

## Looking at market cycles and where we are now

The bull market in mining and exploration equities is continuing along its evolutionary path into the next phase. To begin with, starting with the low after the virus meltdown, there was a sense of relief and almost disbelief that the market could be so strong in the face of the impending economic disaster that was inevitable due to the government enforced lockdown.

We are led to believe that the lockdown actually boosted the number of traders playing the market as there was nothing else to do, and the liquidity injections from the Government added fuel to the fire. The strength of the gold price acted as a turbo charge.

Share prices ran higher and there was a shortage of scrip. Many company went to the market to raise funds and the appetite for shares was so strong that these equity issues were consumed with the appetite best described as ravenous, like piranhas in a pond. They did not dampen enthusiasm at all. Yet, as we all know, this type of market has a limited life span.

### *Where the Sentiment Oscillator comes into play*

Calling the top of the market is not easy, but this is where the Sentiment Oscillator comes into play. It actually peaked in late July and that peak become more obvious as the sentiment began to fall in subsequent weeks. This coincided with the gold price peaking in the first few days in August. It is obvious in retrospect but at the time, the enthusiasm in the market had an overriding momentum that disguised the turning point. Many traders don't like to acknowledge a peak in the market, preferring to see it as a pullback and an opportunity to buy on dips.

### *When stock selection becomes more important*

Seeing a peak in the broader market should not be a signal to completely exit the market place. What it means is that the easiest money making phase of the market has come to a close. Rather than benefiting from a rising tide, when everything goes up, it means that stock selection becomes more important. There is still plenty of money to be made but you have to be more judicious. So, that is where we are today.

### *Capital raisings and deal types offer insight*

There is a well trodden path that markets like these travel. Initially there is a scramble for stocks that have obviously been oversold. As the tide rises you will see companies knocking out placements to refill their coffers. Occasionally there will be entitlement issues but these have the disadvantage of extended time frames. Shareholders like them as everyone gets to participate, but it takes courage on behalf of directors to weather the volatility that can always be a threat to the success of capital raisings.

After the frenzy of placements starts to settle down, and if stock prices remain high, you will start to see the emergence of more sloth-like IPOs. The first cabs off the

rank will often be the best but as the cycle continues you will see ridiculous valuations of properties and excessive greed from vendors and promoters. Participating in an IPO can be the biggest threat to wealth generation for the public investors, so you need to be very selective. If the market is already showing signs of exhaustion, these IPOs will exacerbate that feeling though there may actually be some good IPOs that come through. That is always possible, but you still need to appreciate that the time frame for cashing out of these many actually extend into the next cycle. Everyone loves a stag, but these are always hard to predict and often short lived.

### *When greed takes control*

There is another indicator to consider when assessing what part of the cycle we are in. To begin with, there is more of a collegiate approach from brokers and capital providers who have recently experienced tough times in the market. They are more willing to share deals and fees in the hope that what goes around comes around. But, as time passes and more money is made, these groups become more greedy. The ease in which money can be raised makes them think that they should keep all the fees to themselves. They don't need to work with other organisations and share fees, so they don't. Co-operation and goodwill breaks down as greed takes over. It is one of the darker phases in the market cycle. Unfortunately it happens every time, and we see signs of it happening now.

But greed isn't restricted to brokers. Promoters and vendors will be trying to squeeze as much money as they can while enthusiasm from buyers exceeds common sense. Traders will start to suffer from anxiety that they have shares in their portfolio that are underperforming and they can't understand why they are not winning with every trade. They can become despondent as a dark cloud hangs over their heads and they realise they are not as smart as they thought they were.

### *Yet the cycle keeps evolving*

Regardless of where the market is on any one day, you need to consider that psychology is far more important than fundamentals, at the smaller end especially. People talk value and fundamentals as they try to legitimise their decisions, but if you get the psychology wrong, then you go into battle with one arm tied behind your back.

As an analyst I do take comfort that I understand projects and companies, and can make choices that are supposedly intelligent, but ultimately the determinant of whether or not I make money on my investments is critically dependent upon what so many other people in the market think and do.

In the depths of a bear market you will find that the broader group will pay only 25% of the fair value of a company or project. That is the obvious time to get set, and wait. In a bull market it will be possible for that same group to pay

600-700% more than a company or project is worth. If you recognise this scenario you need to take profits even if you really like the company.

We are only briefly at the tops or the bottoms of the market cycle. The rest of the time is fraught with uncertainty, vagueness and differing opinions. The market will wax and wane on its path to its next high or low with every day being a new day, with different news flow and external shocks. We need to make money out of understanding these smaller focal points and what they mean. That is the type of market that is starting to dominate behaviour now.

### *Mamma Mia! Look what happens when you hit an epithermal boiling zone*

When we first looked at E2 Metals (E2M) a couple of months ago it came across as a legitimate epithermal gold explorer in Argentina, having shifted its corporate focus from the Lachlan Fold Belt in NSW. The key driver in this shift was Todd Williams, an Adelaide-based geologist with South American epithermal gold expertise. Some may have thought this to be a higher risk strategy, but it is amazing what a difference one hole can make.

Last week the shares skyrocketed from 22.5¢ to a high of \$1.01 on the release of an intersection of 18m at 47 gpt gold and 208 gpt silver, from a down hole depth of 66m at the Mia project. Yes, there was an extremely high grade interval of 1m at 424 gpt gold and 1489 gpt silver which was a great sweetener, but the balance of the hole was still an excellent 17m at 24.8 gpt. This hole was located usefully 50m south east of a previous intercept of 8m at 7.64 gpt (CORC-36).

E2 Metals drilled five RC holes to test the structural interaction of two veins sets. Two diamond holes were drilled to test the up and down-dip extensions CORC-36, but these failed to intercept significant mineralisation.

The main positive to take away at this point is that the high grade zone already hit is open pitable. It clearly looks like a boiling zone of an epithermal gold/silver deposit, which means we can expect spectacularly high grades and big profit margins on any mining operation, but these zones are typically 1-2 Moz rather than many millions of ounces - but you never know. Individual shoots are rarely more than 1 Moz, but there can be a series of shoots if you keep looking.

Silver credits are very valuable. Whether or not there is a larger volume, low tonnage mineralisation outside the boiling zone remains to be seen.

While the market loved the release and the share price performance was spectacular, we need to be mindful that this is very early in the life of the project. Much more drilling is required, and that should give a better view of the structure. Don't expect that every hole will be as good as Hole DRC-MI20-012.

The last time we saw a successful epithermal gold company in Argentina it was Andean Resources, which was taken over for a price tag of around US\$3.4bn, if my memory serves me correctly. E2M is currently at a market capitalisation of \$92m, so there is plenty of upside potential from this level, even if you consider that it will need tens of millions of dollars over time to drill out the project.

### *A Marvelous Exploration Target of 1-4 Moz*

We have previously commented on Marvel Gold's (MVL) Tabakorole resource of 910,000 oz at 1.2 gpt, in Mali. Given the announcement last week of the proof of the geological concept at its Lakanfla gold exploration project in Western Mali, it is now time to look at the blue sky potential that isn't yet priced into the stock.

Lakanfla is located near the gold-rich Senegal Mali Shear Zone, within 35 km of the Yatela (4.5 Moz) and Sadiola (12 Moz) gold mines. Marvel has reported on the first eight holes for 1,653m from a 3,800m RC program, but there will be no assays until December. Nevertheless, the geology is promising.

Marvel is targeting supergene gold deposits in karsts on either side of a mineralised granite intrusion. Karstification occurs when soluble carbonate bearing units, for example limestones, dolomites or marbles are dissolved. The residuum left behind may be comparatively upgraded in certain insoluble minerals, in this case, the element of interest being gold. The level of upgrading could be up to 10x the background gold levels e.g. 0.3 gpt grade could increase to 3 gpt through a process of dissolution and redeposition in the supergene zone. Gold deposits at both Yatela and Sadiola are good analogies of this style.

Previous exploration drilling at Lakanfla rarely penetrated below depths of 75m, but it may be necessary to go as deep as 200m to properly test the prospective horizons. Passive seismic work will be used to better define these horizons.

Artisanal workings at surface confirm near surface gold on the licence and there have been a number of good gold intercepts in the past which confirm that gold mineralisation at depth, but the karst model has not been previously tested at Lakanfla.

While we need to see grades from the holes being drilled now, a cursory look could lead to a suggested target size of 1-4 Moz. The Company is not allowed to say this, but I don't mind giving readers an idea of the size of the target. The first window on this guesstimate will be the release of assays in December. It remains a very exciting exploration play.

*STOP PRESS: MVL went into a trading halt on Thursday (after this piece was written) to raise \$5.7m at 6¢.*

*Disclosure: Interest associated with the author own shares in Marvel Gold. FEC was not involved in the placement last week.*

### *Solid progress for FGR on a number of fronts*

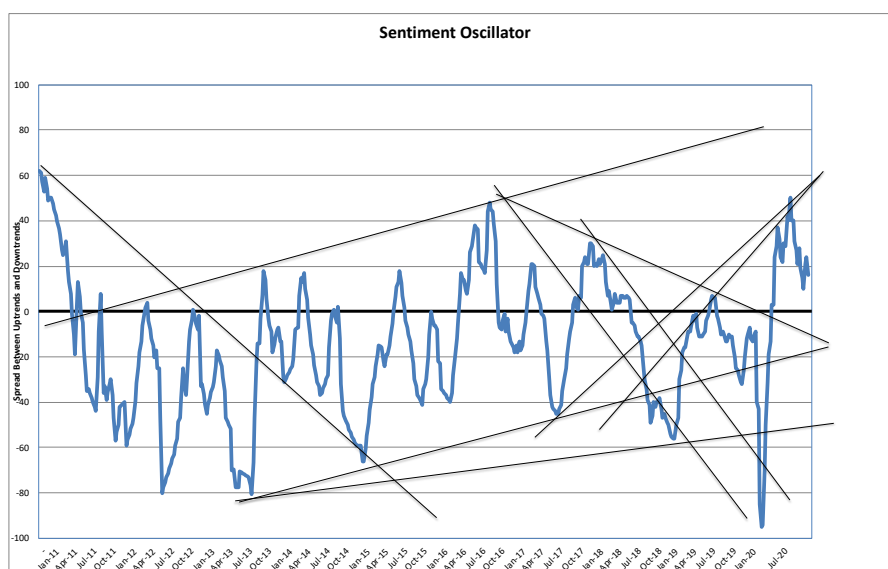
First Graphene announced a new product line into which it has commenced PureGRAPH® sales last week. SpaceBlue is a UK-based company that makes the range of SpaceMat® products that are used as mats at the entrances of homes, offices, public and industrial buildings in addition to its wider applications as an anti-fatigue and an anti-slip mat in public places such as gyms, playgrounds and swimming pools. SpaceBlue makes these mats out of recycled automotive tyres that would otherwise go to landfill. Adding PureGRAPH® to these mats can double their compression strength and increase their durability. The environmental benefits of this application are obvious.

Another announcement concerned the advancement of FireStop®, a product that has great implications for fire retardancy of building materials. FGR has the world-wide licence to FireStop® but commercialisation has been a slow process due to the need to find suitable international partners. FGR may have found the right partner now, with the announcement of an agreement to work with the USA company, TPR<sup>2</sup>, to commence due diligence with a view to commercialising fire retardant coatings using PureGRAPH®. Test work has already shown that FireStop is significantly more effective than other products in the market place. Now it has to be formulated in a readily saleable product.

There was also an update on the progress with Vortex Fluidic Device (VFD) that gives FGR the capability to make

graphene oxide more efficiently and with good environmental characteristics. Specifically, last week's release referred to solid improvements on efficiency of photovoltaic cells when the proprietary product gGO™ is used. Thus it is a foot in the door of the solar power business. It was quite a technical release but well worth the time to read it carefully and consider the implications.

*Disclosure: Interest associated with the author own shares in First Graphene. The author is a director of FGR, and FEC has received capital raising fees,*



**Sentiment Oscillator:** Sentiment eased during the week as many stocks fell back to their support line. Next week will be critical in determining whether many stocks breach their uptrends, and therefore lock us into a market that falls even further, or whether they bounce from their support lines Perhaps the US Presidential election will be the catalyst, either way. There were 48% (51%) of the charts in uptrend and 32% (27%) 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 slump	
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	rallied to meet resistance	zinc, polymetallic
Aeon Metals	AML	testing support	copper + cobalt
Alkane Resources	ALK	on support line	gold, zirconia




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Alicanto Minerals	AQI	off its highs	base metals, silver, gold
Allegiance Coal	AHQ	down	coking coal
Alliance Resources	AGS	sideways	gold predevelopment
Alto Metals	AME	new high	gold exploration
American Rare Earths (was BPL)	ARR	off its highs	rare earths
Apollo Consolidated	AOP	breaching downtrend	gold exploration
Arafura Resources	ARU	on support	rare earths
Aurelia Metals	AMI	down	gold + base metals
Australian Potash	APC	strongly higher	potash
Auteco Minerals	AUT	down	gold exploration
BHP	BHP	down heavily	diversified, iron ore
Base Resources	BSE	rising	mineral sands
BBX Minerals	BBX	on support	gold exploration
Beach Energy	BPT	down	oil and gas
Beacon Mining	BCN	sideways	gold production
Bellevue Gold	BGL	new high	gold exploration
Blackstone Minerals	BSX	down	nickel
Blue Star Helium	BNL	new high	gas, helium
Breaker Resources	BRB	still in LT downtrend	gold exploration
Buru Energy	BRU	sideways	oil
Buxton Resources	BUX	down on negative drill result	nickel exploration
Calidus Resources	CAI	new high	gold
Capricorn Metals	CMM	breached uptrend	gold
Central Petroleum	CTP	sideways through uptrend	oil/gas
Chalice Gold	CHN	new high	nickel, copper, PGMs, gold exploration
Chase Mining	CML	collapse on negative drill result	nickel/copper/PGE
Chesser Resources	CHZ	on support	gold exploration
Cobalt Blue	COB	off its lows	cobalt
Cyprium Metals	CYM	surge higher	copper
Dacian Gold	DCN	rallying	gold
Danakali	DNK	down	potash
Davenport Resources	DAV	breached downtrend	potash
De Grey	DEG	down	gold
E2 Metals	E2M	surge on drill result	gold exploration
Ecograf (was Kibaran)	EGR	pullback	graphite
Element 25	E25	off its highs	manganese
Emerald Resources	EMR	sideways	gold
Euro Manganese	EMN	heavy pullback	manganese
Evolution Mining	EVN	sideways	gold
First Graphene	FGR	breached downtrend	graphene
Fortescue Metals	FMG	down	iron ore
Galaxy Resources	GXY	rallying	lithium
Galena Mining	G1A	rising	lead
Galilee Energy	GLL	rising	oil and gas, CBM












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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		rising again	mineral sands
Image Resources	IMA		falling back to support line	mineral sands
Independence Group	IGO		down	gold
ioneer (was Global Geoscience)	INR		steeply higher	lithium
Ionic Rare Earths (Oro Verde)	IXR		gentle uptrend	rare earths
Jervois Mining	JVR		gently lower	nickel/cobalt
Jindalee Resources	JRL		new high	lithium
Kin Mining	KIN		testing uptrend	gold
Kingston Resources	KSN		testing downtrend	gold
Kingwest Resources	KWR		spike higher	gold
Legend Mining	LEG		weaker	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		testing downtrend	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		slump below support line	gold & lithium
Manhattan Corp	MHC		heavy fall	gold exploration
Marmota	MEU		drifting lower	gold exploration
Marvel Gold (was Graphex)	MVL		rising	gold exploration
MetalTech	MTC		breached uptrend	gold
MetalsX	MLX		down	tin, nickel
Metro Mining	MMI		rallying	bauxite
Mincor Resources	MCR		rising	gold/nickel
Musgrave Minerals	MGV		down	gold exploration
Myanmar Minerals	MYL		on support line	lead, zinc, silver
Nelson Resources	NES		rising	gold exploration
Neometals	NMT		rising	lithium
Northern Minerals	NTU		back to support line	REE
Northern Star Res.	NST		pullback	gold
NTM Gold	NTM		heavy slump	gold exploration
Oceana Gold	OGC		heavy fall	gold
Oklo Resources	OKU		testing downtrend	gold expl.
Orecorp	ORR		breaching uptrend	gold development
Orocobre	ORE		testing downtrend	lithium
Oz Minerals	OZL		breached downtrend	copper
Pacific American Holdings	PAK		strongly higher	coal

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Pacifico Minerals	PMY		testing downtrend	silver/lead
Pantoro	PNR		testing downtrend	gold
Panoramic Res	PAN		on support line	nickel
Peak Resources	PEK		testing downtrend	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		off its highs	rare earths
Perseus Mining	PRU		down	gold
Pilbara Minerals	PLS		breaching uptrend	lithium
Polarex	PXX		heavy fall	polymetallic exploration
Ramelius Resources	RMS		down	gold production
Red5	RED		continuing down	gold
Red River Resources	RVR		new high	zinc
Regis Resources	RRL		down	gold
Regergen	RLT		testing downtrend	gas, helium
Resolution Minerals	RML		down	gold exploration
Resolute Mining	RSG		down	gold
RIO	RIO		down	diversified, iron ore
Rumble Resources	RTR		breached uptrend	gold exploration
Salt Lake Potash	SO4		breaching downtrend	potash
Saracen Minerals	SAR		weaker	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		on support	mineral sands
Sky Metals	SKY		heavy slump	gold exploration
St George Mining	SGQ		rising	nickel
Silix Systems	SLX		down	uranium enrichment technology
Silver Mines	SVL		on support line	silver
Sipa Resources	SRI		breached uptrend	general exploration - Ni,Cu, Co, Au
Stanmore Coal	SMR		breached steepest downtrend	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
Thor Mining	THR		on support line	gold exploration
Tietto Minerals	TIE		testing downtrend	gold
Titan Minerals	TTM		breaching downtrend	gold
Vango Mining	VAN		down	gold

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Venturex	VXR		rising	zinc
Vimy Resources	VMY		still in downtrend	uranium
West African Resources	WAF		off its highs	gold
Westgold Resources	WGX		new high	gold
West Wits Mining	WWI		rising	gold
Western Areas	WSA		down	nickel
Whitebark Energy	WBE		down	oil and gas
Whitehaven Coal	WHC		rallying	coal
Wiluna Mining	WMX		sideways	gold
Yandal Resources	YRL		surged higher	gold exploration
Zinc Mines of Ireland	ZMI		testing downtrend	zinc
Totals	48%	70	Uptrend	
	32%	47	Downtrend	
		147	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	25.2%
Gold Exploration	26	17.7%
Nickel	12	8.2%
Oil/Gas	8	5.4%
Lithium	8	5.4%
Zinc/Lead	7	4.8%
Rare Earths	7	4.8%

Copper	7	4.8%	
Mineral Sands	5	3.4%	
Iron Ore/Manganese	5	3.4%	
Potash/Phosphate	5	3.4%	
Coal	4	2.7%	
Uranium	4	2.7%	
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	147		

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