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The Mining Investment Experts

Weekly Commentary

25 September 2021

On Friday's Close

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Quality leadership - the market is happy to pay for it

After absorbing a dose of the salts in the first two days of last week the markets made credible recoveries in the balance of the week. In retrospect it may be that the pullback provided good buying opportunities as there were no major breakdowns in share price charts. However, as usual only time will tell.

As the gold price vacillates around these levels we should remember that the best gold stocks to hold are not those with steady state production, irrespective of their profitability. We should be focusing on those with growth prospects either through significantly expanding resources or production rates. Gold exploration stocks can offer great leverage irrespective of what the gold price is doing, provided they discover more gold. Being a gold bull is not enough on its own to ensure profitable trading. It is all about the merits of individual companies rather than any comforting trend at the moment.

The Genesis Minerals gets some wind

The importance of good leadership and management was clearly demonstrated when the share price of Genesis Minerals (GMD) surged from 7.3c to a peak of 21c on Wednesday, on the announcement that Raleigh Finlayson was to become MD and a significant shareholder. He is being joined on the board by Neville Power and Michael Bowen. Each of these gentlemen bring very valuable experience to the team.

A funding package will raise $20.8m, comprising a $16m placement at 6¢ per share and a 1 for 30 entitlement offer at the same price. There will be two year unlisted options attached on a 1 for 2 ratio, with a strike price of 10¢. Raleigh will take $7m of the placement and Northern Star Resources will take $3m.

Raleigh won't take up the position of MD until March 2022, but he will work as a part-time consultant until then. As part of the deal he will also be entitled to 245 million options with a strike price of 10.5¢. Additionally, he will be entitled to 30 million performance rights on Genesis achieving the milestones of lifting the resource to 2.5 Moz, establishing a reserve of 1 Moz and on the commencement of production.

What is so great about Genesis that it should be able to attract such quality management, especially with it being prepared to stump up with a bag of cash? Well, the starting point is the 1.6 Moz Ulysses gold project south of Leonora. The Mineral Resource here stands at 27.3 Mt at 1.8 gpt. Ongoing drilling is expected to upgrade and extend this resource base.

If you look at the map you will see that it is very close to Saturn's Apollo Hill project, about 25 km to the NE. Speculators pushed up Saturn's share price by 33% in sympathy, though this would be based on emotion rather than logic.

You would have to say that this is an aggressive deal with respect to leverage being afforded to Raleigh, when you take into account the options and the performance rights that could take him to a 16.2% shareholding, but the market has already given its opinion; it is very favourable. Raleigh has an excellent track record, first with Saracen and then with Northern Star. He is a big picture thinker and has the competency to deliver on strategy, and very importantly, he has the support of equity capital markets. Genesis's future seems assured.

Another example of market wanting leadership

Breaker Resources is a company that looked anomalously cheap in the market for a long time, notwithstanding a credible resource base of 1.4 Moz at 1.5 gpt in the Indicated and Inferred categories. Geologist MD, Tom Sanders, has done a good job discovering and advancing the Bombora deposit east of Kalgoorlie, but as recently as early August the share price had fallen to 15.2¢, giving a market capitalisation of $49m with $11m in the bank.

When I enquired as to why the shares couldn't get any traction, Tom said that the price was being harassed by a large private shareholder who was taking pleasure in quashing any upward movement with aggressive selling. However, that all changed with the appointment of Peter Cook as chairman, on 7/9/21. The share price had been improving in the two weeks prior to this announcement but the turbo charge kicked in with the news, taking it to a high of 32¢. That previous seller had turned into a buyer!

The stock market operates on limited information at all times, with perspectives being more important than facts. Investors look for for leadership from experienced and previously successful operators in order to minimise their risks, trusting their judgement in dealing with the facts. "Cookie" is one such operator. He wouldn't be taking on the chair of Breaker because he needs the money. He obviously believes there is something significant that he can get to work on. Just how much time and effort he brings to the table as a non-executive chairman is yet to be seen, but there has already been a resounding vote of confidence in the performance of the share price. This is another example of the market being prepared to pay for good management.

Last week's announcement, regarding continuous high grade mineralisation over large distances beneath the open pit resource, adds further grist to the mill. Intercepts of 8.3m at 16.8 gpt from 310m downhole, and 6.45m at 8.8 gpt located 80m to the north, offer strong encouragement.

Shipping rates, inflation

Should we be concerned about inflation given its implications for interest rates, currencies and market movements. Of course we should, but the difficulty is finding out what inflation really is, and knowing who to believe. The messages are definitely mixed.

The disruption to supply lines caused by the virus is causing a shortage of some products, especially those that require shipment across oceans, but can we call that an inflationary trend or is it a short term disruption?

The average cost of shipping a standard large container has increased four fold to US$10,000 over the past 12 months. On some routes it has increased to $15,000 or $20,000. In the first seven months of 2021, cargo volumes between Asia and North America were up by 27% compared to pre-pandemic levels. One of the problems is that containers are spread around the globe and not necessarily where they are needed. Another is the congestion in Chinese ports that has resulted in loading delays increasing by 10% over the year.The average door-to-door shipping time has increased from 41 days a year ago to 70 days now. Just-in-time inventory management is exposing vulnerability to these issues.

The forecast slowdown caused by covid hasn't dampened retail appetite in the USA as it is currently 18% above pre-pandemic levels. In Australia, builders have told me that steel prices have doubled over the past year, as have timber prices. Normally we get 30% of our requirements of timber from overseas, but that avenue has been choked off for the time being.

The August CPI inflation index was 5.3% higher in the USA than a year ago, making the third month in a row at this level. However, the Fed prefers to use the Personal Consumption Expenditures (PCE) index, which has been tracking at 2%. What is the most important one to follow?

In Australia, inflation was brought under control in the early 1990s, with Paul Keating's "recession that we had to have" playing a big part of the assault, but the real weapon was the realignment of how governments measured inflation. They changed the mix so that the numbers looked better even though we consumers saw evidence of price rises everywhere. An exception to this into the new century was the falling prices of consumer goods manufactured in China as the world moved so much of its manufacturing base to China's lower cost structure and economies of scale. The benefits flowed globally, but that is history that will not be repeated. Globalisation is in retreat.

But back to the real rate of inflation. What is it and what are the meaning trends as opposed to short-term covid induced aberrations? Identify what the movers and shakers in the markets look to in assessing inflation and you will see what is driving the money flows in equity markets.

First Graphene extending product range

When one invests in technology companies the initial decision is usually based on a thematic that sounds good. The investors want part of the action because the story sounds good even though the depth of understanding of the underlying technology is usually sparse. They will be happy shareholders while ever more and more investors also want a part of the action. Buying begets buying as people follow the money.

Inevitably the enthusiasm for something new loses momentum as the reality of establishing new businesses take over, and the more impatient investors look for their next fix elsewhere. Yet, the most serious returns are made by those that hang in there, for the long term growth curve.

Take graphene as an example. The sector is populated with many companies that extol the virtues of graphene's characteristics in the first instance - none of which can be denied. They then promote applications and products that they specialise in claiming they are on the path to a fortune. Maybe they are, but you need to dig deeper to secure an accurate perspective.

One of the beauties of graphene is that a little bit goes a long way. It is extremely efficient with as little as 1% loadings giving improvements that often provide > 30% improvements in life, strength, flexibility and conductivity, depending upon the application and the effect being sought. Sometimes the improvements can be hundreds of percent improvements, as shown by PureGRAPH's performance in wear liners in mining equipment.

Being so efficient means that it is unlikely that graphene producers can hit the big time with only one or two customers, or one product line. The most successful graphene companies will be those who provide a range of products that have been functionalised to make them suitable to many specialised applications.

It is naive to think that being able to make graphene itself will lead to a commercial operation. That is only the first step. In fact, it is not that difficult to make graphene. The real skill lies in being able to deliver a graphene product in a form that business customers will find easy and reliable to use. The key is achieving homogeneous dispersion of graphene particles into the target material so that it is effective in delivering the promised improvements.

This observation places FGR's ASX release this week into perspective. It details another product line - a masterbatch - that conveniently introduces PureGRAPH to ethylene-vinyl acetate (EVA) products. As the CEO of FGR said in the release, it is "…*designed to provide customers with an off-the-shelf, pre-dispersed graphene carrier that can be easily added to existing processing lines for incorporation into numerous products. It is part of First Graphene's strategy to help industry easily embrace graphene solutions and therefore build faster paths to market.*"

As investors we look for disruptive technology that shifts the goal post on industry, leading to extraordinary gains for the promoters of such technology, but manufacturing industries are much more cautious in adopting that technology. If what they have works well, it needs to be a compelling argument to change from a winning formula. At the same time, industry leaders are always looking over their shoulders to make sure they are well ahead of any emerging competition. The upstarts are usually more prepared to try something new as they seek to catch up and even overtake industry leaders.

A company such as First Graphene needs to be on the front foot in providing the market with masterbatches and graphene products that make it easier for industry to try them out, which is what the ASX release is all about. It is all part of the new management's aggressive push to open the door to many new customers around the globe, as opposed to passive marketing and waiting for customers to knock on the door.

Disclosure: Interests associated with the author own shares and options in First Graphene. FEC has received capital raising fees. The author is non-executive chairman.

Dundas Minerals - a green fields exploration IPO

Some IPOs pick up whatever ground they can get in order to get enough critical mass to justify a listing and once listed, the search for projects of merit begin in earnest. Others list with a credible package of ground with a well thought out exploration strategy already in place, needing finance to pursue the targets. Dundas Minerals is an example of the latter, having acquired 11,000 km² of very prospective grassroots exploration ground in the Albany-Fraser Orogen and assembling a competent team of explorationists.

IPO Details -$5-6m at 20¢

Dundas has lodged a prospectus to raise $5m at 20¢ a share, with the facility to take another $1m in oversubscription. Loyalty options will be issued on a 1 for 2 ratio about three months after listing, exercisable at 30¢ each. The Lead Manager is Ventnor Securities but the issue is not underwritten. Of the 29.8 million shares on issue at the opening of the IPO, 20 million "*work consideration*" shares have been issued to the MD, Shane Volk, and a company associated with Tim Hronsky, a director. Seed capital of $1.2m was provided in a pre-IPO round at 14¢ a share. If $5m is raised, the general public will own 46% off the issued capital.

Project Summaries

The **Dundas Project** is located 116 km SE of Norseman and 120 km SW of the Nova nickel-copper orebody discovered by Sirius Resources NL. The land package comprises a collection of early stage nickel, copper and gold exploration prospects on four granted licences and seven applications, all 100% Dundas owned. Generally there seems to be 20m of cover. Interestingly, the dense mallee cover that would have impeded ground exploration previously has been cleared due to a scrub fire in 2019/2020.

While there have been interesting showings of gold from calcrete sampling and shallow air core drilling, these programs have only just scratched the surface. RC drilling to depths of 60-80m under the calcrete anomalies is planned before the end of the year.

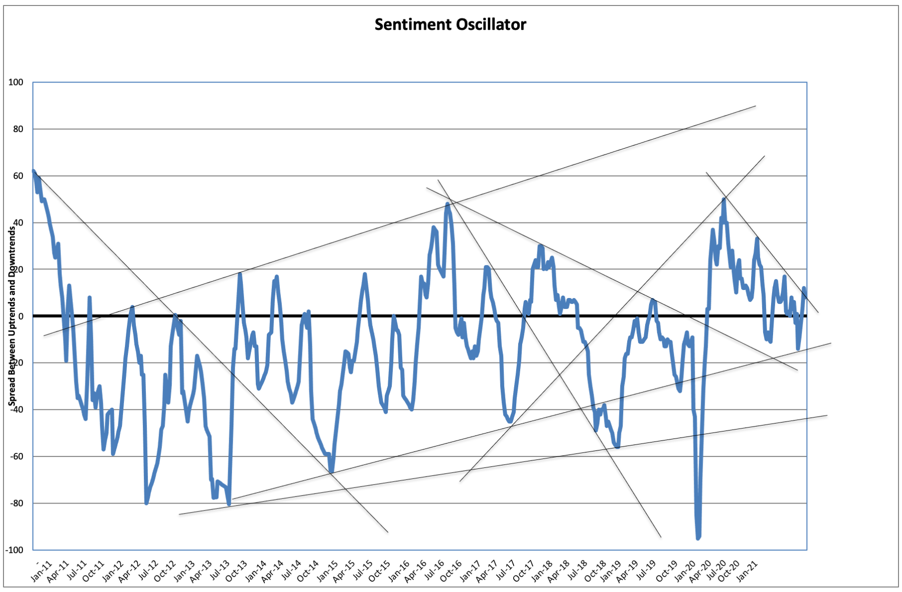
In any event, the primary target metals are nickel and copper. Even though previous explorers have collected several thousand auger and surface geochemistry samples, as well completing 705 RAB holes (~24,418 m), 20 RC holes (~1,960 m), 446 aircore holes (~10,913 m), and four diamond holes, Dundas is of the view that this work has alluded to the potential rather than given a complete assessment. In the first instance Dundas will undertake geophysical surveys to locate and assess conductive, gravity and magnetic survey targets. From these data sets it will identify prospective drill locations.

The **Triton Project** is located 100 km south of Norseman. Covering 46 km², historical exploration work has identified significant gold anomalism in soil samples and drill holes. There have been at least 224 aircore holes, 72 RC holes and five diamond holes. Dundas believes that these need to be followed up with deeper drill holes to properly assess the gold potential. Generally, there is a 10-20m thick saprolite zone below transported cover.

Comments on Dundas and IPOs generally

I have said previously that "*price discovery*" is always an uncertainty with an IPO. Has the rating been pitched at the right valuation, weighing up the respective (competing or complementary) interests of founders, promoters and the public. You never really know what the support base is for a new company until it starts trading, but the merits of a new company should not depend upon whether or not it gives subscribers a good staging opportunity, because this can become self defeating. You need to take a longer term view of the company to give it a chance to perform in the field.

As far as we can tell, Dundas ticks a number of the essential boxes. It has a good exploration team. It has high risk/high reward exploration ground that is in a favourable region - one that is becoming more popular. Subsequent to Dundas moving into the area there has been a pegging rush around it. Previous exploration has provided good leads on which to follow up. Anything can happen in the exploration game.



Sentiment Oscillator: Sentiment was a little softer by the end of the week as it paused at the resistance line. There were 39% (40%) of the charts in uptrend and 31% (28%) in downtrend on Friday's close. The bouncing is extending.

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		breached uptrend	
Metals and Mining	XMM		collapse	
Energy	XEJ		breached downtrend, but then softer	
Stocks	**Code**		**Trend Comment (updated comments in bold)**	**Main Interest**
Alpha HPA	A4N		breached ST downtrend	HPA
Adriatic Resources	ADT		on trend line	zinc, polymetalic
Alkane Resources	ALK		down	gold
Alicanto Minerals	AQI		pullback on good drill result	base metals, silver, gold
Altech Chemical	ATC		breached downtrend	HPA, anodes
Alto Metals	AME		sideways	gold exploration
American Rare Earths (was BPL)	ARR		rising	rare earths
Antilles Gold	AAU		testing downtrend	gold
Arafura Resources	ARU		rising	rare earths
Ardea Resources	ARL		sideways through support line	nickel
Aurelia Metals	AMI		still in downtrend	gold + base metals
Australian Potash	APC		down	potash
Australian Rare Earths	AR3		heavy pullback	rare earths
Auteco Minerals	AUT		resumed uptrend	gold exploration
Azure Minerals	AZS		surge higher on drill results	nickel exploration
BHP	BHP		collapse on oil deal, iron ore prices	diversified, iron ore
Base Resources	BSE		sideways	mineral sands
Beach Energy	BPT		down, near lows	oil and gas
Bellevue Gold	BGL		testing support	gold exploration
Blue Star Helium	BNL		strong rise	gas, helium
BMG Resources	BMG		surged higher	gold exploration
Boab Metals	BML		in a secondary downtrend	silver/lead
Breaker Resources	BRB		*	gold exploration
Buru Energy	BRU		gently higher	oil
Calidus Resources	CAI		rising again	gold
Capricorn Metals	CMM		surge to new high	gold
Caravel Minerals	CVV		testing downtrend	copper
Celsius Resources	CLA		breached downtrend	copper
Chalice Mining	CHN		breached downtrend	nicklel, copper, PGMs, gold exploration
Chase Mining	CML		breached downtrend	nickel/copper/PGE
Chesser Resources	CHZ		sideways	gold exploration
Cobalt Blue	COB		new uptrend	cobalt

Cyprium Metals	CYM		continuing down	copper
Danakali	DNK		long term downtrend	potash
De Grey	DEG		shallow downtrend	gold
E2 Metals	E2M		shallower downtrend	gold exploration
Ecograf	EGR		new downtrend	graphite
Element 25	E25		testing downtrend	manganese
Emerald Resources	EMR		breached ST downtrend	gold
Euro Manganese	EMN		breached uptrend	manganese
Evolution Mining	EVN		down	gold
Firefinch	FFX		strongly higher	gold
First Graphene	FGR		back to support line	graphene
Fortescue Metals	FMG		down	iron ore
Galena Mining	G1A		breached downtrend	lead
Galilee Energy	GLL		down	oil and gas, CBM
Genesis Minerals	GMD		testing downtrend	gold
Genmin	GEN		back in downtrend	iron ore
Gold Road	GOR		weaker	gold
Hastings Technology Metals	HAS		rising again	rare earths
Hazer Group	HZR		new uptrend	hydrogen
Highfield Resources	HFR		down	potash
Hillgrove Resources	HGO		breached downtrend	copper
Iluka Resources	ILU		new high	mineral sands
Image Resources	IMA		sideways	mineral sands
Independence Group	IGO		new high	gold
ioneer (was Global Geoscience)	INR		rising	lithium
Ionic Rare Earths (Oro Verde)	IXR		recovering long term uptrend	rare earths
Jervois Mining	JVR		breaching uptrend	nickel/cobalt
Jindalee Resources	JRL		testing uptrend	lithium
Kairos Minerals	KAI		down	gold exploration
Kingston Resources	KSN		down	gold
Kingwest Resources	KWR		surge out of downtrend	gold
Latitude Consolidated	LCD		breaching downtrend	gold
Legend Mining	LEG		turned down at resistance line	nickel exploration
Lepidico	LPD		new uptrend	lithium
Lindian Resources	LIN		bounced off LT support line	bauxite
Lithium Australia	LIT		rising again	lithium
Los Cerros	LCL		down	gold exploration
Lotus Resources	LOT		rising	uranium
Lucapa Diamond	LOM		rising from lows	diamonds
Lynas Corp.	LYC		heavy fall	rare earths
Magnetic Resources	MAU		back to highs	gold exploration
Mako Gold	MKG		down again	gold exploration
Manhattan Corp	MHC		stronger out of downtrend	gold exploration
Marmota	MEU		rallying	gold exploration

Marvel Gold	MVL		new high	gold exploration
Matador Mining	MZZ		down	gold exploration
MetalTech	MTC		new high	gold
Meteoric Resources	MEI		down heavily	gold exploration
MetalsX	MLX		new high	tin, nickel
Metro Mining	MMI		strong rise off lows	bauxite
Mincor Resources	MCR		new high	gold/nickel
Musgrave Minerals	MGV		down	gold exploration
Neometals	NMT		new high	lithium
Northern Minerals	NTU		breached ST uptrend	REE
Northern Star Res.	NST		down	gold
Oceana Gold	OGC		testing downtrend	gold
Oklo Resources	OKU		testing downtrend	gold expl.
Orecorp	ORR		heavy correction after placement	gold development
Orocobre	ORE		new high	lithium
Oz Minerals	OZL		testing downtrend	copper
Pacific American	PAK		off its lows	coking coal
Pantoro	PNR		breached support line	gold
Panoramic Res	PAN		breakout on the upside	nickel
Peak Minerals	PUA		new low	copper exploration
Peak Resources	PEK		down	rare earths
Peel Mining	PEX		down	copper
Peninsula Energy	PEN		new high	uranium
Poseidon Nickel	POS		breached uptrend	nickel
Perseus Mining	PRU		rising	gold
Pilbara Minerals	PLS		new high	lithium
Polarex	PXX		spike higher	polymetallic exploration
Queensland Pacific Metals	QPM		new high	nickel/cobalt/HPA
Red River Resources	RVR		down	zinc
Regis Resources	RRL		new low on large financing	gold
Renergen	RLT		rising	gas, helium
RIO	RIO		collapse through support line	diversified, iron ore
Rumble Resources	RTR		breached downtrend	gold exploration
Salt Lake Potash	SO4		voluntary suspension	potash
St Barbara	SBM		testing downtrend	gold
Sandfire Resources	SFR		back in downtrend	copper
Santos	STO		breached uptrend	oil/gas
Saturn Metals	STN		breached short term uptrend	gold exploration
Sheffield Resources	SFX		breached uptrend	mineral sands
St George Mining	SGQ		risen to resistance line	nickel
Silex Systems	SLX		new high	uranium enrichment technology
Silver Mines	SVL		down	silver
Sipa Resources	SRI		testing downtrend	general exploration - Ni,Cu, Co, Au
South Harz Potash	SHP		breaching downtrend	potash

Stanmore Coal	SMR		new high	coal
Strandline Resources	STA		pullback	mineral sands
Sunstone Metals	STM		down	exploration
Talga Resources	TLG		testing downtrend	graphite
Technology Metals	TMT		rising	vanadium
Tesoro Resources	TSO		new low	gold exploration
Theta Gold Mines	TGM		testing downtrend	gold
Thor Mining	THR		strong rise	gold exploration
Tietto Minerals	TIE		improving	gold
Titan Minerals	TTM		sideways	gold
Venturex	VXR		down	zinc
Vimy Resources	VMY		surge through downtrend	uranium
West African Resources	WAF		struggling at resistance line	gold
Westgold Resources	WGX		turned down at resistance line	gold
West Wits Mining	WWI		strong rally	gold
Western Areas	WSA		surge higher	nickel
Whitehaven Coal	WHC		surge to new high	coal
Wiluna Mining	WMC		testing downtrend	gold
Yandal Resources	YRL		wedge forming	gold exploration
Zenith Minerals	ZNC		placement and downtrend	gold exploration
Zinc Mines of Ireland	ZMI		softening	zinc
Totals	39%	55	Uptrend	
	31%	44	Downtrend	
		141	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**	**20.6%**	
Gold Exploration	**25**	**17.7%**	
Nickel	**13**	**9.2%**	
Copper	**10**	**7.1%**	
Lithium	**7**	**5.0%**	
Rare Earths	**8**	**5.7%**	
Oil/Gas	**6**	**4.3%**	
Iron Ore/Manganese	**6**	**4.3%**	
Zinc/Lead	**5**	**3.5%**	
Mineral Sands	**5**	**3.5%**	
Potash/Phosphate	**5**	**3.5%**	
Uranium	**4**	**2.8%**	
Graphite/graphene	**4**	**2.8%**	
Coal	**3**	**2.1%**	
Bauxite	**2**	**1.4%**	
Silver	**2**	**1.4%**	
Cobalt	**1**	**0.7%**	
Tin	**1**	**0.7%**	
Diamonds	**1**	**0.7%**	
Other	**4**		
Total	**141**		

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