silver, gold
Alligator Energy	AGE	rising again	uranium
Almonty Industries	All	breached downtrend	tungsten
Alpha HPA	A4N	strong recovery	HPA
Altech Chemical	ATC	sideways	HPA, anodes
Alto Metals	AME	at lows with a placement	gold exploration
American Rare Earths	ARR	sideways	rare earths
Anax Metals	ANX	breached downtrend	copper
Anteotech	ADO	uptrend	silicon anodes, biotech
Antilles Gold	AAU	new low	gold and copper expl.
Arafura Resources	ARU	new low	rare earths
Ardea Resources	ARL	secondary downtrend	nickel
Arizona Lithium	AZL	down heavily	lithium
Astral Resources	AAR	gentle downtrend	gold
Averina	AEV	gentle uptrend	phosphate
Aurora Energy Metals	1AE	rising	uranium
Aurelia Metals	AMI	sideways	gold + base metals
Australian Rare Earths	AR3	at lows	rare earths
Australian Strategic Materials	ASM	continuing lower	rare earths
Azure Minerals	AZS	another surge higher then pullback	nickel exploration
BHP	BHP	steep fall from high	diversified, iron ore
Barton Gold	BGD	rising	gold exploration
Beach Energy	BPT	breached uptrend	oil and gas
Bellevue Gold	BGL	new high	gold exploration
Besra Gold	BEZ	recovering from lows	gold
Black Cat Syndicate	BC8	steep rally	gold
BMG Resources	BMG	down	gold exploration
Boab Metals	BML	struggling after steep rise	silver/lead

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Cadoux (was FYI)	CCM		testing steepest downtrend	HPA
Calidus Resources	CAI		new uptrend	gold
Caravel Minerals	CVV		strong rally	copper
Carnaby Resources	CNB		secondary downtrend	copper
Castile Resources	CST		risen to meet resistance line	gold/copper/cobalt
Cazaly Resources	CAZ		back to downtrend	rare earths
Celsius Resources	CLA		sideways	copper
Cobalt Blue	COB		down again	cobalt
Cyprium Metals	CYM		forming a base	copper
Dateline	DTR		down	rare earths
Ecograf	EGR		turning down at resistance line	graphite
Emerald Resources	EMR		rising, new high	gold
Empire Energy	EEG		fallen to support line	gas
EQ Resources	EQR		testing downtrend	tungsten
Euro Manganese	EMN		continuing down	manganese
Evolution Energy	EV1		new low	graphite
Evolution Mining	EVN		rising again	gold
First Graphene	FGR		breached uptrend	graphene
Fortescue Metals	FMG		off its high	iron ore
Galena Mining	G1A		new low	lead
Genesis Minerals	GMD		on support line	gold
Genmin	GEN		suspended	iron ore
Gold 50	G50		sideways through downtrend	gold exploration + gallium
Great Boulder Resources	GBR		new low	gold exploration
Group 6 Metals	G6M		down	tungsten
Hamelin Gold	HMG		new low	gold exploration
Hastings Technology Metals	HAS		back to lows	rare earths
Hazer Group	HZR		breached steepest downtrend	hydrogen
Heavy Minerals	HVY		sideways through downtrend	garnet
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		rising	nickel/cobalt
Jindalee Lithium	JLL		breached downtrend	lithium
Kaiser Reef	KAU		new low	gold
Krakatoa Resources	KTA		surge on lithium drilling	rare earths
Kingfisher Mining	KFM		breached downtrend	rare earths
Lepidico	LPD		new low	lithium
Lindian Resources	LIN		testing downtrend	rare earths + bauxite
Lion One Metals	LLO		gentle downtrend	gold
Li-S Energy	LIS		new low	Lithium sulphur battery technology
LCL Resources	LCL		back to lows	gold exploration
Lotus Resources	LOT		rising	uranium

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Lucapa Diamond	LOM	sideways	diamonds
Lunnon Metals	LM8	new low	nickel
Lynas Corp.	LYC	still down	rare earths
Marmota	MEU	surged higher	gold exploration
Matador Mining	MZZ	new low	gold exploration
Mayur Resources	MRL	testing uptrend	renewables, cement
Meeka Gold	MEK	down	gold
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	down	gold, antimony
Neometals	NMT	new low	lithium
Newfield Resources	NWF	down	diamonds
Nexgen Energy	NXG	rising	uranium
Northern Star Res.	NST	rising	gold
Nova Minerals	NVA	off its highs	gold exploration
Pacific Gold	PGO	breached short term uptrend	gold exploration
Paladin Energy	PDN	new high	uranium
Pantoro	PNR	testing short term uptrend	gold
Patriot Battery Metals	PMT	breached uptrend	lithium
Peak Resources	PEK	new low	rare earths
Peninsula Energy	PEN	still down	uranium
Perseus Mining	PRU	on support line	gold
Poseidon Nickel	POS	collapse	nickel
Provaris Energy	PV1	down	hydrogen
QMiners	QML	new low	copper
Queensland Pacific Metals	QPM	long term down	nickel/cobalt/HPA
RareX	REE	downtrend	rare earths, phosphate
Regis Resources	RRL	rising	gold
Reenergen	RLT	breaching downtrend	gas, helium
Richmond Vanadium	RVT	heavy fall on release of escrowed shares	vanadium
RIO	RIO	off its highs	diversified, iron ore
Rumble Resources	RTR	secondary downtrend	gold exploration
S2 Resources	S2R	sideways	gold exploration
Sandfire Resources	SFR	rising again	copper
Santos	STO	weaker	oil/gas
Sarama Resources	SRR	at rock bottom	gold exploration
Sarytogan Graphite	SGA	new low	graphite
Siren Gold	SNG	bounced from lows	gold exploration
South Harz Potash	SHP	testing downtrend	potash
Southern Cross Gold	SXG	resting on support line	gold exploration
Southern Palladium	SPD	falling again	PGMs
Stanmore Coal	SMR	new high	coal

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Strandline Resources	STA		suspended	mineral sands
Sunstone Metals	STM		meeting resistance line	gold/copper exploration
Suvo Strategic Minerals	SUV		sideways	kaolin
Talga Resources	TLG		heavy fall	graphite
Tamboran Resources	TBN		rising	gas
Technology Metals	TMT		down	vanadium
Theta Gold Mines	TGM		sideways	gold
Thor Energy	THR		new uptrend	uranium
Tietto Minerals	TIE		surge on takeover approach	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 Cobar	WC1		spike, but then a pullback	rare earth + lithium
Westgold Resources	WGX		new high	gold
West Wits Mining	WWI		sideways	gold
Whitehaven Coal	WHC		breached downtrend	coal
Xantippe Resources	XTC		suspended	lithium
Zenith Minerals	ZNC		strong rise	gold exploration
Totals	29%	40	Uptrend	
	48%	67	Downtrend	
		140	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	13.6%	
Gold	19	13.6%	
Rare Earths	15	10.7%	
Lithium	10	7.1%	
Copper	9	6.4%	
Uranium	9	6.4%	
Oil/Gas	8	5.7%	
Nickel	6	4.3%	
Iron Ore/Manganese	5	3.6%	
Graphite/graphene	5	3.6%	
Silver	4	44.4%	
Tungsten	3	2.1%	
Mineral Sands	2	1.4%	
Vanadium	3	33.3%	
Zinc/Lead	2	1.4%	
Coal	2	1.4%	
Potash/Phosphate	3	2.1%	
Bauxite	2	1.4%	
Tin	2	1.4%	
Cobalt	1	0.7%	
Diamonds	2	1.4%	
Other	9		
Total	140		

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