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On Friday's Close

Analyst : Warwick Grigor

Lion Ore - a genuinely high-grade gold developer in Fiji

The improvement in sentiment observed in the previous Weekly flowed through last week with many stocks bubbling higher on Thursday, but Friday saw the inevitable pullback with red ink filling the screens. There will be more than a few nervous traders as a result of the 2.33% fall in the All Ords on Friday as this caused a breach in the uptrend. The 1.17% fall in the Dow on Friday night will need to be absorbed before our local market attempts a rally, which technically means an upwards movement within a longer term downtrend.

The Metals and Mining and the Energy indices both had heavy falls but the recent uptrends have not yet failed, so maybe stocks in these indices are less vulnerable to inflation and interest rate hikes. Precious metals performed well over the week with gold hitting a two month high as silver rose 7%. Palladium has risen 9% and platinum has had its best week since June. It seems that the drift towards higher interest rates has been hurting tech stocks more than gold and mining stocks.

Clean Air Metals (TSX.V:AIR) is a promising PGM company in Canada that I have previously mentioned. I am trying to arrange a call with management next week so that readers of this Weekly can get a chance to hear it from management directly. It looks like it will be at 11am (Sydney time) on Thursday 27th January, but I need to confirm this early next week.

Lion One Metals (ASX:LLO, TSX:LIO)

We attended a conference presentation from Lion One in 2021, but we never got around to writing up the notes. So, we have made a feature of it this week as we view it as a gold development company of significant merit. We have had it under chart coverage for some weeks now, but trading activity in the stock has been minimal ... on the ASX.

Fiji has a history of rich gold production since 1933

Lion One's key asset is the fully permitted, 100%-owned high-grade Tuvalu Gold Project on Viti Levu, in Fiji. The Company plans to develop a low-cost underground mine based on resources contained within the 7km diameter Navilawa Caldera. There are geological similarities with the neighbouring Tavua Caldera which host the Vatukoula gold deposits that have yielded over 7 Moz of gold since 1933. Emperor Gold Mines is the historically famous company that mined most of this gold, with WMC chipping in for some joint production in the 1980s.

I have had frequent visits to Fiji over the years, mostly to visit Emperor's Vatukoula Gold mine. While that was a good project with plenty of gold, management was always the weak link - especially corporate management. Emperor itself was one of the very few listed gold producers in the early 1980's. but it often struggled to make a profit. Investors started taking it more seriously when WMC came in to earn 20% of the Vatukoula operations and 50% of the

new development at Tavua. I haven't followed it much in recent years due to ownership changes and corporate machinations.

Fiji has not been mentioned as a gold destination much in recent years and Australian's perceptions may have been coloured by the local politics, but it continues to offer gold exploration and production potential.

Active exploration program with six rigs turning

Lion One believes there is potential for 10-20 Moz at Tavalu, but this number of ounces won't become apparent for some years yet. In the meantime the drilling is more focused on proving mining reserves to support early production. Of the six rigs working in the DecH of 2021, two were focusing on the deep-seated feeder structure, two were working on in-fill drilling to support mine planning. One was testing regional exploration targets and another was being used for geotechnical and water monitoring holes.

High grades are the order of the day

Holes reported in DecH 2021, typically returned grades in the range of 10-20 gpt over 2-3m, but from time to time the grades have been much greater e.g. 437 gpt at 0.6m and 55.4 gpt over 2.30m. This is the sort of variability you get with high grade epithermal veins in "the ring of fire". Longer term mining grades will probably range from 7 gpt to 15 gpt to the mill. However, there could be periods of much higher grade that will come from structures like the Deep Feeder Zone 500, which has been identified along 150m of strike and 250m vertically. High grade Intercepts from this Zone include 55.4 gpt over 12.7m, 55 gpt over 2.3m and 24.9 gpt over 3.7m. Analysis of intercepts has resulted in a weighted average grade of 23.3 gpt over 2.75m.

Geology and mining notes

Mineralisation at Tuvalu is primarily sub-vertical ranging from 70-80° with less than 1% of stope tonnes contained in flatmakes at 0-30°. The veins occur as a series of parallel lodes.

Mechanised long-hole open stoping will be the preferred mining method as opposed to handheld equipment. The minimum mining width will be 1m.

Three stage crushing, gravity concentration and flotation followed by cyanidation of the concentrates is expected to deliver an 87.5% metallurgical recovery rate.

Strongly positive PEA released in September 2020

The PEA disclosed a relatively modest capital cost of US\$67m which can be paid back in a short, 1.5 year time frame. The treatment rate will initially be in the range of 300-400,000 tpa in the first four years for 75-110,000 oz p.a, but expect this to increase as underground development opens up more stopes in subsequent years.

Cash operating costs of US\$97.35 pt is made up of mining (\$47.24 pt), processing (\$41.49 pt), G&A and site services

(\$8.20 pt). The AISC of only US\$586/oz is based on a head grade of 8.6 gpt for the first 331,369 oz of production. Indicated and Inferred Resources were 1.0 Mt at 8.5 gpt (274,600 oz) and 1.325 Mt at 9.0 gpt (384,000 oz) respectively. A 3 gpt cut-off was applied.

Note that these numbers were prepared to accuracy levels +/- 35%, so expect they will vary in subsequent studies and in actuality. Pre-tax cash flow was estimated at US\$202m p.a. using a gold price of US\$1,400/oz.

Healthy financial position

As at 30 September 2021, Lion Ore had C\$53.9m in cash and short-term investments, compared to the recent market capitalisation of C\$164m. This accounts for a substantial proportion of the estimated capex of US\$67m.

Studies are on-going as equipment being order

Lion One is continuing to optimise mine plans and cost estimates but has already been purchasing underground mining equipment. A Special Mining Lease was granted in 2015.

Excellent infrastructure

The lease is located only 17 km from the Nadi International Airport on Viti Levu. Lion One owns a metallurgical and geochemical laboratory, also about 17 km from the project site. It owns five drill rigs. The Port of Lautoka is 35 km distant.

Dual listing in Canada and Australia

Lion One is listed both on the TSX.V and the ASX. At C\$ \$1.05, Lion One has a market capitalisation of C\$164m. There are only 10.6 million CDIs listed on the ASX, resulting in very little volume trading in Australia.

Strong management credentials

Lion One's CEO, Walter Berukoff, leads an experienced team of explorers and mine builders and has owned or operated over 20 mines in 7 countries. As the founder and former CEO of Miramar Mines, Northern Orion, and La Mancha Resources, Walter is credited with building over \$3 billion of value for shareholders.

The Bottom Line

Tuvalu promises to be a long-life, high-grade gold mine. Cash costs are expected to be very low at US\$500-600/oz. The estimated pre-tax cash flow at a lower US\$1,400/oz gold price has the shares selling on EBITDA multiples of less than 1.0x. That makes them very cheap, and even cheaper at US\$1,800/oz. I haven't been able to identify a precise timetable as to when gold production will

commence, but taking an educated guess I would expect that event to occur in 2023. Mine development work should be happening in 2022.

Diamond prices continue to rise

De Beers has raised its diamond prices by 8% in its first sale of 2022, continuing the strong uptrend that emerged in 2021. Smaller diamonds prices, being those sought by the wider consumer market, have actually been boosted by 20%. My favourite diamond stock - which I shouldn't need to mention - is well placed to benefit from the strengthening market. It is has done the hard yards in successfully establishing two diamond mines. Now it can surf the wave of profitability going forward and it should find the funding much more easily when it decides to re-open the Merlin Diamond Mine.

Buying oil stocks for the long term uptrend

I don't hold myself out as an oil and gas expert, even though I did spend 10 years on the board of a junior oil and gas producer in the USA - FAR Ltd - so I'm not about to give you fundamental opinions on these companies. Junior, exploration-orientated companies can be very rewarding but you need to have luck on your side.

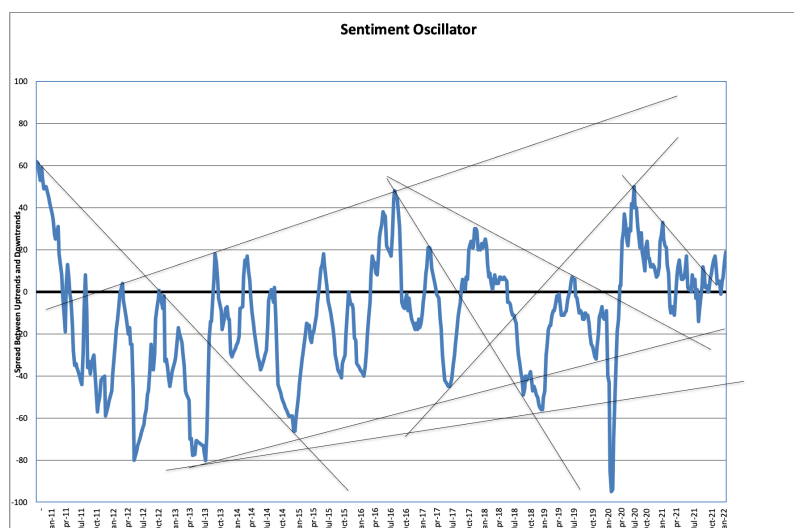
Last week I did move money into Beach Energy (BPT), a company capitalised at \$3.3bn. The chart shows a breakout of a long term downtrend, but more importantly, it is oil and gas. In a scenario similar to thermal coal, the oil and gas sector has suffered from a strangulation of investor interest because of the push to be carbon neutral. This has resulted in a slowdown in exploration and the development of new projects which is guaranteed to cause supply issues in the future. Strong profitability of the sector is virtually underwritten for the long term as oil will always be an essential commodity irrespective of its carbon footprint. The more the Greens try to shut the industry down, the stronger will be the oil price. So, I bought some shares in Beach to participate in the upside.

Disclosure: Interests associated with the author own shares in Beach Energy

We have added Mithril Resources, a silver/gold company in Mexico, to the chart coverage.

P.S. If anyone knows the identity of poster Jack0424, please contact me.

Sentiment Oscillator: Notwithstanding the falls on Friday, the Sentiment Oscillator continued to be stronger by the end last week. The breakout on the side has been confirmed. There were 45% (41%) of the charts in uptrend and 26% (27%) 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	uptrend breached	
Metals and Mining	XMM	strongly higher	
Energy	XEJ	stronger	
Information Technology	XIJ	steep downtrend	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Alpha HPA	A4N	new high	HPA
Adriatic Resources	ADT	testing downtrend	zinc, polymetallic
Alkane Resources	ALK	but surged on drill result	gold
Alicanto Minerals	AQI	downtrend	base metals, silver, gold
Altech Chemical	ATC	breaching uptrend	HPA, anodes
Alto Metals	AME	sideways	gold exploration
American Borates	ABR	new high	borate
American Rare Earths (was BPL)	ARR	surge to new high	rare earths
Antilles Gold	AAU	still in downtrend	gold
Arafura Resources	ARU	rising	rare earths
Ardea Resources	ARL	surge to new high, then pullback	nickel
Aurelia Metals	AMI	new uptrend	gold + base metals
Australian Potash	APC	heavy fall	potash
Australian Rare Earths	AR3	surge higher	rare earths
Auteco Minerals	AUT	back to lows	gold exploration
Azure Minerals	AZS	breached ST downtrend	nickel exploration
BHP	BHP	surge higher	diversified, iron ore
Beach Energy	BPT	testing downtrend	oil and gas
Bellevue Gold	BGL	down to recent lows	gold exploration
Benz Mining	BNZ	new low	gold

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Blue Star Helium	BNL		in a topping formation	gas, helium
BMG Resources	BMG		rallied off lows	gold exploration
Boab Metals	BML		in a secondary downtrend	silver/lead
Breaker Resources	BRB		heavy fall from highs	gold exploration
Buru Energy	BRU		uptrend	oil
Calidus Resources	CAI		new high	gold
Capricorn Metals	CMM		surge to new high	gold
Caravel Minerals	CVV		rallying	copper
Celsius Resources	CLA		steep rise	copper
Chalice Mining	CHN		new high	nickel, copper, PGMs, gold exploration
Chesser Resources	CHZ		rallied off lows	gold exploration
Cobalt Blue	COB		surge to new high	cobalt
Cyprium Metals	CYM		rallied to meet resistance line	copper
Danakali	DNK		long term downtrend	potash
De Grey	DEG		rising again	gold
E2 Metals	E2M		surge higher, then heavy fall	gold exploration
Ecograf	EGR		surge out of downtrend, then heavy fall	graphite
Element 25	E25		strong rallying	manganese
Emerald Resources	EMR		rising again	gold
Euro Manganese	EMN		testing downtrend	manganese
Evolution Mining	EVN		breached downtrend	gold
Firefinch	FFX		new high	gold
First Graphene	FGR		rising again	graphene
Fortescue Metals	FMG		new uptrend	iron ore
FYI Resources	FYI		new uptrend	HPA
Galena Mining	G1A		still down	lead
Galilee Energy	GLL		down	oil and gas, CBM
Genesis Minerals	GMD		surged higher after consolidation	gold
Genmin	GEN		new uptrend	iron ore
Global Energy Ventures	GEV		testing downtrend	hydrogen
Gold Road	GOR		testing downtrend	gold
Great Boulder Resources	GBR		rising	gold exploration
Hastings Technology Metals	HAS		testing uptrend	rare earths
Hazer Group	HZR		heavy correction	hydrogen
Highfield Resources	HFR		strongly higher	potash
Hillgrove Resources	HGO		long term uptrend	copper
Iluka Resources	ILU		breached downtrend, back to highs	mineral sands
Image Resources	IMA		new uptrend	mineral sands
Independence Group	IGO		new high	gold
ioneer (was Global Geoscience)	INR		new high	lithium
Ionic Rare Earths (Oro Verde)	IXR		recovering long term uptrend	rare earths
Jervois Mining	JVR		shallower uptrend	nickel/cobalt
Jindalee Resources	JRL		started new uptrend	lithium
Kairos Minerals	KAI		breached ST downtrend	gold exploration, lithium

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Kingston Resources	KSN		weaker	gold
Kingwest Resources	KWR		just holding uptrend	gold
Legend Mining	LEG		surge higher	nickel exploration
Lepidico	LPD		testing steepest uptrend	lithium
Lindian Resources	LIN		surge higher	bauxite
Lion One Metals	LLO		sideways	gold
Lithium Australia	LIT		sideways	lithium
Los Cerros	LCL		new low	gold exploration
Lotus Resources	LOT		short term down	uranium
Lucapa Diamond	LOM		new uptrend	diamonds
Lynas Corp.	LYC		sharp pullback	rare earths
Magnetic Resources	MAU		sideways	gold exploration
Mako Gold	MKG		on support line	gold exploration
Marmota	MEU		sideways	gold exploration
Marvel Gold	MVL		new high	gold exploration
Matador Mining	MZZ		rallied to hit resistance line	gold exploration
Meeka Gold	MEK		testing downtrend	gold
Megado Gold	MEG		new low	gold exploration
MetalTech	MTC		off the end of a ramp	gold
Meteoric Resources	MEI		down heavily	gold exploration
MetalsX	MLX		new high	tin, nickel
Metro Mining	MMI		new uptrend confirmed	bauxite
Mincor Resources	MCR		new high	gold/nickel
Mithril Resources	MTH		down	gold/silver
Musgrave Minerals	MGV		testing downtrend	gold exploration
Neometals	NMT		new high then heavy slump	lithium
Northern Minerals	NTU		rising	REE
Northern Star Res.	NST		slump back into downtrend	gold
Nova Minerals	NVA		consolidating after steep rise	gold exploration
Oceana Gold	OGC		back to support line	gold
Oklo Resources	OKU		breeched uptrend	gold expl.
OreCorp	ORR		rise on government agreement	gold development
Oz Minerals	OZL		testing uptrend	copper
Pacific American	PAK		back to lows	coking coal
Pantoro	PNR		surge higher	gold
Panoramic Res	PAN		surge higher	nickel
Peak Minerals	PUA		new low	copper exploration
Peak Resources	PEK		rising again	rare earths
Peel Mining	PEX		down	copper
Peninsula Energy	PEN		down	uranium
Poseidon Nickel	POS		testing downtrend	nickel
Perseus Mining	PRU		slump	gold
Pilbara Minerals	PLS		new high	lithium
Queensland Pacific Metals	QPM		downtrend commencing	nickel/cobalt/HPA

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Red River Resources	RVR		still down	zinc
Regis Resources	RRL		new low on large financing	gold
Renegen	RLT		rallying	gas, helium
RIO	RIO		new uptrend	diversified, iron ore
Rumble Resources	RTR		still giving up ground	gold exploration
S2 Resources	S2R		consolidating after steep rise	gold exploration
St Barbara	SBM		testing downtrend	gold
Sandfire Resources	SFR		attempting new uptrend	copper
Santos	STO		falling	oil/gas
Saturn Metals	STN		down after another placement	gold exploration
Silex Systems	SLX		rallying	uranium enrichment technology
Silver Mines	SVL		sideways	silver
South Harz Potash	SHP		short term down	potash
Stanmore Coal	SMR		breached uptrend	coal
Strandline Resources	STA		breached uptrend	mineral sands
Sunstone Metals	STM		off its highs	exploration
Talga Resources	TLG		testing downtrend	graphite
Technology Metals	TMT		down	vanadium
Tesoro Resources	TSO		new low	gold exploration
Theta Gold Mines	TGM		down	gold
Thor Mining	THR		downtrend	gold exploration
Tietto Minerals	TIE		strong rise	gold
Titan Minerals	TTM		sideways	gold
Turaco Gold	TCG		sideways	gold exploration
Vanadium Resources	VR8		testing uptrend	vanadium
Vimy Resources	VMY		testing downtrend	uranium
West African Resources	WAF		new high	gold
Westgold Resources	WGX		new uptrend being tested	gold
West Wits Mining	WWI		breaching downtrend	gold
Western Areas	WSA		surge higher	nickel
Whitehaven Coal	WHC		secondary uptrend	coal
Wiluna Mining	WMC		gently higher	gold
Yandal Resources	YRL		breached uptrend	gold exploration
Zenith Minerals	ZNC		surge to new high	gold exploration
Zinc Mines of Ireland	ZMI		sideways	zinc
Totals	45%	64	Uptrend	
	26%	37	Downtrend	
		143	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.

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- 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.
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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	31	21.7%	
Gold Exploration	26	18.2%	
Nickel	12	8.4%	
Copper	10	7.0%	
Lithium	6	4.2%	
Rare Earths	8	5.6%	
Oil/Gas	6	4.2%	
Iron Ore/Manganese	6	4.2%	
Zinc/Lead	4	2.8%	
Mineral Sands	3	2.1%	
Potash/Phosphate	5	3.5%	
Uranium	4	2.8%	
Graphite/graphene	4	2.8%	
Coal	3	2.1%	
Bauxite	2	1.4%	
Silver	3	2.1%	
Cobalt	1	0.7%	
Tin	1	0.7%	
Diamonds	1	0.7%	
Other	7		
Total	143		

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