

17 October 2020

On Friday's Close

Analyst : Warwick Grigor

Gibb River makes Edjudina Gold Discovery

This week we will again avoid commenting on the macro-markets and the larger trends, as the US Presidential election dominates expectations and uncertainties ... along with the virus, of course. There is plenty of commentary from other sources if this is what you want. We are focusing on specifics of company news flow. The first one is an interesting gold discovery in WA.

Gibb River Diamonds strikes gold in WA

I have kept a roving eye on Gibb River Diamonds (GIB) over the years, first seeing it as a phosphate company, then as a diamond company and most recently as a gold explorer. The announcement last week of a gold discovery at Edjudina, about 25 km east of Saracen's Porphyry Gold Mine, looks perfectly timed to appeal to investors in this market.

Low entry cost deal

It was only in July 2020, that GIB acquired a six month option over the property, paying \$110,000. That option can be exercised on the payment of \$330,000 cash and 5.5 million shares plus 5.5 million options with a strike price of 9¢, giving it 100% of the project. You can assume there is no doubt that the option will be exercised. The vendor is Nexus Minerals (NXM).

Historical gold production but limited modern success

The licence is located on the Edjudina Trend about 150 km east of Kalgoorlie, which has supported a number of gold mining ventures over the years, mostly from 1897 to 1921. Records show that 29,920 tonnes were treated for the recovery of 39,476 oz.

Modern exploration has been limited to companies such as Australian Anglo American Ltd, United Nickel Exploration, Cambrian Exploration, Pancontinental and Nexus. For whatever reason these companies didn't find anything worthwhile pursuing. One of the obstacles to exploration that Gibb River mentioned was the overlying calcrete layer of 1-1.5m thickness, that is so hard that back in the 1980s the explorers could trench it.

I seem to recall there was another company in the area in the mid-1980s called Paget Gold, managed by Roger Stroud, that had high grade gold in boudinage-type mineralisation (Gibb refers to them as "kidney reefs") within calcrete rocks at surface, but that company didn't get very far. It was very difficult to drill these and resource calculation was always going to be a challenge with this narrow type of deposit.

Gibb's recent success provides a new perspective

The drill results announced by Gibb last week provide a completely new perspective with intercepts like 36m at 3.97 gpt from 4m, 18m at 3.10 gpt from 18m, 24m at 1.44 gpt from surface and 8m at 2.91 gpt, to quote the first four holes in the release. Rather than waste time talking about

the high grade kidney reefs, Gibb has gone for mineralisation that shows both good grade and width in the oxide zone down to depths of 50m. A total of 66 aircore holes were drilled for 2,755m. We will need to see more drilling and RC holes to get a better understanding of the geology (which is thought to be replacement-style mineralisation), but for a first pass program this is very encouraging. There is something like 13 km of strike to be assessed but in the immediate future the Neta and Gawler targets seems to offer the best opportunity. Neta is open to the north, south and at depth. Gawler has a target strike length of 700m associated with extensive shallow historic workings.

Instant market reaction

The market was quick to react to the announcement with the shares jumping from 4.7¢ to a high of 23.5¢, settling back to 13.5¢ at the time of writing. At this price the market capitalisation is \$27m. Funding continues to be tight with there being \$683,000 in the kitty at 30/6/20, and an SPP at 5¢ subsequently raising another \$600,000. So, we should expect another raising in the near term to take advantage of the renewed enthusiasm for the stock.

Diamond Portfolio still on the books

While the excitement is all about the gold, Gibb still has its diamond assets in the Kimberley, being at Ellendale and Blina. These are pre-loved assets that could have merit in the future, but the market isn't placing much value on them just now.

This is a company worth keeping a close eye on.

Implications of Gibb's discovery for PAK

Seeing the proximity to the the Gibbs discovery to the east of the Porphyry Gold Mine immediately caused a rush of constrained enthusiasm to my mind, given that Pacific American has recently announced a deal immediately to the north of the same mine. The geology on the PAK ground will be tied in to the very important Keith Kilkenny Shear Zone that runs roughly N-S, whereas the Neta discovery of by Gibb is in the more discrete Edjudina trend to the east. There is nothing to suggest that they are connected geologically, but nevertheless, you can conclude that the region still has new orebodies just waiting to be discovered. PAK is in the right place with ground that has definitely been under-explored by previous owners. We look forward to the drilling in the New Year.

Disclosure: Interest associated with the author own shares in Pacific American and has received corporate fees.

Manhattan at the starting gate in a regional gold play

Last week, Manhattan reported on the second RC drilling program at the New Bendigo Prospect, at the Tibooburra Project in NW NSW ... and the shares were marked down from 4.6¢ to hit a low of 2.8¢ by the end of the week. The hot money obviously felt that the sugar hit was not enough.

There was one particularly good hole that hit a high grade intercept of 5m at 20.8 gpt from a down hole depth of 11m, which stretched out to a 30m intercept at 4.03 gpt. The rest of the holes had generally low grades and narrow intercepts that were testament to an extensive gold system, but the market was not impressed.

The point to make about this project is that it is still early days. There is an enormous amount of ground to test and it is a steep learning curve. Early results such as these will give clues as to where the next drill holes should go, and diamond drilling is needed to get a better idea of the orientation of the geology. Techniques will need to be refined to maximise the chances of success as the company strives to understand structural controls. If that sounds like hard work, then once again, welcome to exploration.

Tibooburra is a big picture, regional gold play that will have its good and bad days, but so far MHC has only scratched the surface. We know there is plenty of gold there. MHC just has to find the best trap sites and structures. Another example of a large scale play like this De Grey (DEG) in the Pilbara. It knew it had good ground and there was plenty of gold in it, but finding the most juicy part of the system took quite a few years. It took perseverance and as always, luck, but look at it now. Shareholders would like a shorter time frame than what DEG experienced, but that is where luck comes into it.

Disclosure: Interest associated with the author own shares in Manhattan.

Lucapa announced 285% increase in Indicated Resources at Mothae, with grades steady.

The release of a 285% increased in Indicated Resources at the Mothae Kimberlite Diamond Mine in Lesotho was a significant step for Lucapa as it is now allowed by the ASX to talk of a six year mine life. (A company is not allowed to use inferred resources for this purpose). This release also dovetails with the news that Mothae is about to reopen after being locked down since March due to the virus.

Note also that the increase in resources didn't come from a change in the grade, a tactic that some companies use. It is still around 3.1 cpht so operating margins will be consistent.

Have a look at Figure 1 in the ASX release that shows the proportion of the Indicated Resource relative to the rest of the pipe. While officially the life is now six years, it is most likely going to be a multiple of this figure. Click [here](#)

The Company has been studying the economics of a low cost plant expansion at Mothae that could significantly improve operating margins and provide much better EBITDA. Any news on this foot should be deemed positive for the share price.

Disclosure: Interest associated with the author own shares in Lucapa and has received corporate fees.

Supercapacitors and lithium batteries for EVs

We all know that lithium ion batteries are the favoured energy storage device of electric vehicles, but we shouldn't be assuming that this is the whole picture. In all probability the EVs of the future will have both lithium ion (or some variation) and supercapacitors in order to arrive at the optimum outcome. Lithium ion batteries will be more efficient and last longer if they are reserved for cruising speeds. Supercapacitors are better suited for the acceleration from standing starts as they are designed for rapid discharge. They can be recharged through the conversion of kinetic energy to electrical energy when a vehicle brakes. This is a simplification of course, but it is where EVs are likely to progress. First Graphene is well positioned with the work it is doing on supercapacitor materials. Click [here](#) to see the ASX release last week.

Disclosure: Interest associated with the author own shares in First Graphene and has received corporate fees. The author is the chairman of FGR.

Silicon anodes still have a way to go

It has been common knowledge that silicon has the potential to improve the performance of battery anodes. A number of companies around the world are working on solving the technical problems that come with the swelling of silicon by up to 300%, but so far no-one has come up with the solution.

Talga has come out with a bullish statement saying that it can use lower-cost metallurgical grade silicon to achieve a high-energy density anode with mass production potential, based on initial tests. So, now it intends to fast-track the research program and boost sample production by 10x, but what does this mean in hard numbers? What is it doing now, and what will the expanded number be?

What is the cost of that silicon per kg? It needs to be less than US\$24/kg to be competitive with graphite.

So far Talga has told us what it wants to do. It has correctly identified the problems with swelling and the high costs of silicon-based anodes when compared to existing graphite anodes. Though it believes it has the answers to these problems, Talga has not given us any details to back up that belief. Talga may be on the right path, but will it get to the end destination before other companies, using a chemo-mechanical method rather than the established CVD coating method?

Having a high grade graphite resource should only be seen as interesting rather than essential. There is risk in developing a mine to get supply when there is already graphite product in the market that could do the job. The objective should be to make an anode that works first, before developing a mine.

It is understandable that the Company doesn't want to reveal its secrets for competitive reasons, but it should be able to release results that attest to the level of

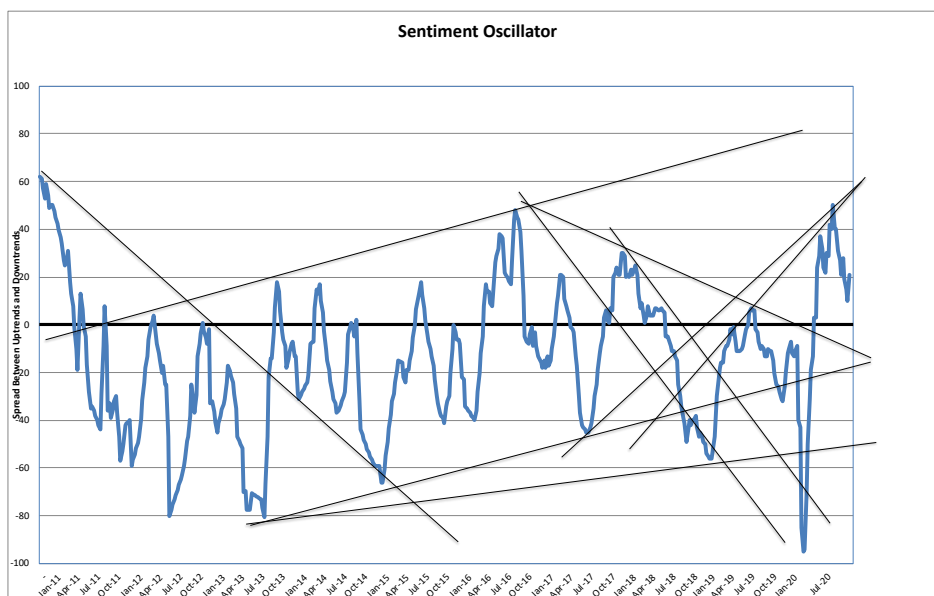
performance achieved so far. The showstopper for many batteries is the number of cycles that it can survive and still be able to retain 80-90% of their capacity. The rule of thumb is that a battery needs to get 800 cycles before the performance falls away. It is easy to get to 100 cycles but that is meaningless in a commercial assessment. What is Talga up to? The diagram in its recent presentation shows progress after 70 cycles but this figure is meaningless and nothing to get excited about

Another show-stopper is first cycle efficiency (FCE). This is the energy given back in the first discharge cycle divided by the energy consumed during the first charge cycle. It shows how much energy is lost during the first charge cycle

to chemical reaction between the electrolyte and surface of the anode.

The FCE needs to be around 90% to be accepted by battery manufacturers. Talga needs to release this figure. Other parameters we need to know are volumetric capacity, swelling and rate performance to assess cell loadings. This will tell us how close Talga is to a real, commercial product.

Hyperbole can get the share price running because it sounds good, and shareholders might prefer to trade on the enthusiasm rather than deal with reality, but it can turn ugly if the the goal is not achieved.



Sentiment Oscillator: Sentiment improved usefully during the week, though there was nothing in fundamentals to point to. A number of stocks that were in downtrends have decided to test these downtrends. It may be that we are set for an upwards leg, though less steep than the earlier one at the start of the bull market, or maybe this was just a rally after the falls. There were 48% (46%) of the charts in uptrend and 27% (36%) 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	surge through resistance	
Metals and Mining	XMM	rallied to hit resistance line	
Energy	XEJ	down	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Alpha HPA	A4N	new high	HPA
Adriatic Resources	ADT	trying to rally	zinc, polymetallic
Aeon Metals	AML	on support line	copper + cobalt
Alkane Resources	ALK	new high	gold, zirconia
Alicanto Minerals	AQI	surge to new high	base metals, silver, gold
Allegiance Coal	AHQ	sideways	coking coal



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Alliance Resources	AGS		sideways	gold predevelopment
Alto Metals	AME		new high	gold exploration
American Rare Earths (was BPL)	ARR		surge to new high	rare earths
Apollo Consolidated	AOP		downtrend commenced	gold exploration
Arafura Resources	ARU		breached downtrend	rare earths
Aurelia Metals	AMI		testing support	gold + base metals
Australian Potash	APC		strongly higher	potash
Auteco Minerals	AUT		breached support line	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		sideways	gold production
Bellevue Gold	BGL		new high	gold exploration
Blackstone Minerals	BSX		rising	nickel
Blue Star Helium	BNL		new high	gas, helium
Breaker Resources	BRB		still in LT downtrend	gold exploration
Buru Energy	BRU		sideways	oil
Buxton Resources	BUX		down on negative drill result	nickel exploration
Calidus Resources	CAI		new high	gold
Capricorn Metals	CMM		breached uptrend	gold
Central Petroleum	CTP		sideways through uptrend	oil/gas
Chalice Gold	CHN		new high	nickel, copper, PGMs, gold exploration
Chase Mining	CML		collapse on negative drill result	nickel/copper/PGE
Chesser Resources	CHZ		back to highs	gold exploration
Cobalt Blue	COB		down	cobalt
Dacian Gold	DCN		rallying	gold
Danakali	DNK		down	potash
Davenport Resources	DAV		still in longer term downtrend	potash
De Grey	DEG		new high	gold
E2 Metals	E2M		testing uptrend	gold exploration
Ecograf (was Kibaran)	EGR		pullback	graphite
Element 25	E25		new high	manganese
Emerald Resources	EMR		breached uptrend	gold
Euro Manganese	EMN		rising	manganese
Evolution Mining	EVN		sideways	gold
First Graphene	FGR		breached downtrend	graphene
Fortescue Metals	FMG		down	iron ore
Galaxy Resources	GXY		heavy slump	lithium
Galena Mining	G1A		rising	lead
Galilee Energy	GLL		rising	oil and gas, CBM
Genesis Minerals	GMD		uptrend	gold
Gold Road	GOR		down	gold
Highfield Resources	HFR		rising	potash









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Hillgrove Resources	HGO		still in downtrend	copper
Iluka Resources	ILU		rising again	mineral sands
Image Resources	IMA		falling back to support line	mineral sands
Independence Group	IGO		down	gold
ioneer (was Global Geoscience)	INR		steeply higher	lithium
Ionic Rare Earths (Oro Verde)	IXR		gentle uptrend	rare earths
Jervois Mining	JVR		sideways	nickel/cobalt
Jindalee Resources	JRL		pullback	lithium
Kin Mining	KIN		new high	gold
Kingston Resources	KSN		breached downtrend	gold
Kingwest Resources	KWR		drifting lower	gold
Legend Mining	LEG		rising again	nickel exploration
Lepidico	LPD		sideways	lithium
Lindian Resources	LIN		higher	bauxite
Lithium Australia	LIT		testing uptrend	lithium
Los Cerros	LCL		steeply higher	gold exploration
Lotus Resources	LOT		testing downtrend	uranium
Lucapa Diamond	LOM		pullback on exploration news	diamonds
Lynas Corp.	LYC		new high	rare earths
Mako Gold	MKG		back in downtrend	gold exploration
Mali Lithium	MLL		uptrend	gold & lithium
Manhattan Corp	MHC		breached uptrend	gold exploration
Marmota	MEU		drifting lower	gold exploration
Marvel Gold (was Graphex)	MVL		pullback	gold exploration
MetalTech	MTC		breached uptrend	gold
MetalsX	MLX		down	tin, nickel
Metro Mining	MMI		new low	bauxite
Mincor Resources	MCR		rising	gold/nickel
Musgrave Minerals	MGV		testing downtrend	gold exploration
Myanmar Minerals	MYL		on support line	lead, zinc, silver
Nelson Resources	NES		rising	gold exploration
Neometals	NMT		rising	lithium
Northern Minerals	NTU		steeply higher	REE
Northern Star Res.	NST		breaching downtrend	gold
NTM Gold	NTM		sideways	gold exploration
Oceana Gold	OGC		heavy fall	gold
Oklo Resources	OKU		testing downtrend	gold expl.
Orecorp	ORR		breaching uptrend	gold development
Orocobre	ORE		down	lithium
Oz Minerals	OZL		testing downtrend	copper
Pacific American Holdings	PAK		strongly higher	coal
Pacifico Minerals	PMY		testing downtrend	silver/lead
Pantoro	PNR		testing downtrend	gold
Panoramic Res	PAN		rising	nickel

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Peak Resources	PEK		down	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		rising	lithium
Polarex	PXX		heavy fall	polymetallic exploration
Ramelius Resources	RMS		rising again	gold production
Red5	RED		rallying	gold
Red River Resources	RVR		new high	zinc
Regis Resources	RRL		breached trend line	gold
Regergen	RLT		down	gas, helium
Resolution Minerals	RML		down	gold exploration
Resolute Mining	RSG		down	gold
RIO	RIO		down	diversified, iron ore
Rumble Resources	RTR		testing uptrend	gold exploration
Salt Lake Potash	SO4		breaching downtrend	potash
Saracen Minerals	SAR		testing downtrend	gold
St Barbara	SBM		down	gold
Sandfire Resources	SFR		Downtrend	copper
Santos	STO		down	oil/gas
Saturn Metals	STN		down	gold exploration
Sheffield Resources	SFX		on support	mineral sands
Sky Metals	SKY		breaching downtrend	gold exploration
St George Mining	SGQ		testing downtrend	nickel
Silex Systems	SLX		down	uranium enrichment technology
Silver Mines	SVL		on support line	silver
Sipa Resources	SRI		breached uptrend	general exploration - Ni,Cu, Co, Au
Stanmore Coal	SMR		breached steepest downtrend	coal
Strandline Resources	STA		down	mineral sands
Sunstone Metals	STM		uptrend	
Talga Resources	TLG		rising	graphite
Technology Metals	TMT		surge higher	vanadium
Tesoro Resources	TSO		new high	gold exploration
Theta Gold Mines	TGM		uptrend	gold
Thor Mining	THR		on support line	gold exploration
Tietto Minerals	TIE		testing downtrend	gold
Titan Minerals	TTM		breaching downtrend	gold
Vango Mining	VAN		down	gold
Venturex	VXR		rising	zinc
Vimy Resources	VMY		still in downtrend	uranium
West African Resources	WAF		new high	gold

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Westgold Resources	WGX		new high	gold
West Wits Mining	WWI		rising	gold
Western Areas	WSA		down	nickel
Whitebark Energy	WBE		down	oil and gas
Whitehaven Coal	WHC		rallying	coal
Wiluna Mining	WMX		back to support line	gold
Yandal Resources	YRL		surged higher	gold exploration
Zinc Mines of Ireland	ZMI		testing downtrend	zinc
Totals	48%	70	Uptrend	
	27%	40	Downtrend	
		146	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	37	25.3%
Gold Exploration	26	17.8%
Nickel	12	8.2%
Oil/Gas	8	5.5%
Lithium	8	5.5%
Zinc/Lead	7	4.8%
Rare Earths	7	4.8%
Copper	6	4.1%
Mineral Sands	5	3.4%
Iron Ore/Manganese	5	3.4%

Potash/Phosphate	5	3.4%	
Coal	4	2.7%	
Uranium	4	2.7%	
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	146		

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