

## Alicanto and Oklo deliver good drill results

### *Speculators profiting from coronavirus*

While I said last week that the coronavirus should not be moving the markets, I neglected to mention one important point. Speculators are always there to push the limits. Markets were already on highs, so they were due for a correction. Speculators took advantage of this in both equity and commodity markets, going on a shorting campaign. It worked initially and the media were happy to amplify the effects, but how big a role will coronavirus play in the markets from this point? How bad is it really, now and in the future?

The news that many airlines are suspending flights to and from China as the world seeks to quarantine that country means that commerce with China will slow down, though companies like Fortescue say they haven't seen any change yet. Chinese tourists will be staying at home so that industries that have been relying on them will suffer. Whether things get any worse remains to be seen.

We mostly rely on official news channels to tell us what it is happening in the world, but what about some first hand commentary? A text came through from a friend in Shanghai yesterday, saying that all roads into and out of Shanghai had just been closed. The same for Beijing. Over 60 million people have been quarantined in central China. In Shanghai, multiple hospitals have been closed due to the excessive number of patients. It was said that doctors are refusing to test for the virus where there are symptoms like that of a cold, thereby understating what the real coronavirus numbers are. People dying of "pneumonia" are not being tested for coronavirus. The recommendation is to not trust official reports. Censorship is rampant.

### *Arakaka finally delivers high gold grades for AQI*

Alicanto's involvement in gold exploration in Guyana started out with great enthusiasm with what seemed like a good JV with Barrack, but the drilling disappointed the market when the grades were generally low and unexciting. Barrack eventually withdrew and the Canadian investors the came onto the share register ended up bailing. Alicanto had to reinvent itself so it went off to Sweden to look for base metals. Perhaps it is ironic that Alicanto is now reporting good results from Guyana.

One of the issues with the Barrack JV was that its exploration was directed by that major company rather than what Alicanto geologists would have done. Now, with a JV with Nordgold SE, Alicanto seems to have hit the jackpot by drilling the Arakaka Main Trend. Initial assays include;

- 19m at 7.43 gpt, from 260.7m downhole
- 6m at 11.15 gpt, from 69m downhole
- 0.54m at 160 gpt, from 239m downhole
- 6.5m at 5.44 gpt, from 142m downhole
- 0.55m at 21.44 gpt from 93m downhole
- 0.75m at 10.17 gpt, from 92m downhole

These intercepts seem to have come from stacked mineralised structures within shallow, north plunging high grade shoots at the Purple Heart prospect, all at vertical depths within 170m of the surface. Perhaps these results will be of greater interest to the market. The company is suggesting that when added to the nearer surface results released in August 2015, that were broader in width and lower grade, there is the possibility of a bulk tonnage gold deposit.

Having found good gold, what about the Nord Gold JV? Nordgold has to spend US\$3m and then it can buy AQI out of Arakaka for US\$5m. While a cash injection of US\$5m would be useful, could this be second prize? One consolation would be that AQI still has the lanna project nearby, which would be presumably upgraded as a result of Arakaka success. There is life in the Guyana gold play yet.

*Disclosure: Interests associated with the author hold shares in Alicanto and have received capital raising fees in the past .*

### *Broad, high-grade drill results from Oklo*

I haven't mentioned Oklo much in the past but I have been following since my days at Canaccord, when I raised the initial money to get the company back on its feet as it was transitioning from uranium exploration in Namibia to gold projects in Mali. The logic for my interest was the good regional geology with a strong endowment of gold, but perhaps more importantly, the key technical person was Dr Madani Diallo. Madani has been one of the most successful explorationists in West Africa over many decades. It was very much a case of backing the jockey.

Back in the uranium days Oklo's market capitalisation peaked at about \$227m. By early 2015, the uranium boom had well and truly fallen apart, and Oklo was back down to a sub \$10m market capitalisation, following a 1 for 20 share consolidation. The gold exploration started to work well and by March 2018, the share price had risen to 48¢ to give a capitalisation of \$147m. Then it began an 18 month slide, hitting a low of 9.8¢ last October. The first signs of a breakout appeared in November and last week's move, while rather aggressive, has taken the market capitalisation above \$100m again. The new uptrend has been confirmed.

Last week's announcement of multiple high grade zones that came from a new zone at Seko, is open at depth and along strike. Intercepts included;

- 55m at 7.65 gpt, from 54m down hole
- 51m at 4.28 gpt, from 63m down hole
- 31m at 7.1 gpt, from 30m down hole
- 29m at 2.46 gpt, from 51m down hole and
- 32m at 4.55 gpt, from 5m down hole

Within these broad intercepts were multiple narrower high grade intervals. Further results are awaited from 21 RC and four DD holes.

A frequent criticism in the market place was the company's failure to announce a JORC resource. It still hasn't released one. My thoughts a year ago was that the company had the potential to scrape together a million ounces from a few deposits, but further drilling was needed. At the time, maybe it was a case of not being able to come up with a figure that justified the earlier high market capitalisation. Whatever the reason, the share price was punished.

Oklo has described these drill results as "a game changer". It plans to incorporate all of the results from the current program in its maiden resource statement, scheduled for Q2 of 2020.

### *When should gold drilling results excite you?*

This is a pretty basic question, so why ask it? Well, all drilling needs to be placed in perspective. There is a tendency for companies to highlight a few good intercepts out of any drill program, even where these are not representative of the general population of results. When a company wants to boost its share price, it highlights the better results, and leaves the reader to figure out the rest. But note, this is where the real analysis needs to start. Unfortunately, perhaps because it is still a steep learning curve even for the company, not many ASX releases provide the level of detail needed to afford a sound understanding.

Widths, grades and frequency are all part of the equation with the frequency of good intercepts being the most important input. Every gold project will give a mixture of results and these all need to be seen to get an accurate picture. If you consider that projects like Karlawinda and Bombora have had more than 200,000m of drilling undertaken (that is 200 km), you can start to see the work involved.

Almost every gold project can deliver sexy intercepts, but you have to look beyond the hype. You need to understand the structure and the geometry, the distribution of gold through different rock units, and you need to appreciate the dimensions. Only then can you start to get a back-of-the-envelope idea of what you are dealing with. Metallurgy, location and logistics then come into play.

Exploration companies and investors are conditioned to look for good drill hits. It will always be thus, as they are very promotable and can be exciting, but be careful about making too many assumptions. Look deeper and wider. The excitement should be saved for when you start to get a real appreciation of the size and the grade of the system.

### *A few more notes on Saturn's Apollo Hill*

While I gave a view on the comparative value of Saturn last week, there are a few more notes worth digesting, that give a deeper appreciation of the Apollo Hill project. Note that these figures are work in progress as the Company is still on a steep learning curve with respect to Apollo Hill.

- located two and a half hours drive north of Kalgoorlie, in a salt lake environment
- largest shareholder is Peel Mining with 27%. Josh Pitt owns 7.8% of the company
- grade is expected to increase with closer spaced drilling, due to the effect of coarse gold

- will grade control drill down to 30m depth
- there is no top cut used, or needed
- mineralisation is in brittle, sheeted quartz vein sets with no defined structure identified yet
- vein density is an important grade indicator
- good gold recovery of 92%, with 60% in gravity. Good leach kinetics with simple metallurgy
- thinking about a 3-4 Mtpa mill for 100-150,000 oz pa. Considered heap leach and vat leach options, but milling better
- capex in the range of \$120-\$150m
- while using a 0.5 gpt cut-off, need to consider large amounts of 0.3-0.4 gpt material. Maybe it could be beneficiated to remove 28% of volume
- waste to ore about 5:1 now, could come down to 4:1
- nearest mill is 53 km by road - Gwalia - so probably too far for a low grade feedstock
- another project to which it could be compared is MacPhillamys, owned by Regis Resources
  - 60 Mt at 1.05 gpt, probable ore reserve (2 Moz)
  - 150-200,000 oz p.a.
  - 460m pit depth
  - 85% recovery
  - waste:ore 4.29:1

*Disclosure: Interests associated with the author hold shares in Saturn Metals.*

### *Diamond prices are on the mend*

We have been receiving despatches from London suggesting that rough diamond prices have been improving recently (via Petra Diamonds). Lucapa has confirmed this as well. Maybe we are seeing the market turn after two years of softness. Last year wholesale polished diamond prices fell by 3-15%, while rough diamond prices fell by 16%, with the view being that this was due to de-leveraging of oversupply and the disappearance of debt financing for diamantaires. Watch the Lucapa share price to see if these early signs translate into better demand for stock.

Further, the announcement this week of a deal between Lucapa and Safdico, a subsidiary of Graff International, should be considered. Graff is one of the world's finest high-end jewellery houses. This deal is expected to lead to better prices for Lucapa diamonds that go into the cutting and polishing partnership.

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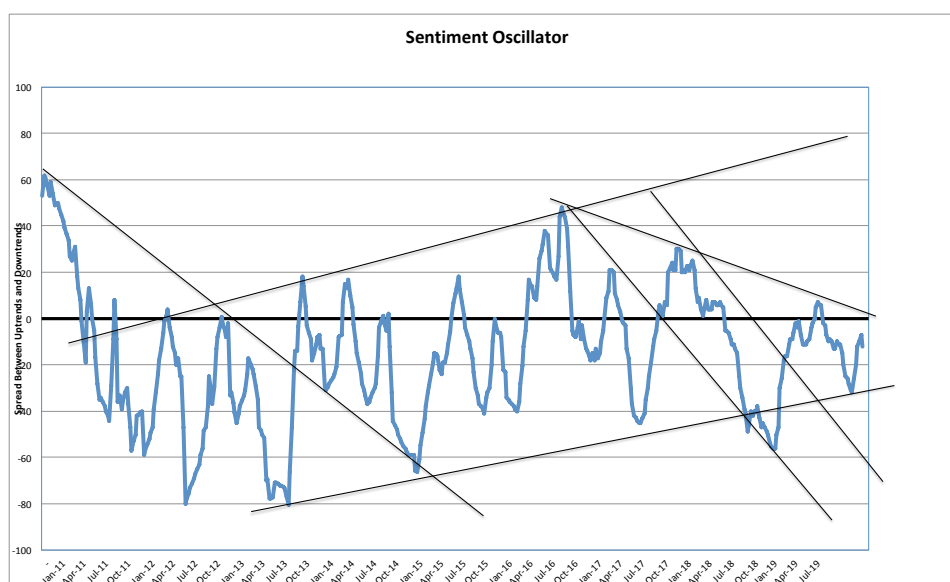
### *Quarterly reporting time again - look at the cash*

As the end of January approached we have seen the flood of quarterlies. However, we shouldn't be looking at new news. These should just be a repeat of the highlights of the previous quarter, as continuous disclosure necessitates a

timely and constant flow during the quarter. Some companies will choose to use this as another marketing opportunity and trumpet the earlier news again. Others will treat it as procedural and not say much.

The quarterly cash flow statement is another proposition though. This is where we get to see how much money is spent and how much remains. The expected expenditure in the subsequent quarter is another important figure to look

at. If the kitty is looking a bit bare, expect that punters will sell a stock down in anticipation of a raising. Smart companies will have addressed this scenario and raised money in the last few weeks, if they could have. Less astute companies will have to offer stock at discount prices. It is a regular quarterly ritual.



**Sentiment Oscillator:** The market sentiment weakened during the week with 29% (32%) of the charts in uptrend and 41% (39%) in downtrend on Friday's close. The improvement came about due to a number of stocks moving out of downtrends and into sideways patterns, as the selling had exhausted itself.

## 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	heavy correction	
Metals and Mining	XMM	new recent high	
Energy	XEJ	breached uptrend	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Alpha HPA	A4N	new high	HPA
Adriatic Resources	ADT	breached steep uptrend	zinc
Aeon Metals	AML	breached downtrend	copper + cobalt
Alacer Gold	AQG	testing uptrend	gold – production
Alkane Resources	ALK	surge on Roswell resource	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Alicanto Minerals	AQI	testing downtrend	gold exploration
Allegiance Coal	AHQ	on support line	coal
Alliance Resources	AGS	sideways	gold exploration















Apollo Consolidated	AOP		surge higher	gold exploration
Arafura Resources	ARU		testing uptrend	rare earths
Argent Minerals	ARD		breached downtrend	silver
Aurelia Metals	AMI		testing downtrend	gold + base metals
Australian Potash	APC		breached downtrend	potash
Australian Mines	AUZ		base forming	cobalt/nickel
Australian Vanadium	AVL		new low	vanadium
BHP	BHP		rising after downtrend breached	diversified, iron ore
Base Resources	BSE		testing downtrend	mineral sands
Bathurst Resources	BRL		down	coal
BBX Minerals	BBX		heavy fall, then rallied	gold exploration
Beach Energy	BPT		risen through resistance line	oil and gas
Beacon Mining	BCN		testing uptrend	gold production
Bellevue Gold	BGL		rallied to meet resistance line	gold exploration
Berkeley Energia	BKY		in secondary downtrend	uranium
Blackstone Minerals	BSX		new high	nickel
Bounty Coal	B2Y		still in downtrend	coal
Breaker Resources	BRB		down	gold exploration
Broken Hill Prospecting	BPL		up from lows	minerals sands
Buru Energy	BRU		turning down	oil
Buxton Resources	BUX		turned down at resistance line	nickel exploration
Capricorn Metals	CMM		rising	gold
Cardinal Resources	CDV		breached downtrend	gold exploration
Cassini Resources	CZI		testing downtrend	nickel/Cu expl.
Central Petroleum	CTP		down	oil/gas
Chalice Gold	CHN		new recent high	gold exploration
Chase Mining	CML		heavy slump	nickel/copper/PGE
Chesser Resources	CHZ		new high	gold exploration
Cobalt Blue	COB		stronger	cobalt
Dacian Gold	DCN		testing uptrend	gold
Danakali	DNK		drifting lower	potash
Davenport Resources	DAV		at lows	potash
Ecograp (was Kibaran)	EGR		rallying	graphite
Emerald Resource	EMR		gentle downtrend	gold
Evolution Mining	EVN		testing downtrend	gold
Exore Resources	ERX		sideways to lower	gold exploration
FAR	FAR		new low	oil/gas
First Graphene	FGR		breached downtrend	graphene
Fortescue Metals	FMG		new high	iron ore
Galaxy Resources	GXY		breached downtrend	lithium
Galena Mining	G1A		breached steepest downtrend	lead
Galilee Energy	GLL		downtrend forming	oil and gas, CBM
Gold Road	GOR		steeply higher	gold
Graphex Mining	GPX		testing downtrend	graphite

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Heron Resources	HRR		new low	zinc
Highfield Resources	HFR		ST uptrend	potash
Hillgrove Resources	HGO		still in downtrend	copper
Iluka Resources	ILU		slump out of downtrend then rebound	mineral sands
Image Resources	IMA		still in downtrend	mineral sands
Independence Group	IGO		new high	gold, nickel
ioneer (was Global Geoscience)	INR		testing support	lithium
Jervois Mining	JVR		meeting resistance line	nickel/cobalt
Jindalee Resources	JRL		at apex of flag	lithium
Karoo Gas	KAR		breached downtrend	gas
Kasbah Resources	KAS		new low	tin
Kin Mining	KIN		new low	gold
Kingston Resources	KSN		down	gold
Legend Mining	LEG		stronger	nickel exploration
Lepidico	LPD		down	lithium
Lindian Resources	LIN		pullback	bauxite
Lithium Australia	LIT		surged higher	lithium
Lucapa Diamond	LOM		off its lows	diamonds
Lynas Corp.	LYC		strong rally	rare earths
Mako Gold	MKG		rising off lows	gold exploration
Marmota	MEU		breached downtrend	gold exploration
MetalsX	MLX		new low	tin, nickel
Metro Mining	MMI		gentle uptrend	bauxite
Mincor Resources	MCR		continuing higher	gold
Musgrave Minerals	MGV		new high	gold exploration
Myanmar Minerals	MYL		breached downtrend	zinc
Nelson Resources	NES		falling again	gold exploration
Neometals	NMT		continuing down	lithium
Resolute Minerals	RML		heavy fall (was Northern Cobalt)	cobalt
Northern Minerals	NTU		down	REE
Northern Star Res.	NST		strong higher	gold
NTM Gold	NTM		new high	gold exploration
Oceana Gold	OGC		breached steepest downtrend	gold
Oklo Resources	OKU		stronger	gold expl.
OreCorp	ORR		continuing higher	gold development
Oro Verde	OVL		rising	rare earths
Orocobre	ORE		breached downtrend	lithium
Oz Minerals	OZL		uptrend breached	copper
Pacific American Holdings	PAK		testing downtrend	coal
Pacifico Minerals	PMY		down	silver/lead
Pantoro	PNR		down	gold
Panoramic Res	PAN		down	gold , nickel
Peak Resources	PEK		down	rare earths
Peel Mining	PEX		down	copper

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Peninsula Energy	PEN		sideways	uranium
Pensana Metals	PM8		at lows	rare earths
Perseus Mining	PRU		new high	gold
Pilbara Minerals	PLS		but strong rally	lithium
PNX Metals	PNX		sideways	gold, silver, zinc
Polarex	PXX		breached uptrend	polymetallic exploration
Prodigy Gold	PRX		down	gold exploration
Ramelius Resources	RMS		breached ST downtrend	gold production
Real Energy	RLE		new uptrend breached	gas
Red5	RED		breached downtrend	gold
Red River Resources	RVR		now in secondary downtrend	zinc
Regis Resources	RRL		testing downtrend	gold
Resolute Minerals	RML		heavy fall (was Northern Cobalt)	cobalt
Resolute Mining	RSG		testing downtrend	gold
RIO	RIO		rising again	diversified, iron ore
Salt Lake Potash	SO4		down	potash
Saracen Minerals	SAR		testing downtrend	gold
St Barbara	SBM		still in shallow downtrend	gold
Sandfire Resources	SFR		sideways	copper
Santos	STO		into uptrend	oil/gas
Saturn Metals	STN		rising again	gold exploration
Sheffield Resources	SFX		down	mineral sands
St George Mining	SGQ		sideways through downtrend line	nickel
Sipa Resources	SRI		down	general exploration - Ni,Cu, Co, Au
Spectrum Metals	SPX		back in uptrend	gold exploration
Stanmore Coal	SMR		down again	coal
Strandline Resources	STA		sideways	mineral sands
Syrah Resources	SYR		down again	graphite
Talga Resources	TLG		breached downtrend	graphite
Technology Metals	TMT		sideways	vanadium
Vango Mining	VAN		breached uptrend	gold
Venturex	VXR		strong rally, hit resistance line	zinc
Vimy Resources	VMY		new low	uranium
West African Resources	WAF		down after breaching support	gold
Westgold Resources	WGX		shallower uptrend	gold
West Wits Mining	WWI		new uptrend following US finance	gold
Western Areas	WSA		breached support line	nickel
Whitebark Energy	WBE		rising	oil and gas
Whitehaven Coal	WHC		down	coal
Yandal Resources	YRL		down	gold exploration
Zinc Mines of Ireland	ZMI		down	zinc
Totals	29%	40	Uptrend	
	41%	56	Downtrend	
		137	Total	

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**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	29	21.2%	
Gold Exploration	20	14.6%	
Oil/Gas	9	6.6%	
Nickel	8	5.8%	
Lithium	8	5.8%	
Coal	7	5.1%	
Zinc/Lead	10	7.3%	
Mineral Sands	6	4.4%	
Rare Earths	6	4.4%	
Potash/Phosphate	5	3.6%	
Copper	5	3.6%	
Cobalt	3	2.2%	
Graphite	4	2.9%	
Tin	2	1.5%	
Iron Ore	3	2.2%	
Uranium	2	1.5%	
Bauxite	3	2.2%	
Vanadium	2	1.5%	
Silver	2	1.5%	
Diamonds	1	0.7%	

Other	2		
Total	137		

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