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*On Friday's Close*

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## Companies are trading graphite projects for gold

The markets are continuing to trade beneath recent highs, reflecting a loss of momentum for the time being. The Sentiment Oscillator is retracing from its extraordinarily steep rise. The coronavirus pandemic is rallying (to use a market term) and uncertainty about a recovery is still a concern. Volatility in the stock markets is still high and gold is the preferred commodity. Will it stay the same for an indefinite period of time, while liquidity continues to be injected into the markets by central banks? Your guess is as good as mine.

### *Graphite companies shifting to gold*

Again we have seen a boom come and go in a commodity without any meaningful commercial outcome apart from one or two companies. This time it is graphite. A few years back it was the hottest thing in town. Now, companies are graphite distancing.

I can think of only a few companies that actually produced any graphite at all. The obvious one is Syrah, but that is losing money hand over fist and it might never make a profit. Bass purchased the Graphmada mining complex in Madagascar and recommissioned the mine but before it really optimised the mine properly the coronavirus enforced a shutdown. It remains to be seen whether this project will return a profit. The market capitalisation of \$6.4m suggests that the market doesn't see any value at present.

A third company that successfully commissioned graphite mines was First Graphene, but it was a unique situation. It developed and commissioned two underground mines in Sri Lanka because it wanted the high grade vein graphite for use in its graphene manufacturing facility in Henderson, WA. It is not really appropriate to compare it with flake graphite companies.

### *Volt has gone into Zambia and Guinea*

The smart companies are switching to gold. We saw Volt Resources (VRC) pick up an 85% interest the Lui Hill project in Zambia and 100% of the Kouroussa licence in Guinea, the latter being from Volt's chairman. The shares jumped from 0.5¢ to 2.4¢ on the news of the diversification in May. The ASX release last Thursday of a Measured/Indicated/Inferred Resource of 10.2 Mt at 2.6 gpt, for 851,000 oz, saw the shares hit 2.8¢ before settling back to 2.4¢, on \$2m worth of trades over two days.

The headline looked very good, but when you read further you saw that the open pit resource is only 297,000 oz at 2.7 and 2.8 gpt, in two locations. A gold price of US\$1,800/oz was used for pit shells, but we aren't at that price yet. The balance is classified as underground resources with grades of 2.0-2.8 gpt. That makes the project look modest at the moment, but at least they have put their foot in the door and shareholders are seeing better share price performance ... and isn't that the name of the game?

### *Graphex is going to Mali*

Graphex Mining (GPX) has followed suit, acquiring up to 80% equity in the Tabakorole and Lakanfla projects in Mali, from Altus Strategies plc. Graphex will change its name to Marvel Gold and raise \$5m to fund the venture, and the board and senior management is being restructured.

There are still some matters to be cleaned up regarding the Chilalo graphite project in Tanzania, and outstanding debt of \$6.2m. Graphex has until October 2022, to clean up the debt, with the worst case scenario being that the financier assumes control of the project if not repaid earlier.

Graphex is paying 35 million shares (\$700,000) and assuming expenditure commitments to take the projects to an 80% ownership level. Tabakorole had an Indicated Resource of 7.88 Mt at 0.95 gpt and an Inferred Resources of 10.55 Mt at 1.05 gpt, 241,000 oz and 353,000 oz respectively, in 2007.

Graphex is offering shareholders an underwriter, 1 for 1 entitlement issue at 2¢ a share, to raise \$2.3m. A further \$2.75m has been committed in a placement at the same price. A general meeting is scheduled for 20 July, to approve the placement and other matters.

I haven't seen a detailed geological report but the recent announcements by the Company refer to a number of juicy intercepts. It would be great if these were representative of the bulk of the drilling, but then how do you come up with resources of only 0.95 gpt and 1.05 gpt? Perusing the seven pages of drill intercepts in the ASX release of 17/6/20, it seems to be a low grade population and often narrow. That is why you should be ignoring the intercepts of 44m at 3.3 gpt, 60m at 2.9 gpt and 16m at 9.3 gpt at Tabakorole. They are not statistically representative. I suspect the same logic applies to Lakanfla.

Getting back to the thematic of dropping graphite projects in favour of gold, it should be seen as a reasonable response to the purgatory that has captured so many graphite companies, particularly those in Tanzania. There is no commercial future there. Yet, there are still many graphite companies in other jurisdictions out there promoting their wares, but don't get fooled again.

Whether or not the gold project selection by both Volt and Graphex has been good will be determined by what they can achieve with the next round of exploration. Maybe they can bring different perspectives along with a stronger gold price. At least their shareholders now have a fighting chance.

### *West Wits can almost touch the pot of gold*

West Wits (WWI) has been travelling along a frustratingly elongated journey for a number of years now as it has sought the approvals to mine a 3.65 Moz resource at 3.4 gpt on the Witwatersrand Basin Project (66.67% WWI). If

you think Australian public servants are slow, wait until you experience those in South Africa!

WWI would have to be one of the cheapest gold stocks on the ASX. It was trading around \$10m market capitalisation in recent months, but has now improved to \$14m on the news last Thursday, that the Dept. of Mineral Resources intends to approve the Environment Authorisation. This is a critical major step forward. There will now be a 20 day period during which objections can be received. If there are no objections the file goes to the Minister for approval in a process that is expected to be no more than two weeks. If there are objections, that can lead to a mediation process that often takes 30-60 days, but not more than 90 days.

I have been a supporter of WWI since before I had grey hair, being a shareholder and raising capital from time to time. My numbers suggested it was worth 5-10x the market capitalisation on many occasions, but the stumbling block had always been the location in South Africa and the bureaucracy. As frustrating as it has been, I always had the comfort that the gold in the ground was like money in the bank. The value has been going up with the gold price.

The above mentioned resource was calculated when the gold price was US\$1,100/oz and the project looked very profitable at that level. At US\$1,700/oz it looks so much better. If the price for calculation of the resource was lifted to, say US\$1,400/oz, the resource would probably increase to 4-4.5 Moz.

While there is a bit of open pit ore, the main intention is to go back into the old shafts and underground working to build gold production up to the 60-80,000 oz level over 2-3 years. The exact timing will depend upon how much capital is available at the time, but US\$30m of capital expenditure is probably an optimum amount. The ore mined could be trucked to several operating plants in the area, so this simplifies the project greatly.

This time around I'm not saying what it is worth. I'll settle for saying ... much more than the market is pricing it at now.

*Disclosure: Interests associated with the author own shares in West Wits and have received capital raising fees.*

### Canadian up the ante on Saturn Metals

We recently noted that specialist Canadian mining investors had moved to more than 13% of Saturn, with that being a good litmus test of the value in the shares. Well, they weren't satisfied with that amount, so they bid the company 50¢ for another 3.785 million shares with attached options on a 1 for 2 basis (non-brokered), exercisable at a healthy premium; 70¢.

The placement will take Dundee Corporation to a 9.99% holding. It takes Saturn's cash position to \$5.1m and it enables it to accelerate drilling at Apollo Hill. If this isn't a bullish signal, then I don't know what is .

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

### Manhattan delivers good gold results

On Thursday, Manhattan Corporation (MHC) reported some good intercepts in NW NSW, declaring a new high grade gold discovery. We will comment further next week, once we have had the chance to do some analysis.

### The Paradox of Social Development

I have been reading "Why the West Rules - for Now" by the archeologist and historian, Ian Morris. This book tracks the development of societies from the beginning of mankind to the present day. He makes the point that the development of society hasn't been a smooth, linear progression.

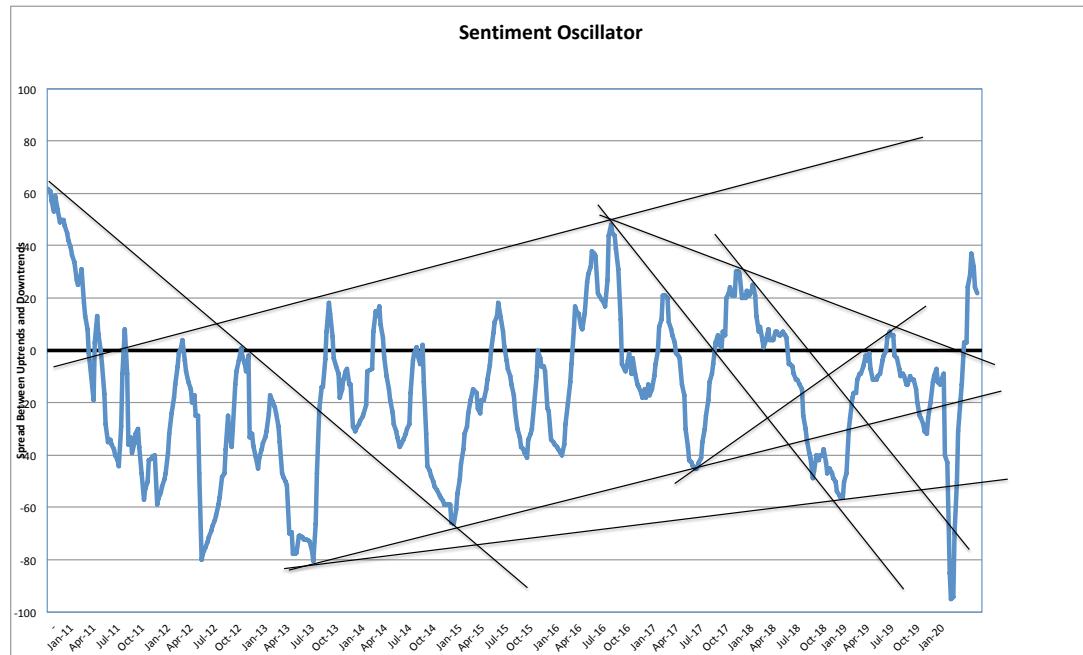
There has been a series of disruptions to the development of society over time. One recurring disruption has been climate change. That has been caused by the Earth's changing orbit that sets off "*a wild seesaw of warming and cooling, feast and famine.*" Back in 12,700 BC, the globe warmed by 5°F in the space of a lifetime (sounds familiar). This was described as a leap up the Great Chain of Energy, with the increased sunlight "*giving more plants, more animals and more choices for humans about how much to eat, how much to work and how much to reproduce.*"

At another point in time the Great Western Collapse of 1,200-1,000 BC wiped out 600 years of worth of social gains. The collapse of the Roman Empire was another. Development has frequently been two steps forward and one step back.

Morris talks about the Paradox of Social Development, being the tendency for development to generate the very forces that undermine it. By social development he means a group's ability to master its physical and intellectual environment to get things done (in summary). Over time there have been periods of great human advancement with societies growing until they reach a point where population growth and urbanism produce dysfunctional effects such as hunger and sickness. Success has brought growing pains with it.

Where are we in the big picture today, after more than 100 years of great advancement? Is it climate change that will make us take a step backwards or is it the virus? Is it the affluence of the liberals that are trying to rewrite history and change our direction, preferring to idealise the world according to their perceptions rather than understand what mankind has had to work through? Will their actions cause the next chapter of social development retracement?

We have added Auteco (AUT) to our chart coverage as it continues with a drilling program at a high grade gold project in Canada.



**Sentiment Oscillator:** Sentiment continued to soften over the week with 46% (48%) of the charts in uptrend and 24% (24%) 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	consolidating	
Metals and Mining	XMM	correcting from recent high	
Energy	XEJ	broken uptrend	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Alpha HPA	A4N	pushing a higher	HPA
Adriatic Resources	ADT	testing uptrend	zinc
Aeon Metals	AML	testing downtrend	copper + cobalt
Alkane Resources	ALK	new high	gold, zirconia
Alicanto Minerals	AQI	breached uptrend	gold exploration
Allegiance Coal	AHQ	at lows	coal
Alliance Resources	AGS	testing uptrend	gold exploration
Apollo Consolidated	AOP	new high	gold exploration
Arafura Resources	ARU	down again	rare earths
Aurelia Metals	AMI	surge out of downtrend	gold + base metals
Australian Potash	APC	down	potash

Australian Mines	AUZ		base forming	cobalt/nickel
Australian Vanadium	AVL		new low	vanadium
Auteco	AUT		steeply higher	gold exploration
BHP	BHP		correcting lower	diversified, iron ore
Base Resources	BSE		improving	mineral sands
Bathurst Resources	BRL		down	coal
BBX Minerals	BBX		surge higher	gold exploration
Beach Energy	BPT		breached uptrend	oil and gas
Beacon Mining	BCN		still beneath resistance line	gold production
Bellevue Gold	BGL		new high again	gold exploration
Blackstone Minerals	BSX		working higher	nickel
Breaker Resources	BRB		on support line	gold exploration
Broken Hill Prospecting	BPL		back to support line	minerals sands
Buru Energy	BRU		breached uptrend	oil
Buxton Resources	BUX		turned down at resistance line	nickel exploration
Capricorn Metals	CMM		rising again	gold
Cardinal Resources	CDV		surge on takeover bid	gold exploration
Cassini Resources	CZI		at highs	nickel/Cu expl.
Central Petroleum	CTP		shallower downtrend	oil/gas
Chalice Gold	CHN		ST downtrend	gold exploration
Chase Mining	CML		surge higher	nickel/copper/PGE
Chessier Resources	CHZ		testing uptrend	gold exploration
Dacian Gold	DCN		collapse on recapitalisation	gold
Danakali	DNK		rising	potash
Davenport Resources	DAV		back to lows	potash
De Grey	DEG		new high	gold
E2 Metals	E2M		testing uptrend	gold exploration
Ecograf (was Kibaran)	EGR		surge higher but heavy pullback	graphite
Element 25	E25		at highs	manganese
Emerald Resource	EMR		rising	gold
Evolution Mining	EVN		breached uptrend	gold
FAR	FAR		sideways	oil/gas
First Graphene	FGR		still in long term downtrend	graphene
Fortescue Metals	FMG		correcting lower	iron ore
Galaxy Resources	GXY		breaching support	lithium
Galena Mining	G1A		hitting secondary resistance	lead
Galilee Energy	GLL		rally through resistance line	oil and gas, CBM
Gold Road	GOR		correcting lower	gold
Graphex Mining	GPX		suspended since 25th March	graphite
Heron Resources	HRR		breaching downtrend	zinc
Highfield Resources	HFR		strong rise	potash
Hillgrove Resources	HGO		still in downtrend	copper
Iluka Resources	ILU		correcting lower	mineral sands
Image Resources	IMA		slump out of short term uptrend	mineral sands

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Independence Group	IGO		Uptrend breached	gold, nickel
ioneer (was Global Geoscience)	INR		down	lithium
Ionic Rare Earths (Oro Verde)	IXR		breached downtrend	rare earths
Jervois Mining	JVR		looking weaker	nickel/cobalt
Jindalee Resources	JRL		still under resistance line	lithium
Kin Mining	KIN		correcting lower	gold
Kingston Resources	KSN		heading lower	gold
Kingwest Resources	KWR		down	gold
Legend Mining	LEG		correcting lower	nickel exploration
Lepidico	LPD		testing downtrend	lithium
Lindian Resources	LIN		back to lows	bauxite
Lithium Australia	LIT		still in long term downtrend	lithium
Lotus Resources	LOT		breached uptrend	uranium
Lucapa Diamond	LOM		new low	diamonds
Lynas Corp.	LYC		rising again	rare earths
Mako Gold	MKG		testing downtrend	gold exploration
Manhattan Corp	MHC		spiked higher on positive drill results	gold exploration
Marmota	MEU		strong recovery	gold exploration
MetalsX	MLX		breached downtrend	tin, nickel
Metro Mining	MMI		rising	bauxite
Mincor Resources	MCR		surge to new high	gold
Musgrave Minerals	MGV		strongly higher	gold exploration
Myanmar Minerals	MYL		breached downtrend	zinc
Nelson Resources	NES		breached uptrend	gold exploration
Neometals	NMT		continuing down	lithium
Northern Minerals	NTU		new low	REE
Northern Star Res.	NST		correcting lower	gold
NTM Gold	NTM		rising again	gold exploration
Oceana Gold	OGC		testing support line	gold
Oklo Resources	OKU		breached uptrend	gold expl.
Orecorp	ORR		rising	gold development
Orocobre	ORE		heavy correction	lithium
Oz Minerals	OZL		on trend line	copper
Pacific American Holdings	PAK		new low	coal
Pacifico Minerals	PMY		rising	silver/lead
Pantoro	PNR		sideways at highs	gold
Panoramic Res	PAN		down	gold , nickel
Peak Resources	PEK		back to lows	rare earths
Peel Mining	PEX		testing downtrend	copper
Peninsula Energy	PEN		down again	uranium
Pure Minerals	PM1		testing downtrend	nickel/cobalt/HPA
Pensana Metals	PM8		breached steep uptrend	rare earths
Perseus Mining	PRU		drifting within uptrend	gold
Pilbara Minerals	PLS		at apex of flag	lithium

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PNX Metals	PNX		rising	gold, silver, zinc
Polarex	PXX		uptrend	polymetallic exploration
Ramelius Resources	RMS		on trend line	gold production
Real Energy	RLE		rising	gas
Red5	RED		crunched down	gold
Red River Resources	RVR		broken through resistance line	zinc
Regis Resources	RRL		uptrend again	gold
Resolution Minerals	RML		heavy pullback	gold
Resolute Mining	RSG		rising	gold
RIO	RIO		rising	diversified, iron ore
Rumble Resources	RTR		rising	Gold exploration
Salt Lake Potash	SO4		rising	potash
Saracen Minerals	SAR		on trend line	gold
St Barbara	SBM		on trend line	gold
Sandfire Resources	SFR		on trend line	copper
Santos	STO		testing uptrend	oil/gas
Saturn Metals	STN		recapturing uptrend	gold exploration
Sheffield Resources	SFX		correcting within uptrend	mineral sands
Sky Metals	SKY		heavy correction	gold exploration
St George Mining	SGQ		at recent highs	nickel
Silex Systems	SLX		spike then pullback	uranium enrichment technology
Silver Mines	SVL		on trend line	silver
Sipa Resources	SRI		testing downtrend	general exploration - Ni,Cu, Co, Au
Stanmore Coal	SMR		down again	coal
Strandline Resources	STA		new high	mineral sands
Syrah Resources	SYR		breaching steepest downtrend	graphite
Talga Resources	TLG		rising	graphite
Technology Metals	TMT		rising	vanadium
Tesoro Resources	TSO		breaching uptrend	gold exploration
Titan Minerals	TTM		bouncing off support line	gold
Vango Mining	VAN		drifting lower	gold
Venturex	VXR		down again	zinc
Vimy Resources	VMY		heavy fall after placement	uranium
West African Resources	WAF		off its high	gold
Westgold Resources	WGX		down	gold
West Wits Mining	WWI		rising	gold
Western Areas	WSA		testing downtrend	nickel
Whitebark Energy	WBE		sideways	oil and gas
Whitehaven Coal	WHC		secondary downtrend	coal
Yandal Resources	YRL		rising	gold exploration
Zinc Mines of Ireland	ZMI		testing downtrend	zinc
<b>Totals</b>	46%	65	Uptrend	
	24%	34	Downtrend	
		140	Total	

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- Charts usually go 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	30	<b>21.4%</b>
Gold Exploration	23	<b>16.4%</b>
Zinc/Lead	10	<b>7.1%</b>
Nickel	9	<b>6.4%</b>
Oil/Gas	8	<b>5.7%</b>
Lithium	8	<b>5.7%</b>
Coal	6	<b>4.3%</b>
Mineral Sands	6	<b>4.3%</b>
Rare Earths	6	<b>4.3%</b>
Potash/Phosphate	5	<b>3.6%</b>
Copper	5	<b>3.6%</b>
Graphite	4	<b>2.9%</b>
Iron Ore/Manganese	4	<b>2.9%</b>
Uranium	3	<b>2.1%</b>
Bauxite	3	<b>2.1%</b>
Silver	3	<b>2.1%</b>
Cobalt	2	<b>1.4%</b>
Vanadium	1	<b>0.7%</b>
Tin	1	<b>0.7%</b>
Diamonds	1	<b>0.7%</b>

Other	2		
Total	140		

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