

Leading indicators show a stronger market

It is interesting that the All Ords and the Metals and Mining indices have both hit new highs during the week, but the sentiment in the resources sectors, based on the number of stocks in uptrends versus downtrends, is still negative. The reason for this is the large number of penny dreadfuls that are in the doldrums. Producing companies, especially the iron ore and leading gold miners, continue to provide good returns for shareholders. Junior companies just keep holding their hands out for more money and the market has lost patience with all of the non-performers out there.

Having said that sentiment is negative, a quick look at the Sentiment Oscillator tells us that it is about to break out into positive territory. Maybe things are getting better notwithstanding the increasingly uncertain international political and economic environment, the end of year tax selling and the "sell in May and go away" maxim. Sabre rattling, the oil price and then the gold price will be the focal points in the near future.

West African site visit

Carrying on from last week's introduction ...

Perseus is the institutional, leveraged gold price play

Starting with a share price of less than 50¢ in mid 2008, PRU saw its share price grow to \$3.56 in August 2011, on the path to what looked like a 250-300,000 oz gold mine in Ghana. Hundreds of millions of dollars were raised to finance the mine but unfortunately it didn't turn out as good as expected due to a number of reasons. By December 2013, the share price had fallen to a low of 24¢. Since then it has traded up to 63¢ in July 2016, and more recently it has traded in the range of 35-50¢. It has been a successful gold producer but not a very rewarding investment, failing to deliver the returns seen for other ASX-listed, Australian based gold producers. The current perspective is that it is one of the best levered producers to the gold price, but we need to see the gold price penetrate and hold levels above US\$1,350/oz before getting too keen.

The site visit included the neat Sissingue Gold mine that is currently producing in the order of 78,000 oz p.a. at the low AISC of US\$756/oz. Commissioned in January 2018, this has been quite a successful operation. The only drawback here is the short mine life of 4.5 years. So, the future of Perseus is more dependent upon the much larger Yaourè gold mine that is about to be developed.

Yaourè is scheduled to produce 215,000 oz p.a. at AISC of US\$734/oz for the first five years, based on a US\$1,200/oz pit design that contains Proved and Probable ore reserves of 26.8 Mt at 1.76 gpt, for 1.5 Moz of gold. The US\$265m capex budget is fully funded by a US\$150m corporate facility and cash balances. Commissioning is scheduled for late 2020, with the first gold pour to be in January 2021. It seems like a good project that will consolidate Perseus position as a sizeable, long term gold producer.

However, the Yaourè story gets much more interesting with a higher gold price. Beneath the US\$1,200/oz pit there is very extensive gold mineralisation, mostly in the inferred category. While the grade is lower at 1 gpt, there is around 46 Mt containing another 1.5 Moz in the US\$1,800/oz shell. Looking at the slide on page 10 of the presentation released to the ASX on Yaourè, one can see much more potential below this expanded pit design. Under the right gold price regime there is the potential for a super pit here.

Exore is a high medium/high reward gold exploration play

Exore first came to our attention late in 2018, when it had just finalised the deal to earn an 80% interest in some very prospective ground in Cote d'Ivoire. ASX-listed Apollo Consolidated (AOP) had previously been exploring the Boundiali gold project over several years in a campaign style of program. It had drilled 28 RC holes into the 6km long Antoinette anomaly on 100m line spacings, returning promising intercepts that included 17m at 22.5 gpt, 6m at 10.5 gpt, 14m at 11.2 gpt and 11m at 9.1gpt. It identified another anomaly, Veronique, measuring 4km x 1m at the time. Expenditure on Boundiali over four years totalled \$1.5m.

Notwithstanding these results, Apollo decided to farm the project out to Exore in August 2018, in a deal that meant future exploration would be well-funded, and Apollo would continue to have a meaningful stake. Apollo received \$4m worth of shares in Exore, being 19.4% of that company, and it kept a 20% interest in the licenses. Exore committed to spending a minimum of \$5m over a two year period.

The licence package covers highly prospective greenstone belts in northern Cote d'Ivoire that offer large-scale drill targets. The region has already disclosed a number of > 1 Moz gold deposits and operating mines, owned by third parties.

Exore is part way through a multi-rig drilling program aiming to complete 10,000m per month which should provide strong news flow. It is well funded with approximately \$12m cash in the bank. At recent prices the market capitalisation is around \$30m.

One of my earlier thoughts was that the ground had potential for smaller open pits with good underground extensions, but with the benefit of the site visit I can see that the open pits may be much larger, perhaps 100-150m in depth, with waste to ore ratios in the order of 5-6:1. Another criticism mentioned to me was the uncertainty regarding the metallurgy, as Apollo conducted preliminary bottle-roll testing that gave recoveries in the order of 80% from the primary ore. However, there was no attempt to optimise these results or conduct further evaluation. It is not uncommon for plants in West Africa to recover a flotation concentrate with a 5-10% mass pull containing better than 90% of the gold. That concentrate can be re-ground and

cyanided to achieve acceptable net recovery rates. This might be the path tha Exore pursues.

The Antoinette prospect is the most advanced, with 850m of strike drill tested, but this is still only 10% of the geochemical anomaly. Weathering extends to 50-60m depths and the gold is found in multiple lodes. The current drill program should enable the calculation of a resource. Beyond Antionette itself there are additional targets, named Antoinette West, Antoinette East and Antoinette South West.

The second major target zone has been named Veronique. Multiple shallow zones of mineralisation have been identified over 1.6 km of strike, with the 8 km long anomaly. Further to the south is found the 20 km long soil anomaly named the Liberty Project. So, there is plenty of prospective ground to explore.

The positives for Exore are that it is well-funded with \$12m in the bank and it has some very prospective ground in a known gold province. Observing that previous drilling has confirmed good widths and grades, the exploration risk is reduced. It is now about systematic drilling to establish continuity and geometry, which will lead to resource calculations. Exore is at the point of greatest leverage in the value accretive stage where observers can speculate as to the ultimate potential, well ahead of having to worry about capital costs and development risk. It is at the point of maximum optimism with the fuel for this being continual drill results.

A very important commercial point is that the proximity to Perseus's Sissingue plant, located only 45 km from Exore's leases. Given the short mine life at Sissiengue it would be logical for Perseus to be following Exore's progress very closely. It could enable a fast track to cash flow for any ounces found by Exore, even if some plant modifications may be needed for the primary ore. Toll treating, a joint

Disclosure: Interests associated with the author own shares in Exore Resources.

venture or even a takeover could be on the agenda within a couple of years.

Exore is a new story that is not stuffed full of stale bulls. It has the potential to move much higher if the good drill results keep coming.

Markets are more about human nature than simple information flows

Making sense of markets is challenging at the best of times, but with the increasing power of social media and its non-economic based agenda, it is becoming even less rational. Is it any wonder that I seek refuge in a recent book titled "*Adam Smith. What He Thought and Why it Matters*" by Jesse Norman.

After touching on The Efficient Market Hypothesis, which seems to have some sway with the regulators, the author states that "there is no theoretical state of nature for markets, and there never was a historic one. Markets have no natural or scientifically determinable boundaries; they are human constructs" on p.29. Now, this is a comment on markets generally but it is very relevant to financial markets.

The Efficient Market Hypothesis says that the market prices everything into a share price, but is that really so? Is information and continuous disclosure as important as ASIC would tell us. If so, how does this explain the Global Financial Crises when shares prices were in free fall? Surely there are bigger forces at work. Let's consider a range of markets.

About 75% of US private spending goes to what are sometimes called "haircuts and hamburger" markets; pp221-222. These items are consumed rather than resold. They are not lasting assets. The trade at a single sale price rather than going through a bid and offer spread, so they work well with Adam Smith's "invisible hand" model with supply and demand tending towards competitive equilibrium. They are highly efficient in allocating resources and strongly generative of wealth and welfare, even when there are limitations on information.

Smith did recognise that markets can be driven by human passions as well as by human calculation, and this is most apparent when we consider Veblen goods (named after the economist ,Thorstein Veblen) - being those of conspicuous consumption, those for which demand doesn't lessen as the price rises (which is the classical theory of markets). Instead, demand increases for that good as the price rises and consumers see the price rise as a signal of scarcity or status, making the good still more desirable. Here, think of a share price in a steep uptrend and the impact of FOMO.

Asset markets often have the Veblen-type features. The goods are durable, they are traded and re-traded and for securities in particular, buyers and sellers can switch from one side to the other depending upon their expectations. As a result they are very different to the "haircuts and hamburger" consumer market.

The elephant in the room on climate change

The hysteria on climate change is like an out of control juggernaut. Not content with logical and mature debate, the activists are recruiting innocent and naive school children as 'child soldiers" to promote their cause, brainwashing them in the recruitment drive.

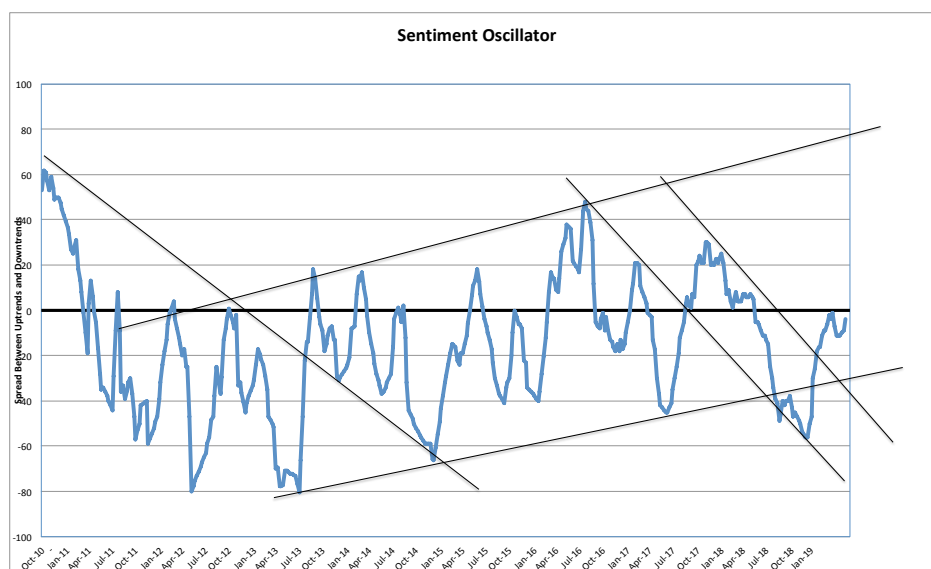
The International Energy Agency has reported that carbon dioxide emissions worldwide increased by 1.7% last year. Emissions declined in Europe but there was a significant increase in Asia, led by China and India. China's emissions passed those of the US in 2005, and by 2012, they exceeded the USA and Europe combined. Asian countries is now responsible for nearly 50% of global carbon dioxide emissions.

While we marvel at the growth of China in the last 20 years, this country has been the greatest contributor to the "climate crises", (as climate change proponents are starting to call it). It is futile for us to be worrying about what is happening in Australia while China is free to grow and pollute.

The objectives of all governments around the world is to have growing economies for the betterment of their populations, but that by definition means that carbon emissions will increase. China is a case in point. Should we be working to prevent economic growth, worldwide? The Greens are pursuing this policy from their coffee lounges in the inner city.

But the real elephant in the room is population growth. There are just too many people in the world and the number is growing. That is the underlying cause of increased carbon emissions and no amount of switching to alternative energy is going to overcome this issue. When will the climate change activists wake up to this reality, and what will they propose to do about it? I hate to think.

We have deleted Golden Rim from chart coverage. Burkina Faso is becoming more challenging and we continue to be disenchanted with the corporate decision making.



Sentiment
Sentiment is
than it was

Oscillator:
a little better
three weeks

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	at new high	
Metals and Mining	XMM	new high	
Energy	XEJ	back to LT uptrend, at apex of wedge	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Adriatic Resources	ADT	rising but on shallower line	zinc
Aeon Metals	AML	back in downtrend	copper + cobalt
Alacer Gold	AQG	new high	gold – production
Alkane Resources	ALK	stronger on rare earth thematic	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Alchemy Resources	ALY	sideways near lows	nickel, cobalt
Alicanto Minerals	AQI	rising	gold exploration
Allegiance Coal	AHQ	new high	coal
Alliance Resources	AGS	still down	gold exploration
Altech Chemicals	ATC	sideways after breaching uptrend	industrial minerals - synthetic sapphire





































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Apollo Consolidated	AOP	still in wedge	gold exploration
Argent Minerals	ARD	new low after placement	silver
Aurelia Metals	AMI	still falling	gold + base metals
AusTin	ANW	sideways at lows	tin, cobalt
Australian Bauxite	ABX	sideways	bauxite
Australian Potash	APC	rallying but still beneath LT downtrend	potash
Australian Mines	AUZ	strong rise, but heavy pullback	cobalt/nickel
Australian Vanadium	AVL	new low	vanadium
BHP	BHP	new high	diversified, iron ore
Base Resources	BSE	pullback	mineral sands
Bathurst Resources	BRL	sideways	coal
Battery Minerals	BAT	new low	graphite
BBX Minerals	BBX	pullback	gold exploration
Beach Energy	BPT	breached uptrend	oil and gas
Bellevue Gold	BGL	near high	gold exploration
Berkeley Energia	BKY	in secondary downtrend	uranium
Blackstone Minerals	BSX	back to lows	gold, cobalt
Bounty Coal	B2Y	rallying	coal
Breaker Resources	BRB	testing uptrend	gold exploration
Broken Hill Prospecting	BPL	off its lows	minerals sands
Buru Energy	BRU	new uptrend	oil
Buxton Resources	BUX	testing downtrend	nickel exploration
Cardinal Resources	CDV	new low	gold exploration
Cassini Resources	CZI	consolidating	nickel/Cu expl.
Celsius Resources	CLA	strong recovery	copper/cobalt
Chalice Gold	CHN	drifting lower	gold exploration
Chesser Resources	CHZ	surged out of downtrend, then heavy pullback	gold exploration
Cobalt Blue	COB	off its lows	cobalt
Dacian Gold	DCN	collapse on operations update	gold
Danakali	DNK	sideways	potash
Davenport Resources	DAV	down	potash
Egan Street Resources	EGA	drifting lower	gold
Emerald Resource	EMR	sideways	gold
Evolution Mining	EVN	rising	gold
Exore Resources	ERX	sideways	gold exploration
FAR	FAR	sideways at lows	oil/gas
First Graphene	FGR	new high	graphene
Fortescue Metals	FMG	pullback	iron ore
Galaxy Resources	GXY	new low	lithium
Galena Mining	G1A	consolidating near highs	lead
Galilee Energy	GLL	new high	oil and gas, CBM
Gold Road	GOR	rising	gold
Graphex Mining	GPX	continuing in uptrend	graphite
Heron Resources	HRR	breaching downtrend	zinc

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Highfield Resources	HFR		surge to new high on Environmental Permit	potash
Hillgrove Resources	HGO		sideways	copper
Hipo Resources	HIP		at lows	battery metals
Iluka Resources	ILU		stronger	mineral sands
Image Resources	IMA		higher	mineral sands
Independence Group	IGO		breached uptrend	gold, nickel
ioneer (was Global Geoscience)	INR		testing downtrend, then pullback	lithium
Jervois Mining	JVR		testing uptrend	nickel/cobalt
Jindalee Resources	JRL		strongly higher	lithium
Karoon Gas	KAR		breached new uptrend	gas
Kasbah Resources	KAS		at record low now	tin
Kibaran Resources	KNL		new uptrend forming	graphite
Kin Mining	KIN		sideways	gold
Legend Mining	LEG		sideways to lower	nickel exploration
Lepidico	LPD		breached uptrend	lithium
Lithium Australia	LIT		continuing downtrend	lithium
Lucapa Diamond	LOM		continuing downtrend	diamonds
Lynas Corp.	LYC		surge on rare earth thematic	rare earths
Mako Gold	MKG		back to lows	gold exploration
Marmota	MEU		sideways	gold exploration
MetalsX	MLX		breached downtrend	tin, nickel
Metro Mining	MMI		down	bauxite
Mincor Resources	MCR		new uptrend forming	gold
Musgrave Minerals	MGV		down	gold exploration
Myanmar Minerals	MYL		uptrend breached	zinc
Nelson Resources	NES		strong rally	gold exploration
Neometals	NMT		testing downtrend	lithium
Northern Cobalt	N27		down again	cobalt
Northern Minerals	NTU		surged to reach resistance line	REE
Northern Star Res.	NST		higher	gold
NTM Gold	NTM		gentle downtrend	gold exploration
Oceana Gold	OGC		down	gold
Oklo Resources	OKU		new low	gold expl.
Orecorp	ORR		correcting back to support line	gold development
Orocobre	ORE		sideways	lithium
Oz Minerals	OZL		correcting lower	copper
Pacific American Coal	PAK		at lows	coal
Pantoro	PNR		testing support line	gold
Panoramic Res	PAN		down	gold , nickel
Peak Resources	PEK		surging to new high	rare earths
Peel Mining	PEX		still down	copper
Peninsula Energy	PEN		tracing back to resistance/support line	uranium
Pensana Metals	PM8		surge to high	rare earths
Perseus Mining	PRU		rising	gold

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Pilbara Minerals	PLS		testing downtrend	lithium
PNX Metals	PNX		lower	gold, silver, zinc
Polarex	PXX		surge higher	polymetallic exploration
Prodigy Gold	PRX		rising	gold exploration
Ramelius Resources	RMS		hugging uptrend	gold production
Real Energy	RLE		back to lows	gas
Red5	RED		new high	gold
Red River Resources	RVR		pullback after breaching downtrend	zinc
Regis Resources	RRL		fallen to support, and now testing it	gold
Resolute Mining	RSG		sideways through uptrend line	gold
RIO	RIO		new high	diversified, iron ore
Salt Lake Potash	SO4		breaching downtrend	potash
Saracen Minerals	SAR		surged higher	gold
St Barbara	SBM		collapse	gold
Sandfire Resources	SFR		down	copper
Santos	STO		into uptrend	oil/gas
Sheffield Resources	SFX		back to lows	mineral sands
St George Mining	SGQ		down	nickel
Sipa Resources	SRI		recovered, to sideways pattern	general exploration - Ni,Cu, Co, Au
Stanmore Coal	SMR		new high	coal
Strandline Resources	STA		new uptrend	mineral sands
Sundance Energy	SEA		heading lower	oil/gas
Syrah Resources	SYR		at lows	graphite
Talga Resources	TLG		breached uptrend	graphite
Technology Metals	TMT		short term down	vanadium
Tiger Realm	TIG		surged higher, at resistance line	coal
Triton Minerals	TON		breached secondary downtrend	graphite
Troy Resources	TRY		bounced off its lows	gold
Vango Mining	VAN		breached downtrend	gold
Vector Resources	VEC		suspended	gold
Venturex	VXR		down	zinc
Vimy Resources	VMY		new uptrend breached	uranium
Volt Resources	VRC		down	graphite
West African Resources	WAF		struggling around resistance line	gold
Westwits	WWI		down	gold
Western Areas	WSA		down	nickel
Whitebark Energy	WBE		sideways	oil and gas
Whitehaven Coal	WHC		down	coal
Yandal Resources	YRL		sideways	gold exploration
Totals	31%	43	Uptrend	
	35%	48	Downtrend	
		137	Total	

Guides to Chart Interpretations

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- 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	30	21.9%	
Gold Exploration	18	13.1%	
Oil/Gas	9	6.6%	
Graphite	7	5.1%	
Nickel	9	6.6%	
Coal	8	5.8%	
Lithium	8	5.8%	
Mineral Sands	6	4.4%	
Zinc/Lead	6	4.4%	
Potash/Phosphate	5	3.6%	
Copper	5	3.6%	
Cobalt	4	2.9%	
Rare Earths	4	2.9%	
Tin	3	2.2%	
Iron Ore	3	2.2%	
Uranium	3	2.2%	
Bauxite	2	1.5%	
Vanadium	2	1.5%	
Silver	1	0.7%	
Diamonds	1	0.7%	
Other	3		
Total	137		

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