

## Sunstone Metals is another interesting exploration play in South America

It was a sea of red last Tuesday as the markets decided to shunt lower on the news of large scale money laundering by leading banks. For good measure the increasing virus issue decided to add to the bearish sentiment. This negative mood was exacerbated midweek by the strength in the US\$, the fall in iron ore prices from around US\$130 pt to US\$112 pt and by gold falling below the US\$1,900/oz support level. The positive moves in gold producer share prices last week have turned out to be a red herring.

All of these movements are consistent with the declining enthusiasm we have been witnessing for several weeks now, with the Sentiment Oscillator continuing to weaken.

Perhaps the biggest uncertainty that will affect markets over the coming weeks will be the US Presidential election, closely followed by the worsening virus news out of Europe. Gold may wallow for a while as we await the next impetus for an upward movement.

### *Could Sunstone Metals be the next cab off the rank?*

Sunstone Metals (STM) is another exploration company looking for multi-million ounce gold projects in South America. Given the share market performance of other companies in the same area, we thought it might be worthwhile casting our eye over this one.

### *Experienced in-country management*

Starting with management, we see good credentials on this measure with respect to experience in Ecuador. Malcom Norris first operated in that country in 2008, with Intrepid Mines, then in 2012 as CEO of Solgold. That company has been enormously successful in the discovery and proving up of the 85% owned Alpala Copper Gold Project to the point of 9.9 Mt of copper, 21.7 Moz of gold and 92 Moz of silver. The market capitalisation is around A\$1bn today, with BHP and Newcrest owning 13.6% and 13.5% of the issued capital, respectively.

STM has been exploring for porphyry deposits for a few years and has had some good success, but the path to unlocking this style of mineralisation is often an adventure with twists and turns. Of more immediate significance today is the exploration for epithermal-style gold deposits.

### *Drilling an epithermal target now, at Espiritu*

Right now Sunstone is in the middle of a 2,000m drill program to test the Espiritu epithermal target in the Bramaderos Project. This has been selected on the basis of soil sampling, rock chips and trench sampling that has yielded 21m at 82.4 gpt silver, 0.3 gpt gold and some associated base metals. Up to 10 holes will be drilled to depths of 200-250m in the first drilling to be conducted on the project for this style of mineralisation. There is not much more we can say just now as this is early stage exploration, but there is room to be optimistic given the geological setting. Espiritu lies within a major NE-SW epithermal

corridor. To the SW it abuts the Dynasty Gold Project owned by Titan Minerals, where there is already a resource of 2 Moz.

### *Bramaderos porphyries are another quest*

While the epithermal drilling is a new initiative, there is still plenty of intrigue in the larger scale Bramaderos Project itself. This hosts the porphyry targets prospective for gold, copper and silver that should be considered works in progress. Sunstone hold 87.5% equity in the project while the Canadian company, Cornerstone Capital, holds the balance under a loan-carry deal.

STM has previously drilled some porphyry targets that returned low grades initially. Stepping back and undertaking a reinterpretation, it came up with a number of more focussed targets that provided better assays e.g. 0.8 gpt gold AuEq (0.6 gpt Au, 0.2% Cu). These targets were generally 250m wide at surface, with true widths of mineralised intercepts being more like 150m. Analogies can be made with the orebodies around North Parkes in NSW, in terms of dimensions and grade. So, Sunstone might be onto something that is commercially significant, though at these grades one would need in the order of 250 Mt in order to achieve the necessary economies of scale.

Since the drilling STM has conducted a heli-borne magnetic survey and followed it up with a much more illuminating ground magnetic survey. It has now defined a cluster of six mineralised gold-copper porphyry systems.

At **Limon**, outcropping porphyry has been mapped along 100m at 0.7 gpt gold and 0.2% copper at surface. The follow-up drilling in 2018/19 to 1,000m didn't get much gold and silver, but there was strong molybdenum values. Analysis suggests that they had jagged the edge of the anomaly.

Trenching at **Brama** returned a very interesting assay of 615m at 0.5 gpt gold and 0.11% copper, which is not dissimilar to some of the intercepts recovered by Alkane at Boda, in NSW. The six holes drilled here were early pass scout holes to test the presence of mineralisation and the geological concept. The interpretation has since evolved from being one large magnetic system to a cluster of smaller, higher grade gold-copper systems.

### *Geopolitical risk is acceptable*

Ecuador is becoming more of a favourable destination for exploration companies with major companies such as AngloAmerican, BHP, Fortescue, Newcrest all taking up positions recently. In the past the exploration scene in Ecuador was dominated by Canadian companies. Australians rarely got a look in. The goal posts were moved a few years back when the President declared an 18 month moratorium on exploration due to what he saw were deficiencies in the mining law. This strangled the work

programs and news flow for the Canadian companies, meaning that fund raisings were very difficult. By the time the moratorium was lifted and better legislation introduced the Canadians were more interested in playing cannabis stocks. Thus there was a window of opportunity for Australian operators to get set.

*Good leverage when compared to its peers*

We have covered South American exploration stocks like Los Cerros (LCL), Tesoro Resources (TSO) and Titan Minerals recently. These companies all have exciting projects that either have, or promise to deliver, millions of ounces of gold. Their share prices have performed appropriately, corresponding with good drill results from the field, such that they are all now in excess of \$100m in market capitalisation. Perhaps the main point here is that the market is now much more willing to embrace companies in this part of the world than at any time in recent decades.

Placing Sunstone Metals in perspective with these successful companies we see a significantly cheaper entity with a market capitalisation of only \$40m, with \$20m of this being backed by an investment in NASDAQ-listed Copperstone Resources AB. A valuation of only \$15m on the exploration projects appears very modest at the moment. The share prices offers great leverage to any successful drill results.

*Titan adds 1.3 Moz at to 14.5 gpt to its kitty*

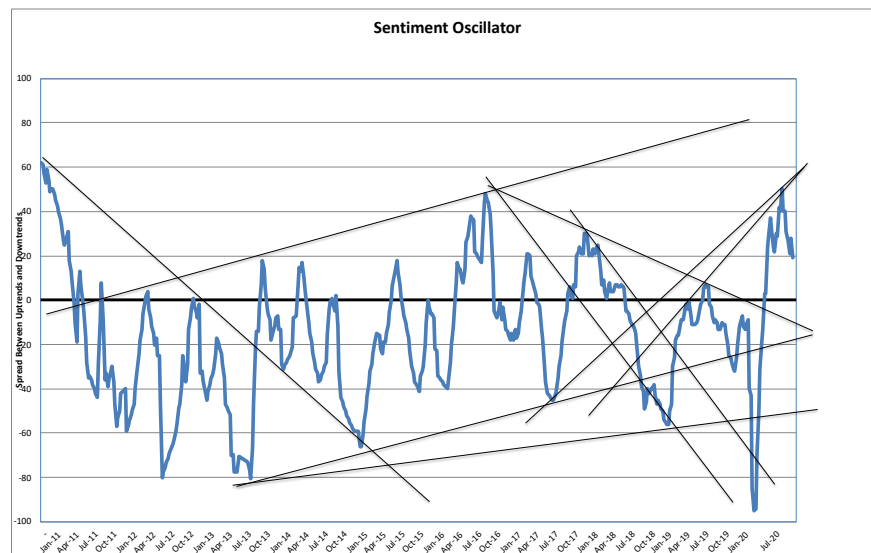
In an interesting announcement, another of our South American favourites has said that its ownership of the Jerusalem Project in Ecuador has been reinstated. At 1.28 Moz grading 14.5 gpt gold and 98 gpt silver, it prima facie looks like a very good resource, but what is the history here?

The licence was originally acquired in 2003, whereafter exploration commenced. In 2010, the company started to experience problems with artisanal miners, such that it was unable to get onto the ground to meet its expenditure commitments. It was unsuccessful in its attempts to get the government to assist in the eviction of the illegal artisanal miners, resulting in the licence being cancelled due to a failure to meet the expenditure commitments. The company appealed and in September 2019, the High Court declared the cancellation null and void. It has been formally reinstated as of last week.

It should be noted that this is a foreign estimate and not yet JORC compliant, though it was completed to the NI 43-101 standard in 2014. It is based on 52 drill holes. So far Titan has located files and assay logs for 47 of these, with 30 of these being collared inside the Jerusalem project area. The average length of the holes is 267m, with the deepest being 614m. The resource estimate is based on 86 drill intercepts and underground channel sampling. The gold price of US\$1,260/oz was used and a 2.06 gpt lower cut-off grade.

Prior to this news TTM had declared 2.1 Moz gold at 4.5 gpt gold at the Dynasty Gold Project, about 150 km to the west of Jerusalem. It now has gold resources of 3.4 Moz across two projects, giving it a substantial inventory of gold in-situ.

*Disclosure: Interest associated with the author own shares in Titan Minerals*













































**Sentiment Oscillator:** Sentiment turned down again over the week. There were 47% (50%) of the charts in uptrend and 28% (22%) 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	testing ST downtrend	
Metals and Mining	XMM	down	
Energy	XEJ	down	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Alpha HPA	A4N	new high	HPA
Adriatic Resources	ADT	down heavily	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
Alliance Resources	AGS	pullback	gold predevelopment
American Rare Earths (was BPL)	ARR	heavy correction	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	breached short term downtrend	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	testing downtrend	gold production
Bellevue Gold	BGL	new high again	gold exploration
Blackstone Minerals	BSX	rising	nickel
Blue Star Helium	BNL	rising	gas, helium
Breaker Resources	BRB	still in LT downtrend	gold exploration
Buru Energy	BRU	sideways	oil
Buxton Resources	BUX	sideways at highs	nickel exploration
Calidus Resources	CAI	sideways at highs	gold
Capricorn Metals	CMM	breached uptrend	gold
Central Petroleum	CTP	rising	oil/gas
Chalice Gold	CHN	new high	nickel, copper, PGMs, gold exploration
Chase Mining	CML	testing downtrend	nickel/copper/PGE
Chesser Resources	CHZ	off its highs	gold exploration
Cobalt Blue	COB	down	cobalt
Dacian Gold	DCN	rallying	gold
Danakali	DNK	testing uptrend	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		sideways	graphene
Fortescue Metals	FMG		breached uptrend	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
Hillgrove Resources	HGO		still in downtrend	copper
Iluka Resources	ILU		higher	mineral sands
Image Resources	IMA		higher	mineral sands
Independence Group	IGO		down	gold
ioneer (was Global Geoscience)	INR		down	lithium
Ionic Rare Earths (Oro Verde)	IXR		gentle uptrend	rare earths
Jervois Mining	JVR		breached uptrend	nickel/cobalt
Jindalee Resources	JRL		surge to new high	lithium
Kin Mining	KIN		new high	gold
Kingston Resources	KSN		testing uptrend	gold
Kingwest Resources	KWR		testing downtrend	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		new high	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		new high	gold exploration
Marmota	MEU		drifting lower	gold exploration
Marvel Gold (was Graphex)	MVL		breached downtrend	gold exploration
MetalTech	MTC		breached uptrend	gold
MetalsX	MLX		sideways	tin, nickel
Metro Mining	MMI		new low	bauxite
Mincor Resources	MCR		rising	gold/nickel
Musgrave Minerals	MGV		off its highs	gold exploration
Myanmar Minerals	MYL		surge to new high	lead, zinc, silver

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Nelson Resources	NES		rising	gold exploration
Neometals	NMT		testing downtrend	lithium
Northern Minerals	NTU		steeply higher	REE
Northern Star Res.	NST		breaching downtrend	gold
NTM Gold	NTM		sideways	gold exploration
Oceana Gold	OGC		breached uptrend	gold
Oklo Resources	OKU		down	gold expl.
OreCorp	ORR		breaching uptrend	gold development
Orocobre	ORE		down	lithium
Oz Minerals	OZL		breached uptrend	copper
Pacific American Holdings	PAK		strongly higher	coal
Pacifico Minerals	PMY		down	silver/lead
Pantoro	PNR		breached uptrend	gold
Panoramic Res	PAN		rising	nickel
Peak Resources	PEK		steeply higher	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		testing uptrend	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		breached ST downtrend	diversified, iron ore
Rumble Resources	RTR		rising again	gold exploration
Salt Lake Potash	SO4		down	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		correcting lower	mineral sands
Sky Metals	SKY		breaching downtrend	gold exploration
St George Mining	SGQ		down	nickel
Silex Systems	SLX		down	uranium enrichment technology
Silver Mines	SVL		off its high	silver
Sipa Resources	SRI		breached uptrend	general exploration - Ni,Cu, Co, Au

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Stanmore Coal	SMR		new low	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
Tietto Minerals	TIE		down	gold
Titan Minerals	TTM		breaching downtrend	gold
Vango Mining	VAN		down	gold
Venturex	VXR		testing downtrend	zinc
Vimy Resources	VMY		sideways	uranium
West African Resources	WAF		new high	gold
Westgold Resources	WGX		breached downtrend	gold
West Wits Mining	WWI		rising	gold
Western Areas	WSA		down	nickel
Whitebark Energy	WBE		down	oil and gas
Whitehaven Coal	WHC		secondary downtrend	coal
Wiluna Mining	WMX		higher	gold
Yandal Resources	YRL		down	gold exploration
Zinc Mines of Ireland	ZMI		testing downtrend	zinc
Totals	47%	67	Uptrend	
	28%	40	Downtrend	
		144	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	25.7%	
Gold Exploration	24	16.7%	
Nickel	12	8.3%	
Oil/Gas	8	5.6%	
Lithium	8	5.6%	
Zinc/Lead	7	4.9%	
Rare Earths	7	4.9%	
Copper	6	4.2%	
Mineral Sands	5	3.5%	
Iron Ore/Manganese	5	3.5%	
Potash/Phosphate	5	3.5%	
Coal	4	2.8%	
Uranium	4	2.8%	
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	144		

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