

It is difficult to justify the strength in the leading indices

There is a disconnect between the strength in the leading stock market indices and economic performance of the Australian economy in recent weeks (excluding the last few days). On a global front, the IMF has just reduced its global growth forecast for 2020, to 3.3%. It expects the US economy to grow at 2%, Europe at 1.4%, the UK at 1.4% and the rest of the world at 2.3%. China will experience roughly the same growth this year as last, at 6.0% versus 6.1%.

A PWC international survey of business leaders stated that 53% of these people expect global economic growth will decline this year, demonstrating the worse sentiment for some years.

The Labor Party is calling for economic stimulus because it is fearful of where we are going, but I supposed they are just wanting airplay. From where I sit there is nothing to panic about but likewise I cannot see where company earnings justify the strength in the market.

So, we are left to assume it is all about interest rates and dividend yields. Investors continue to buy dividend paying stocks. Non-dividend paying stocks are not very popular, and this applies to the vast majority of mining stocks. Leading gold producers still offer the best upside, but with the volatility that goes with the gold price.

Emu NL exploring for multi-million ounces in Chile

Back in November 2019, I was introduced to an interesting gold exploration company named Emu (ASX:EMU). It was capitalised at around \$14.5m with a share price of 4.9¢. A week ago it had dropped to 4.1¢, but it bounced back to the November price last week, following an update on the Elevado Project in the Maricunga gold belt in northern Chile. Normally I am cautious about companies operating in South America, notwithstanding the excellent geology that frequently is exposed. It has to have exceptional merit to get a guernsey.

EMU has 136 km² at an altitude of 4,300m-5,000m in Chile, surrounded by major companies with big gold deposits. Looking at the list below. It certainly looks like elephant country.

- Volcan - 10.6 Moz (Hochschild)
- Maricungal (Refugio) - 6.3 Moz (Kinross)
- Salares Norte - 3.7 Moz (Gold Fields)
- La Coipa - 3.2 Moz + 185 Moz Ag (Kinross)
- Lobo-Marte - 6.2 Moz (Kinross)
- Caspiche - 24 Moz + 3.9 Mt Cu (Newmont/Barrick)
- Cerro Casale - 31 Moz + 2.7 Mt Cu (Goldcorp/Barrack)

In the update released last week, EMU disclosed that two deep diamond drilled holes into IP targets had been completed to depths of 428 and 400m. These hit strong sulphide mineralisation in fine dissemination and veinlets in alteration assemblages. Assays are due by the end of

January. Similarly, assays from a regional exploration program comprising stream sediment and rock chip sampling are due at the same time.

Follow-up RC drilling will be undertaken in January and February. The Jotahues Norte Prospect has been mapped as a 2,000 x 350m zone containing enargite breccia with silica-alunite alteration. The Arroyo Ancho Prospect will also be drilled.

EMU has an experienced, successful board that includes Peter Thomas and Terence Streeter. It is well-funded with cash of \$5-6m going into the current exploration program.

It goes without saying that grass roots exploration is high risk but there is also corresponding high reward potential. EMU ticks the boxes of location, funding and management. Let's watch to see firstly what the assays for the two deep holes are, and then those of the RC drilling programme.

Saturn compares favourably with its gold peers.

Back in August we first mentioned Saturn Metals (STN) as one of the more interesting gold exploration stocks at Diggers & Dealers. At the time it was drilling the higher grade hanging wall mineralisation to build on the earlier Apollo Hill gold resource of 20.7 Mt at 1 gpt, containing 685,000 oz. In October, the resource was increased to 24.5 Mt at 1 gpt, for 781,000 oz. Saturn had drilled 28,000m of RC and diamond drilling to get to this figure, 60 km from Leonora in WA.

In November and December, two additional reports brought further gold news. A new lode was discovered to the NE of Apollo Hill, outside of the existing resource as drilling demonstrated a widening of the gold system and extensions of the hanging wall system down-dip. The December report detailed extensions on multiple fronts and a release on the 14th of January added more grist to the mill.

The drill rigs are continuing with the 2020 program. While the next resource statement is not expected before mid 2020, we can speculate that it will likely exceed 1 Moz. Importantly, the higher grades being reported might lead to a 10-20% increase in grade. Ultimately, it would not be unreasonable to suggest that we could see a resource of 1.5 Moz plus in due course.

If so, how seriously should we be looking at this as a potential development proposal? Ten years ago you would have looked at the grade and said it was too low, but you need to factor in the gold price rise. At US\$1560/oz, this equates to A\$73/gm. You can make good money on that sort of revenue, as well as maximising leverage to a higher gold price.

Let's look at comparable projects in WA. The most immediate, though much more advanced project, is Karlawinda (Bibra), owned by Capricorn. This is a \$150m fully funded development project, aiming for 105-120,000 oz p.a. from a 3.5-4 Mtpa treatment plant. The 51 Mt, 1.525

Moz resource has a grade of 0.9 gpt, which converts to an open pit reserve of 27.5 Mt at 1 gpt, for 892,000 oz. Interestingly, even with a waste to ore ratio of 5:1, the all in sustainable costs are estimated to be A\$1,140-\$1,190/oz (approx. A\$35/t). That is half the current gold price.

Next, look at Breaker Resources's Bombora Gold Project, 100 km east of Kalgoorlie. After 223,000m of RC and diamond drilling, Breaker has reported an Indicated and Inferred resource of 1 Moz at 1.3 gpt, to variable vertical depths of 180-300m. There is a high grade core of 808,000 oz at 2 gpt. We are still waiting for the release of a PFS that will contain much more information.

Now, where is the relative value? Capricorn has a market capitalisation around \$400m. Breaker is capitalised at \$64m. Saturn is down at \$31m. (All figures exclude dilution for options and performance rights). Clearly the premier stock is Capricorn due to the advanced state of the project and the involvement of probably the best management team for gold developments in WA. Breaker is soon approaching the litmus test that comes with a PFS, and there is always the potential, or the risk, for the numbers to disappoint the market. Thus, the share price is much lower than it was when the exploration phase was in full swing. Saturn on the other hand is still at the beginning of the journey. It is all about resource expansion and the opening up of opportunities. This is where heightened expectations can fuel the share price. We continue to see that there is a good risk/reward ratio with this one.

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

First Graphene Update - sales contracts and GO

FGR brought out two positive announcements last week. The first one related to a formal sales contract with Blue Steel boots. This followed on from many months of very detailed test work and trialing. It confirms the quality and commerciality of FGR's PureGraph product range. The task is now to secure additional contracts across a range of applications.

The second announcement, on graphene oxide (GO), was much more scientifically detailed. Graphene oxide can be used for a completely different range of products to what powdered PureGRAPH can be applied. It performs differently in specialised areas such as membranes and water filtration. The industry problem with GO has been that it is very expensive to make and variations of the Hummer's Method involves the use of dangerous chemicals, meaning that scaling up of GO based applications is always going to be a problem.

FGR has been working with Flinders University, and at the FGR laboratory facilities in the Graphene Engineering Innovation Centre in Manchester, to develop a much safer and lower cost method of making GO. It could be onto a game changer with this specialist GO production method. Of course, much more work is required to optimise the process, particularly with respect to its scaling up, so there is no definable time frame that can be realistically presented yet.

Disclosure: Interests associated with the author hold shares in First Graphene and have received fees. The author is non-executive chairman of First Graphene.

Will coronavirus impact equity markets?

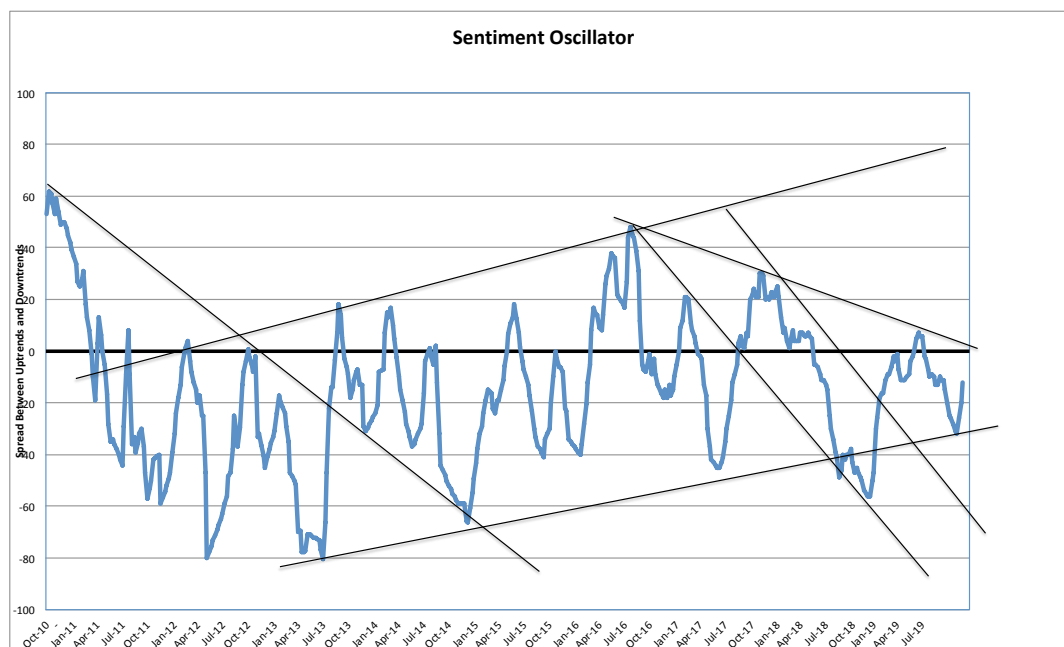
We are seeing market commentators attribute market movements to fears of the spread of the corona virus. Why? It seems rather ridiculous to me. Haven't they got any better insight into why markets move, one way or the other? Maybe not. Maybe that is why they are journalists, looking to push peoples' buttons by over-sensationalising just about everything.

False logic with fires and future carbon emissions

An "expert" on the radio this morning said that the effect of the fires has been a large increase in carbon emissions, beyond what had been estimated for this summer. Yes, I can agree with that. However, his comment that this means that we have to increase the estimates for Australia's carbon emissions in subsequent years, so we have to work hard to cut emissions elsewhere, is totally flawed.

What we have just seen, and what we are continuing to experience, is a once-off cleansing of the Great Dividing Range of flammable fuel that has been building up for decades. Once this has gone there will be minimal fuel on the ground for next year or a number of years thereafter. This material cannot burn twice. Therein lies the flawed logic.

If we plan the future more carefully we should see more frequent, smaller fires as we conduct regular and effective hazard reduction campaigns. We can prevent the same build-up of fuel that we have just seen burning up and down the Eastern States. There will be smoke and inconvenience for many people, at a much lesser scale than in 2019/2020, but they need to get used to it if we are going to keep the risk down to manageable levels.



Sentiment Oscillator: The market sentiment continued to improve with 32% (33%) of the charts in uptrend and 39% (43%) 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	new high	
Metals and Mining	XMM	new recent high	
Energy	XEJ	new high	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Alpha HPA	A4N	new high	HPA
Adriatic Resources	ADT	new high	zinc
Aeon Metals	AML	breached downtrend	copper + cobalt
Alacer Gold	AQG	new high	gold – production
Alkane Resources	ALK	shallower uptrend	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

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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		holding less steep 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
Ecograf (was Kibaran)	EGR		still in downtrend	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		breaching 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
Heron Resources	HRR		new low	zinc
Highfield Resources	HFR		ST uptrend	potash
Hillgrove Resources	HGO		still in downtrend	copper
Iluka Resources	ILU		sideways through uptrend	mineral sands
Image Resources	IMA		still in downtrend	mineral sands

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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
Karoon 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
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

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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		sideways through downtrend line	coal
Strandline Resources	STA		sideways	mineral sands
Syrah Resources	SYR		at apex of flag	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		breached uptrend	zinc
Totals	32%	44	Uptrend	
	39%	53	Downtrend	
		137	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	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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