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The Mining Investment Experts

Weekly Commentary

16 May 2020 | *On Friday's Close* | Analyst : Warwick Grigor

Rally running out of puff

The markets failed to achieve any real traction as the week progressed with the Dow not offering any inspiration, falling by 1.89% and 2.1% on consecutive nights. The table below shows the relative performance of the Dow Jones and the All Ords in Australia last week. There doesn't seem to be much correlation at present.

	Dow Close	Move	All Ords	Move
	24,107		5448	
M	24,222	0.48%	5,559	2.04%
T	23,764	-1.89%	5,497	-1.12%
W	23,247	-2.18%	5,513	0.29%
T	23,625	1.63%	5,418	-1.72%
F	23,685	0.25%	5,492	1.37%

No new themes came to surface as various countries made moves to loosen the lockdown parameters. Now that there seems to be a better understanding of where the trouble spots are, and there is closer monitoring, we can gradually move back towards the mainstream whilst being prepared to act swiftly to clamp down on any new hots spots (which will inevitably arise).

On the charts the All Ords and the Energy indices are still in a consolidating correction pattern with a risk of moving lower, but the Metals and Mining Index has broken out of such a pattern on the upside. Iron ore and gold producers were responsible for the strength as both commodity prices have been improving.

Follow up on PrueGRAPH® in face masks

Last week we mentioned FGR's deal to supply planarTECH (Holdings) Ltd with PureGRAPH® for a new line of PPE face masks. Well, below there is a link to a release by planarTECH (Holdings) Ltd explaining what is good about them, and FGR gets a good mention. It says that the initial demand could be in the order of one tonne in year one, and obviously it would build from that level. One tonne could be US$200-300,000 in sales revenue.
https://www.youtube.com/watch?v=87O7_f91oV4

For those who want to read more on how graphene can work with masks, read the following article that appeared in physicsworld.
https://physicsworld.com/a/graphene-joins-the-fight-against-covid-19/

Disclosure: The author is a director of First Graphene and interests associated with him own shares and options.

Amazing 171 carat diamond for Lucapa

In a pleasant surprise, Lucapa announced the recovery of a 171 carat gem diamond last week, from the Lulo mining operation. It is the second 100 carat stone found in 2020, and the fourth largest stone recovered over the past five years. It came from Mining Block 6, which together with Mining Block 8 have produced 13 +100 carat diamonds, including the 404 carat stone that was recovered in 2016. That diamond sold for US$16m.

It is premature to say what this latest diamond might be worth; perhaps US$3-6m? A diamond of this size goes into a very exclusive market and is not subject to the normal market mechanics, so we can say it is less likely to be disadvantaged by the lockdowns which are making sales of diamonds generally more problematic at the moment.

The recovery of this sort of product is exactly the reason why I like Lucapa so much. The ability to recover such a high value stone, on any random day, makes the Lulo mine much more exciting than the higher volume hard rock mines that produce smaller, low value stones that only give low value profit margins. The higher mining rates of the expanded Lulo operation will likely increase the frequency of recovering these high value stones; and of course, you must remember that these big diamonds have come from a kimberlite pipe somewhere nearby. It is only a matter of time, and hopefully not too much time, until the source pipe is found.

You will be aware that Lucapa is going back to the market with a 1 for 5 entitlement issue at 5¢, with a 1 for 1 free attaching option. In my opinion this is an excellent entry point. Shareholders get first bite at the cherry, but non-shareholders are welcome to put their names down for any shortfall. FEC is Manager to the Issue so feel free to contact us.

Disclosure: Interests associated with the author hold shares in Lucapa. FEC is acting as Manager to the current 1 for 5 entitlement issue and will receive advisory fees.

Resolution Minerals

What we don't want to see from exploration companies is a release of "encouraging holes", for this is invariably encouraging geologically, but not economically. Such has been the result from RML's first two holes at the 64N Project in Alaska. The ASX release said *"Encouragingly the rock type, quartz veining, intense alteration and elevated arsenic, bismuth and tellurium correlating to gold in assays intersected in RML drilling, is typical of a Pogo-style IRGS mineral system."*

It is a double-edged sword when companies excite shareholders ahead of a drilling program. While it is possible to hit the good stuff in the first hole, it is most unlikely. It is a bit like a novice hitting a bullseye with his first throw at a dartboard; not impossible, but most unlikely.

So, what do shareholders do now? Do they hang on and hope that it is just a process of doing the work and eventually hitting the right stuff, or do they move their money to something else? While it is encouraging that the 462m deep hole hit 11 gold-mineralised zones, is it also telling us that it is hitting "leakage" i.e. periphery gold from a more concentrated location elsewhere on the leases or elsewhere, outside of the leases. Another Pogo is what RML wants, but what is the probability of there being two in the one goldfield? Logically, you could say Pogo sucked up all the gold because that site was the most conducive too deposition on a number of parameters. Does that mean the gold went there rather than, say 5 km away? That is the mystery.

Disclosure: Interests associated with the author hold shares in Resolution Minerals.

Alicanto gets Arakaka Gold Project back

Junior exploration companies typically gather exploration ground and conduct initial exploration work designed to strengthen a geological theory before farming it out to better financed major companies for the more expensive drilling programs. Sometimes the majors have good success and the project advances. On other occasions the success may be lacking, but even when drilling provides encouragement the major company can withdraw for corporate reasons not based on the project prospectivity. A well-structured JV will see the project revert back to the junior and that company will at least have the benefit of the expenditure and added geological knowledge.

In the case of Alicanto, 100% ownership of Arakaka has been reinstated with Nordgold withdrawing after spending US$2.8m. Nordgold drilled 51 diamond holes for 10,478m, with some of the better intercepts being 19m at 7.43 gpt from 260m, 6m at 11.15 gpt from 69m, 6.5m at 5.44 gpt. Mineralisation appears in a number of settings, from bonanza-style gold intercepts with visible gold in quartz veins, to broad zones of disseminated mineralisation associated with arsenian-pyrite and pyrrhotite. The mineralised trend is 12 km long, offering plenty of scope for sizeable deposits.

The high grade gold intercepts are encouraging, especially given that the previous work by Barrick disappointed the market due to modest grades. The ball is back in Alicanto's court to try and make sense of the data on this prospective Guyana gold play. It will have to decide how to split its funds between Guyana and Sweden, where it is in the early stages of identifying and drilling exciting copper, gold and base metal targets. Another joint venture with a major may be the go, and there is still plenty of gold in the system. It just needs to be understood better. While the share price came off a bit after the announcement, getting the project back is not necessarily a negative.

Disclosure: Interests associated with the author hold shares in Alicanto

ASX cracking down on what companies can say

Often it is not what companies say in releases that is most important. It is what they don't say; what they conveniently omit. The ASX is becoming more aggressive in the policing of releases by companies, especially where technology is involved. It is focusing on companies that say what seems to be wonderful things and compelling them to place the news flow in commercial perspective.

An example of the policy was seen last week when Talga was obliged to re-release its Bentley Motors Electric Drive announcement. The release was titled "*Updated Bentley …*" An update usually means that something new has occurred, but in this case it wasn't an update at all. It was an amendment that involved the addition of the following paragraph …

> *"At this stage the Company cannot quantify the economic benefits to Talga from participating in the project. However the relationship with consortium partners and commercial potential of the arising products is well aligned with Talga's growing advanced materials and technologies for applications in zero emission vehicles.*".

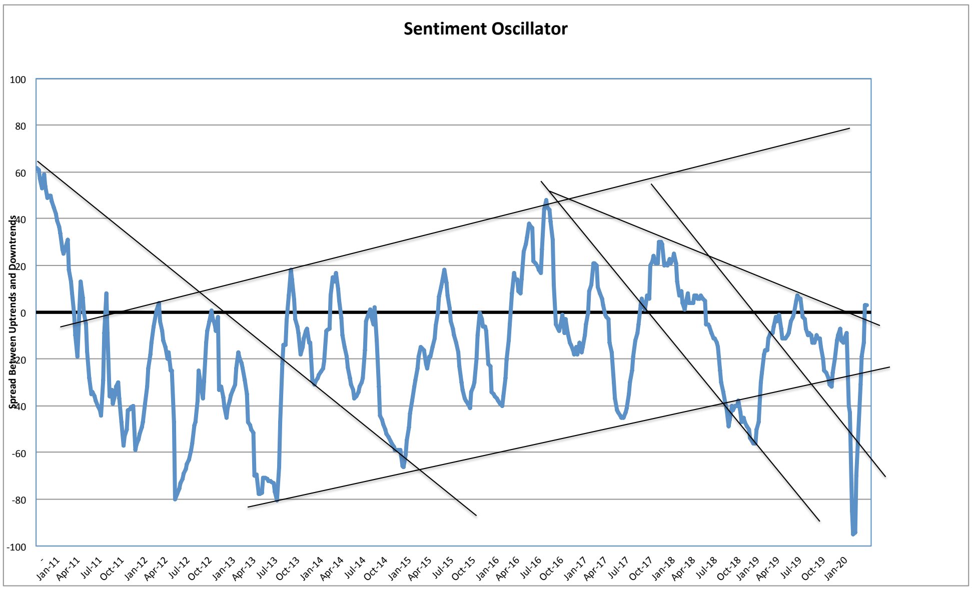
… as well as some information on the OCTOPUS project and Innovate UK.

So just like the ASX won't allow a scoping study to be released without JORC resources, it won't allow technology companies to report collaborations and ventures without some qualification as to the commerciality of the arrangements. The objective is to minimise the degree to which releases can mislead investors, which is fine, but the implementation of the policy is difficult and requires more consistency in its application.

While on the topic of graphene and Talga, it is interesting to see that it plans to provide graphene materials to the Bentley research project. I thought that Talga had gone very quiet on the graphene front, preferring to talk more about batteries and graphite. Talga was a first mover on graphene but news on progress in this front has dried up in recent years. What graphene is it capable of making and at what scale? What is the quality and the specifications? Is it actually capable of delivering into industrial demand, or just bench top quantities? It would be nice to know as these issues also go to the commerciality of the venture.

We have added E2 Metals (E2M) to the chart coverage.

Sentiment Oscillator: Sentiment was basically steady over the week, with 40% (37%) of the charts in uptrend and 37% (34%) in downtrend on Friday's close. As stated in the heading, the rally has run out of puff.



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		trying to recapturing uptrend	
Metals and Mining	XMM		continuing higher	
Energy	XEJ		rising again	
Stocks	**Code**		**Trend Comment (updated comments in bold)**	**Main Interest**
Alpha HPA	A4N		new uptrend started	HPA
Adriatic Resources	ADT		rising again	zinc
Aeon Metals	AML		bouncing off lows	copper + cobalt
Alacer Gold	AQG		new high	gold – production
Alkane Resources	ALK		recovering	gold, zirconia
Alicanto Minerals	AQI		rising again	gold exploration
Allegiance Coal	AHQ		testing downtrend	coal
Alliance Resources	AGS		surge above resistance line	gold exploration
Apollo Consolidated	AOP		breached steepest downtrend, on resistance line	gold exploration
Arafura Resources	ARU		heading to resistance line	rare earths
Aurelia Metals	AMI		risen to resistance line	gold + base metals
Australian Potash	APC		down	potash
Australian Mines	AUZ		base forming	cobalt/nickel
Australian Vanadium	AVL		new low	vanadium
BHP	BHP		rising again	diversified, iron ore
Base Resources	BSE		down	mineral sands
Bathurst Resources	BRL		down	coal
BBX Minerals	BBX		down	gold exploration
Beach Energy	BPT		rallied through downtrend	oil and gas

Beacon Mining	BCN		breached downtrend	gold production
Bellevue Gold	BGL		steep uptrend from lows	gold exploration
Blackstone Minerals	BSX		rising	nickel
Breaker Resources	BRB		rising	gold exploration
Broken Hill Prospecting	BPL		testing downtrend	minerals sands
Buru Energy	BRU		breached downtrend	oil
Buxton Resources	BUX		turned down at resistance line	nickel exploration
Capricorn Metals	CMM		rising again	gold
Cardinal Resources	CDV		breaching downtrend	gold exploration
Cassini Resources	CZI		strong rally	nickel/Cu expl.
Central Petroleum	CTP		down	oil/gas
Chalice Gold	CHN		another surge on high grade palladium	gold exploration
Chase Mining	CML		testing downtrend	nickel/copper/PGE
Chesser Resources	CHZ		new uptrend started	gold exploration
Cobalt Blue	COB		wedge forming	cobalt
Dacian Gold	DCN		collapse on recapitalisation	gold
Danakali	DNK		drifting lower	potash
Davenport Resources	DAV		testing resistance line	potash
De Grey	DEG		creeping higher	gold
E2 Metals	E2M		risen to resistance line, then pullback	gold exploration
Ecograf (was Kibaran)	EGR		down	graphite
Emerald Resource	EMR		breaching downtrend	gold
Evolution Mining	EVN		surge higher	gold
Exore Resources	ERX		strong uptrend	gold exploration
FAR	FAR		new low	oil/gas
First Graphene	FGR		short term down to meet entitlement price	graphene
Fortescue Metals	FMG		new high	iron ore
Galaxy Resources	GXY		down	lithium
Galena Mining	G1A		breached steepest downtrend	lead
Galilee Energy	GLL		back to lows	oil and gas, CBM
Gold Road	GOR		softening	gold
Graphex Mining	GPX		down	graphite
Heron Resources	HRR		recovery, but still in downtrend	zinc
Highfield Resources	HFR		testing downtrend	potash
Hillgrove Resources	HGO		still in downtrend	copper
Iluka Resources	ILU		testing resistance	mineral sands
Image Resources	IMA		improving	mineral sands
Independence Group	IGO		softer	gold, nickel
ioneer (was Global Geoscience)	INR		down	lithium
Jervois Mining	JVR		recovered to hit resistance line	nickel/cobalt
Jindalee Resources	JRL		spike to hit resistance line	lithium
Kin Mining	KIN		rising	gold
Kingston Resources	KSN		uptrend through resistance line	gold
Kingwest Resources	KWR		uptrend through resistance line	gold

Legend Mining	LEG		surge to new high	nickel exploration
Lepidico	LPD		down	lithium
Lindian Resources	LIN		slump	bauxite
Lithium Australia	LIT		recovered to hit resistance line	lithium
Lucapa Diamond	LOM		at lows	diamonds
Lynas Corp.	LYC		rising again	rare earths
Mako Gold	MKG		down	gold exploration
Marmota	MEU		strong recovery	gold exploration
MetalsX	MLX		recovered to hit resistance line	tin, nickel
Metro Mining	MMI		down	bauxite
Mincor Resources	MCR		breaching resistance line	gold
Musgrave Minerals	MGV		rising	gold exploration
Myanmar Minerals	MYL		recovered to hit resistance line	zinc
Nelson Resources	NES		uptrend through resistance line	gold exploration
Neometals	NMT		continuing down	lithium
Northern Minerals	NTU		down	REE
Northern Star Res.	NST		softer	gold
NTM Gold	NTM		rising again	gold exploration
Oceana Gold	OGC		rising	gold
Oklo Resources	OKU		new high	gold expl.
Orecorp	ORR		testing downtrend	gold development
Oro Verde	OVL		breached uptrend	rare earths
Orocobre	ORE		forming a base	lithium
Oz Minerals	OZL		strong rally	copper
Pacific American Holdings	PAK		new low	coal
Pacifico Minerals	PMY		down	silver/lead
Pantoro	PNR		recovered to hit resistance line	gold
Panoramic Res	PAN		down	gold , nickel
Peak Resources	PEK		testing steepest downtrend	rare earths
Peel Mining	PEX		down	copper
Peninsula Energy	PEN		strong surge then pullback	uranium
Pure Minerals	PM1		down	nickel/cobalt/HPA
Pensana Metals	PM8		breached downtrend	rare earths
Perseus Mining	PRU		struggling to move higher	gold
Pilbara Minerals	PLS		but strong rally	lithium
PNX Metals	PNX		down	gold, silver, zinc
Polarex	PXX		breached downtrend	polymetallic exploration
Ramelius Resources	RMS		rising	gold production
Real Energy	RLE		down	gas
Red5	RED		sideways	gold
Red River Resources	RVR		rallying, hit resistance line	zinc
Regis Resources	RRL		uptrend again	gold
Resolution Minerals	RML		heavy pullback	gold
Resolute Mining	RSG		rising	gold

RIO	RIO		down	diversified, iron ore
Salt Lake Potash	SO4		breached steepest downtrend	potash
Saracen Minerals	SAR		rising	gold
St Barbara	SBM		uptrend breaching resistance line	gold
Sandfire Resources	SFR		rising	copper
Santos	STO		strong uptrend	oil/gas
Saturn Metals	STN		recapturing uptrend	gold exploration
Sheffield Resources	SFX		off its lows	mineral sands
Sky Metals	SKY		uptrend maintained	gold exploration
St George Mining	SGQ		back to downtrend after placement	nickel
Silex Systems	SLX		recovered to hit resistance line	uranium enrichment technology
Sipa Resources	SRI		testing downtrend	general exploration - Ni,Cu, Co, Au
Spectrum Metals	SPX		new high	gold exploration
Stanmore Coal	SMR		surge out of downtrend	coal
Strandline Resources	STA		recovered to hit resistance line	mineral sands
Syrah Resources	SYR		breaching steepest downtrend	graphite
Talga Resources	TLG		breached downtrend	graphite
Technology Metals	TMT		testing downtrend	vanadium
Tesoro Resources	TSO		fallen to support line	gold exploration
Titan Minerals	TTM		strong rise	gold
Vango Mining	VAN		breaching uptrend	gold
Venturex	VXR		down again	zinc
Vimy Resources	VMY		strong rally	uranium
West African Resources	WAF		new high	gold
Westgold Resources	WGX		recovered to hit resistance line	gold
West Wits Mining	WWI		testing uptrend	gold
Western Areas	WSA		sideways	nickel
Whitebark Energy	WBE		down	oil and gas
Whitehaven Coal	WHC		turned down at resistance line	coal
Yandal Resources	YRL		breached downtrend	gold exploration
Zinc Mines of Ireland	ZMI		strong rally	zinc
Totals	40%	55	Uptrend	
	37%	51	Downtrend	
		138	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	32	23.2%	
Gold Exploration	21	15.2%	
Oil/Gas	8	5.8%	
Nickel	9	6.5%	
Lithium	8	5.8%	
Coal	6	4.3%	
Zinc/Lead	10	7.2%	
Mineral Sands	6	4.3%	
Rare Earths	6	4.3%	
Potash/Phosphate	5	3.6%	
Copper	5	3.6%	
Cobalt	3	2.2%	
Graphite	4	2.9%	
Tin	1	0.7%	
Iron Ore	3	2.2%	
Uranium	2	1.4%	
Bauxite	3	2.2%	
Vanadium	1	0.7%	
Silver	2	1.4%	
Diamonds	1	0.7%	
Other	2		
Total	138		

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