

Mayur Resources - generating carbon credits from forests

If you want to see some evidence of the confused state of markets just now, look at the performance of the Dow last Monday night, our time. By 12.16pm New York time the Dow had fallen 1,069 points or 3.1%. It was looking ominous, but by the close of business the Dow had recovered to be up 99 points or 0.29%. Interest rate movements and the impending war between Russia and Ukraine were blamed for the initial fall, but why the reversal in the afternoon? You have to see it to believe it. It was almost a repeat performance of the Dow on Tuesday as the bulls and the bears delivered a tied match.

There are quite a few traders who are nervous about the downside, but every time the US bears play around with short positions they find themselves having to quickly cover them. Maybe the traders will switch tack and try and see if they can make the market spike upwards.

Chartists who have had a long and successful career are becoming rattled by the false signals and traps. It continues to be a challenging market.

Dividend paying stocks will always suffer the most when interest rates rise as yields need to adjust. Rates rise when economies are doing well and when there are pressures from supply shortages and wages rise as labour markets become aggressive. These flow through to higher prices. At the same time we are seeing metals and commodity prices rising right across the board. That means higher profits for producers, so inflation is less likely to negatively impact the mining market. This should be good for share prices but the sector can still suffer from collateral damage

Turning to the Sentiment Oscillator, we saw it take a dive last week with many stocks testing or breaching uptrends. The question now is whether these moves usher in downtrends for the foreseeable future, or whether they just introduce a period of vacillation as the market adjusts to the expectation of five interest rate rises in the US this year.

Mayur Resources - a forward thinking carbon neutral company

When mentioning FGR's initiatives to reduce the carbon emissions in the manufacturing of cement to a colleague last week, he drew my attention to a company that aims to produce carbon neutral cement - Mayur Resources (MRL). So, my curiosity was aroused and I did some homework.

Mayur is a PNG-focused company capitalised at \$47m. The shares are trading at 20¢, having been locked into a long-term downtrend since early 2018, when the shares were up around \$1.00. It last raised capital in December 2021, being a \$2.85m placement at 20¢ and a covenant light loan facility of \$3m to Tribeca Global Resources Credit Pty Ltd and VT Carbon partners (a joint venture between Tribeca Investment Partners and Viridios Capital).

There are four pillars to Mayur's business activities;

1. cement and lime,
2. iron and industrial sands,

3. renewables and

4. a gold investment in Adyton Resources (TSX.V:ADY)

The cement and lime project, 25 km north of Port Moresby, is fully permitted and shovel ready with two phases of development planned. Construction will commence in 2022, with an 18 month period time frame, to produce 200,000 tpa of quicklime production from a 386 Mt limestone JORC resource. This will be PNG's first quicklime producer, replacing expensive imports. The company expects to increase production to 400-600,000 tpa as it gains a foothold in the domestic and export market. The second phase is the clinker and cement facility, which will be financed from the positive cashflow coming from the lime phase.

The Orokolo Bay Iron and Industrial Sands Project is a second operation that the company expects to bring into production in late 2022 or early 2023. This will cost US\$21m to develop. Capex payback is estimated to be less than two years. Funding is expected to come from a spin-out company named Ortus Resources, to be listed on the ASX.

Orokolo Bay will produce three products; 0.5 Mtpa of magnetite, 1 Mtpa of high-grade construction sand and up to 10,000 tpa of zircon concentrate. A non-binding term sheet has been signed with a Japanese trading house for the sale of the magnetite. A binding term sheet with the PNG-based construction and mining contractor, HBS (PNG) Ltd, was signed in December 2021.

Mayur de-merged Adyton Resources (ADY:TSX.V) into the Canadian market in February 2021, retaining a 43% equity. The company has two projects, Fergusson and Feni Islands, with a combined gold resource of 2.1 Moz. Interestingly, in its most recent drill campaign on Feni Island, it intersected a significant shallow copper strike of 35.9m @ 0.3% Cu and 1.1gpt Au and 6.4m @ 5.1% Cu and 1.6 gpt Au. Given the richness of the regional geology (located between Lihir and Bougainville) it is possible that such intersections could generate significant interest from majors looking for copper exploration opportunities.

Mayur Renewables is the more topical business

Mayur Renewable is a 100%-owned subsidiary focusing on carbon offsets, solar power and battery storage, and geothermal power. The source of the carbon credits will initially be the 800,000 ha forest that would have otherwise been logged. There is a detailed auditing process that the company has to go through but once it comes out the other side, there is the potential to create seriously valuable carbon credits. Over a 30 year period there is the opportunity get credit for 100 to 300 tonnes of CO₂ per ha with an upside case of up to 500 tonnes per Ha. Valuations of these credits can range from from US\$40-90 pt where the Compliance Carbon Market Prices are used. Mayur is suggesting US\$10 pt for the Voluntary Carbon Market,

meaning the generation of US\$1.6bn over 30 years in the form of carbon offsets that can be purchased by third party, carbon emitting businesses. Mayur's view and others is that the price of carbon will increase and that the compliance market pricing and voluntary market pricing will converge as demand for credits increases as large corporates navigate a path to net zero and become comfortable with holding high quality nature based credits. Such price increases and convergence has the potential to substantially drive revenues well beyond Mayur's current projections.

The objective of creating these credits is motivated by the need to reduce global carbon emissions, but also, it is a way local landowner groups can benefit from the economic value through carbon trading rather than cutting down forests. Deforestation continues to be a serious contributor to climate change, counting for 10-20% of greenhouse gas emissions (according to MRL's presentation).

The Bottom Line

Markets love simple stories because they are easier to understand, but Mayur is somewhat more complicated than your average company with businesses in a number of different fields. The one thing that they have in common across these fields is the location; PNG. Geopolitical risk perceptions will always come in to play when investors look at PNG, but it is a matter of settling for an appropriate discounted entry level.

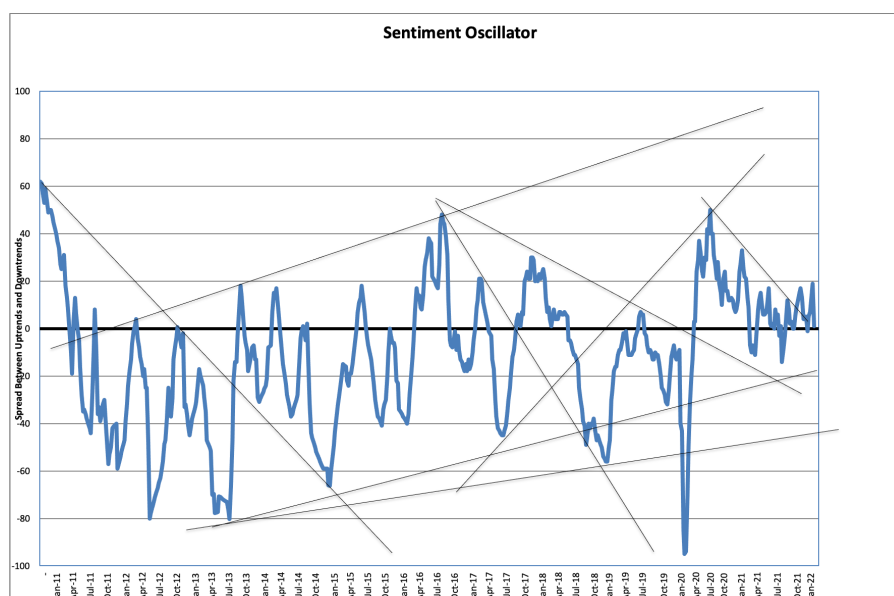
Mayur is becoming more simple to understand as the de-merger program continues, with the next leg being the spin-

out of Orokolo Project into Ortus Resources. That will mean we can focus on the quicklime/cement and the renewable businesses.

We can calculate the value of the carbon credits using today's pricing. Here, the starting point is US\$1.6bn, which works out at US\$53m p.a. of value. This could work out to be much more depending upon carbon pricing. Approximately half of this figure may end up with the local landowners, but that still leaves significant value for Mayur. Further upside will come with the completion of the plan to lift the forests under agreement from 0.8 Mha to 1.4 Mha.

As far as green concrete is concerned, Mayur is looking at buying carbon offset units at 20% of the market value (insiders' price). That will support the claim that it is carbon neutral, but it happens through financial engineering rather than a new production process. There is the opportunity for Mayur to do even better should it decide to add graphene to the clinking process.

It may be that the market views Mayur as a concept stock at the moment due to the imperfections in coming up with a real, fundamental value, but that leaves plenty of room for a range of valuations just now. Share price performance in the short terms will depend upon how many investors "get the story", and how well the company articulates the opportunity. Seeing ethical and green funds coming onto the register would be a good signal. We have placed the stock under chart coverage while we look for the breakout from the long-term downtrend.



Sentiment Oscillator: The Sentiment Oscillator took a dive last week, reversing the good progress from the previous week. There were 35% (45%) of the charts in uptrend and 34% (26%) 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	heavy fall	
Metals and Mining	XMM	slump	
Energy	XEJ	slump	
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	down	HPA, anodes
Alto Metals	AME	sideways	gold exploration
American Borates	ABR	breached uptrend	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	pullback	diversified, iron ore
Beach Energy	BPT	testing downtrend	oil and gas
Bellevue Gold	BGL	down	gold exploration
Benz Mining	BNZ	new low	gold
Blue Star Helium	BNL	down	gas, helium
BMG Resources	BMG	down	gold exploration
Boab Metals	BML	in a secondary downtrend	silver/lead
Breaker Resources	BRB	heavy fall from highs	gold exploration
Buru Energy	BRU	testing uptrend	oil
Calidus Resources	CAI	new high	gold
Capricorn Metals	CMM	surge to new high	gold
Caravel Minerals	CVV	slump	copper
Celsius Resources	CLA	steep rise	copper
Chalice Mining	CHN	down	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

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De Grey	DEG		rising again	gold
E2 Metals	E2M		surge higher, then heavy fall	gold exploration
Ecograf	EGR		down	graphite
Element 25	E25		strong rallying	manganese
Emerald Resources	EMR		rising again	gold
Euro Manganese	EMN		testing downtrend	manganese
Evolution Mining	EVN		breached uptrend	gold
Firefinch	FFX		breached uptrend	gold
First Graphene	FGR		testing uptrend	graphene
Fortescue Metals	FMG		new uptrend	iron ore
FYI Resources	FYI		new uptrend being tested	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		breaching uptrend	hydrogen
Highfield Resources	HFR		slump	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		slump	lithium
Ionic Rare Earths (Oro Verde)	IXR		recovering long term uptrend	rare earths
Jervois Mining	JVR		shallower uptrend	nickel/cobalt
Jindalee Resources	JRL		slump out of new uptrend	lithium
Kairos Minerals	KAI		breached ST downtrend	gold exploration, lithium
Kingston Resources	KSN		weaker	gold
Kingwest Resources	KWR		testing 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 being tested	diamonds
Lynas Corp.	LYC		sharp pullback	rare earths
Magnetic Resources	MAU		sideways	gold exploration
Mako Gold	MKG		breaching support	gold exploration
Marmota	MEU		sideways	gold exploration

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Marvel Gold	MVL		new high	gold exploration
Matador Mining	MZZ		rallied to hit resistance line	gold exploration
Mayur Resources	MRL		base forming	renewables, cement
Meeka Gold	MEK		down again	gold
Megado Gold	MEG		new low	gold exploration
MetalTech	MTC		off the end of a ramp	gold
Meteoric Resources	MEI		sideways out of downtrend	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		heavy slump	gold exploration
Oceana Gold	OGC		down	gold
Oklo Resources	OKU		down	gold expl.
OreCorp	ORR		down	gold development
Oz Minerals	OZL		uptrend breached	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		broken down through support line	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		heavy fall	lithium
Queensland Pacific Metals	QPM		downtrend commencing	nickel/cobalt/HPA
Red River Resources	RVR		still down	zinc
Regis Resources	RRL		new low on large financing	gold
Regergen	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

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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	35%	50	Uptrend	
	34%	49	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	31	21.5%	
Gold Exploration	26	18.1%	
Nickel	12	8.3%	
Copper	10	6.9%	
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	8		
Total	144		

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