

The market is embracing gold exploration stories

This market just loves gold exploration stories. It seems as if it can't get enough placement stock whenever a company goes to the market - any company - and there seems to be plenty of on-market buying thereafter. Success seems to be breeding success, giving us the greatest FOMO in this end of the market than we have seen for many years.

Many share prices have run hard but it is difficult to come to grips with the concept of being overpriced or underpriced at the moment, because that doesn't seem to matter. We are seeing the recapitalisation of the gold exploration sector and with the money being raised, we will see aggressive exploration programs that might just keep delivering great news flow.

One of the first movers in this trend back in February was De Grey Mining, which has risen from < 5¢ early this year to be nudging \$1.00, and a market capitalisation of more than \$1bn. That has been based on the discovery of rich gold zones in vast tracts of ground that it has held for years in the Pilbara. It has finally hit its pot of gold.

Good intercepts are always an important ingredient, but meaningful ground positions are also useful. Having an entire goldfield under your control, with both a good exploration concept and intercepts that support that concept offer opportunities of grand scale and multiple targets. This week we feature Manhattan Corporation, a junior that has just announced a new discovery in an historical goldfield that has hardly been looked at by modern explorationists. Who knows what treasures the 160 km long ground position will hold?

Supply and demand issue for raw materials

We know that the iron ore price has been strong due to reduced shipments coming out of Brazil causing a squeeze on supply. That nexus is simple, but what about other mining and metal products. Estimating where the supply and demand balance lies is made more difficult because there is no reliable data available on supply, taking into account the effect of coronavirus on operational levels and transportation to markets. We know that manufacturing has taken a hit all around the globe so demand for raw materials must surely be lower, but we need to look to China as it is the manufacturing centre of the world.

China's refined copper imports rose by 22.7% YoY in May, and by 6.2% MoM. Its nickel imports rose by 25% in May, MoM. Does this mean Chinese manufacturing is increasing strongly, or is China just buying as many raw materials that it can in a defensive measure? Is it getting ready for escalation of trade wars, or even hotter wars? Remember that China would come to a grinding halt if there was an interruption to raw material imports. China might like to threaten Australia with not buying its produce, but it would be cutting off its nose off despite its face should it do so. Nevertheless, building up stockpiles in China might provide

some short term insulation as the Communists sprout their rhetoric.

Just in time inventory management has been a big theme for a number of years as industry has sought greater efficiency, but we are now seeing the weakness in this approach, be it in relation to raw materials or finished goods. Right through the supply chain we are going to see greater investment in inventories due to increasing uncertainties. In the short term this can lead to greater demand for goods while the inventories are being built, but later on, at some point, the demand will taper off.

Manhattan delivers good gold results

Late in 2019, Manhattan Corporation (MHC) underwent a few changes of management and it picked up the Tibooburra Gold Project in northwest NSW. Jens Balkau joined the board. Previously he was Exploration Manager for Regis Resources, a notably successful gold company.

One would instinctively think that Tibooburra is a long way off the beaten track, being near Cameron Corner, where South Australia, Queensland and NSW borders meet, but it is only about 200 km north of Broken Hill. That is right next door by WA standards. The Silver City Highway runs through the leases, offering good access.

Acquisition cost - shares plus options

MHC paid 200 million shares (\$1m at 0.5¢ a share), 50 million options (1¢ strike price), and 300 million performance shares on the definition of 500,000 JORC compliant gold resources, using a 0.5 gpt cut-off grade. That gave MHC 100% control of Awati Resources, which held 10 granted exploration licences covering 1,020 km². Awati was an unlisted public company associated with people such as Ron Sayers and Jens and Noel Archer.

Background - historical production, limited drilling

Gold was first mined on the ground by old timers between 1881 and 1901, in shallow pits, shafts and adits. About 54,000 oz of production were recorded, mostly from alluvial and eluvial workings, at grades of better than 20 gpt. Only sporadic exploration has been conducted since then.

Control of the whole goldfield is a bonus

Manhattan was attracted to the area because it has been very much under-explored, but also because it had the opportunity of acquiring a 100% interest in ground that was prospective for 160 km of strike. The style of mineralisation was interpreted in 2006, to be very similar to the Victorian goldfields in the Western Lachlan Orogen. Accordingly, it demonstrates potential for multi-million ounce gold projects.

At the northern end of the licence package, around the New Bendigo prospect, historical drilling around old workings had previously recovered down hole intercepts such as 26m at 4.55 gpt from 8m, 8m at 7.10 gpt from 12m,

4m at 11.3 gpt from 36m and 6m at 2.578 gpt from 76m, amongst others.

At the southern end the New Bendigo Fault converges with another major structure named the Koonenberry Fault. The convergence creates a 50 km long zone of structural complexity that has potential to host multi-million ounce gold deposits beneath soil cover. This area has not yet been drilled.

In looking for analogies, Jens and the geologists see similarities with the Duketon gold belt in WA. This was made up of a series of smaller ground positions before it was consolidated in the early 1990s. What started out as a low grade under-explored goldfield ended up having more than eight million ounces being discovered. That would be a worthwhile target for Tibooburra.

Last week's drilling news gave good hits

One of the problems with having so much ground is the issue of where to start drilling first, as the first results reported to the market tend to set the expectations going forward. In this instance the drilling was notably successful.

Last week's drilling announcement was centred on the New Bendigo fault system that extends for more than 30 km in the Northern licences, where 80% of the ground is under soil cover. Drilling confirmed the continuity and structure of the mineralisation and expanded high-grade gold intersections previously identified at the New Bendigo Main Zone. The intersected zones remain open along strike and down dip with potential for four separate structurally controlled mineralised lodes identified. Higher grade intercepts included 2m at 17.3 gpt, 2m at 13.7 gpt and 2m at 9.2 gpt.

Drilling to the west of the four previously known lodes intersected 7m at 18.1 gpt from 87m in a new lode, named the Western Lode. This has been mapped for 2.5 km of strike.

MHC is still on a steep learning curve with this project. So far we know that the ground position is very large. The weathered zones, above 50m in depth, will be lower grade, but the intercepts in the primary ore zones are proving to be much higher. So far we are not seeing broad intercepts of low grade oxidised ore that you would typically see in the WA goldfields. Having said that, an earlier hole did return 22m at 4.94 gpt from a depth of 8m. More like that would be welcome but it is too early to be definitive yet.

Rather than throw money at it, as might a major, Manhattan needs to carefully select the drilling locations to get maximum incremental value, whilst also drilling a few holes in wildcat positions such as it has just done on the Western Lode. We know there is plenty of gold in the system, we just need to see where the best gold lies. Therein lies the excitement and the speculation. At a market capitalisation of \$20m now, the shares have plenty of upside potential.

In a trading halt for a fund raising

Manhattan is currently in a trading halt regarding a capital raising. It will probably be raising \$3-4m, placing it in a strong position to maintain momentum in the exploration program.

Disclosure: The author will be seeking an allocation of shares in the placement currently being undertaken.

Auteco Minerals declares 830,000 oz at 11.6 gpt

On the 24th of June, Auteco Minerals (AUT) received a speeding ticket after jumping to 8¢. That sent it into a trading halt initially, then a suspension. The suspension was lifted last Monday with the announcement of an 830,000 oz gold resource at 11.6 gpt, at its Pickle Crow Gold Project in Ontario, Canada (JORC 2012, 3.5 gpt cut-off). The Pickle Crow Mine produced 1.5 Moz at 16 gpt up to its closure in 1966.

The gold in the newly calculated resource is found in quartz-gold-tungsten tourmaline veins of the type mined previously at grades of >15 gpt, with metallurgical recoveries of >98%. A number of other styles of mineralisation are found outside of the announced resource. The ounces start at the surface and are adjacent to existing underground workings, lying within a 3.5 km section of a mineralised shear zone that incorporates multiple high grade lodes. Mineralisation is open along strike and at depth.

Auteco is earning an 80% interest in Pickle Crow from First Mining Gold Corp. It is required to spend C\$5m to earn 51% initially, then another C\$5m to get to 70%. It can buy another 10% by paying C\$3m, and there is a 2% NSR over the project (50% of which can be bought back for C\$2.5m)

AUT commenced a diamond drill program in May 2020, with nine holes having been drilled for 2,079m at the time of writing. So far the visual inspection of the core has been encouraging such that a second diamond rig is being mobilised and the program is doubling from 5,000m to 10,000m.

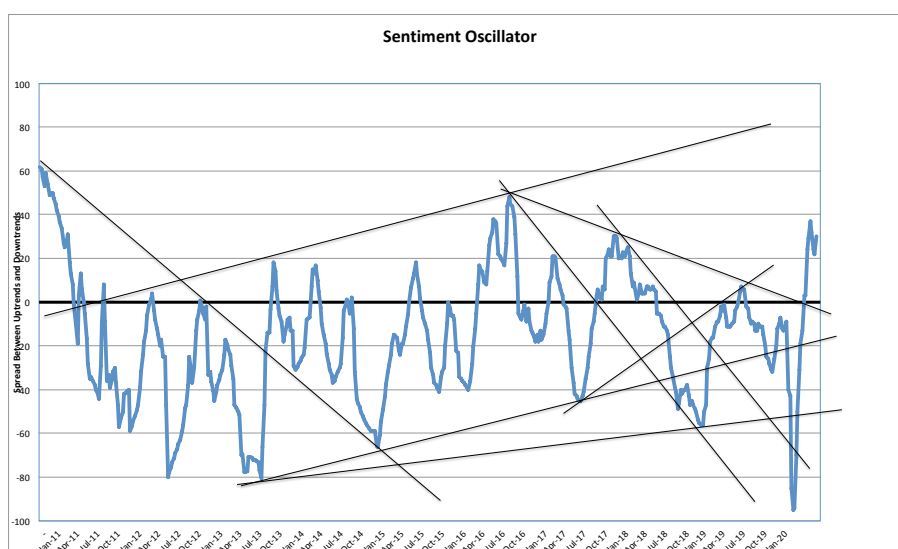
As expected, the announcement of an 830,000 oz resource caused the shares to surge further, hitting 18¢ on turnover of 59 million shares over two days. The shares have since settled back to 15¢, giving a market capitalisation of \$200m.

How will this story unfold? We should expect that the Company will take advantage of the surge in the share price and raise more money, but this shouldn't be a problem as it will be the perfect opportunity for institutions to get set. The money will fund continuing, aggressive drilling programs to quickly get a handle on how much gold is on the leases. If you are looking for a role model, you should look to Bellevue Gold. After all, it is the same team.

Auteco looks like the latest high grade gold "discovery" to capture the imagination of the market. I say discovery but perhaps "rediscovery" is a better description as it was previously a high grade producer. We had been waiting for the results of a drilling program currently underway, but the revised JORC estimate was something out of left field.

Disclosure: Interests associated with the author own shares in Auteco Minerals.

Socrates argued that we "did not need democracies, which merely pooled the ignorance of men who judged everything by appearances". Could this be true?



Sentiment Oscillator: Sentiment recovered over the week with 51% (46%) of the charts in uptrend and 21% (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	surged high out of consolidating pattern	
Metals and Mining	XMM	upside breakout	
Energy	XEJ	broken uptrend	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Alpha HPA	A4N	recapturing uptrend	HPA
Adriatic Resources	ADT	upside breakout	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
American Rare Earths (was BPL)	ARR	on support line	rare earths
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	stronger	potash
Australian Mines	AUZ	base forming	cobalt/nickel
Australian Vanadium	AVL	new low	vanadium
Auteco Minerals	AUT	steeply higher	gold exploration
BHP	BHP	correcting lower	diversified, iron ore

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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		rising	nickel
Breaker Resources	BRB		hitting resistance	gold exploration
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
Chesser 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		upside breakout	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		falling back to support line	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
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

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Kin Mining	KIN		correcting lower	gold
Kingston Resources	KSN		recaptured uptrend	gold
Kingwest Resources	KWR		down	gold
Legend Mining	LEG		correcting lower	nickel exploration
Lepidico	LPD		testing downtrend	lithium
Lindian Resources	LIN		breached downtrend	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		breaching uptrend	rare earths
Mako Gold	MKG		steeply higher	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		breached steep uptrend	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		new high	gold
Panoramic Res	PAN		down	gold , nickel
Peak Resources	PEK		back to lows	rare earths
Peel Mining	PEX		uptrend	copper
Peninsula Energy	PEN		down again	uranium
Pure Minerals	PM1		testing downtrend	nickel/cobalt/HPA
Pensana Metals	PM8		rising again	rare earths
Perseus Mining	PRU		drifting within uptrend	gold
Pilbara Minerals	PLS		at apex of flag	lithium
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

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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		breached 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		new high	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		breached uptrend	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		breaching downtrend	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
Totals	51%	71	Uptrend	
	21%	30	Downtrend	
		140	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.

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- 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	21.4%	
Gold Exploration	23	16.4%	
Zinc/Lead	10	7.1%	
Nickel	9	6.4%	
Oil/Gas	8	5.7%	
Lithium	8	5.7%	
Coal	6	4.3%	
Mineral Sands	5	3.6%	
Rare Earths	7	5.0%	
Potash/Phosphate	5	3.6%	
Copper	5	3.6%	
Graphite	4	2.9%	
Iron Ore/Manganese	4	2.9%	
Uranium	3	2.1%	
Bauxite	3	2.1%	
Silver	3	2.1%	
Cobalt	2	1.4%	
Vanadium	1	0.7%	
Tin	1	0.7%	
Diamonds	1	0.7%	
Other	2		
Total	140		

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