

## All about iron ore and rare earths last week

Money moved around last week as traders continued to take profits on the early movers in this boom market. It seems that even companies with considerable merit are having trouble retaining the traders as they look for the next story. The concept of value is apparently not as important as finding the next mover.

### *Iron ore prices keep getting better*

The Metals and Mining Index surged on Thursday with the news that Vale had cut its 2020 production guidance from 310-330 tonnes to 300-305 tonnes for 2020. This caused the iron ore price to jump to US\$136.75 pt, the highest level for six years. Share prices of the big three producers, BHP, Fortescue and RIO, all surged to new highs.

China is the big buyer of our iron ore, getting 60% of its requirements from Australia. I wonder how long the Federal Government will take to use China's dependency on our iron ore as a bargaining chip to counter the Chinese discrimination against our barley, coal and wine exporters, though it has to be careful not to cut off its nose despite its face.

Australia is not a communist country and our government would be reluctant to politicise our most successful, privately owned export sector by pursuing nationalistic policies, but something needs to be done to counter the hypocrisy in Chinese trade policy.

### *Rare earths focus is running high*

The rare earth thematic has been coming and going through 2020, owing to the dependence on China for finished product. Last week saw strong rises in many of the rare earth hopefuls, while Lynas Corporation, the only serious producer, kept rising higher. The next cab off the rank, Northern Minerals (NTU), is also demonstrating a healthy uptrend. After 11 years of hard work NTU is operating a pilot plant that is delivering product to customers.

NTU's history is instructive for any other company wanting to join the fray. It has spent \$269m and its market capitalisation is still only about \$160m. The pilot plant stage has taken three years and it is now undertaking a feasibility study on what could be a 20 year mine life. To date it has produced a mixed rare perth carbonate. The next step is to separate these into rare earth products.

Every other rare earth company in the market is either at early stage exploration or trying to make sense of how valuable their resources are. Peak Resources (PEK) is one of the most technically advanced with plans for a mine in Tanzania and a refinery in the UK, but it still needs higher NdPr prices to be economic. There are many other companies that may provide good trading opportunities in the stock market, even when they have no realistic chance of ever being producers. They are all horses in the race.

### *The nature of the market at the moment*

Last week I looked at a number of stocks that had dropped off my radar about this time last year, thinking that they didn't have much of a future. Maybe they had huge capex requirements that I thought were problematic, or maybe they were just too exotic. To my surprise many of them had done very well in the market, rising more than 500% in some cases. This tells us something about the state of the market. Optimism rules.

Some less experienced investors have commented recently on very strong share price performances of some companies, asking the question, "Should I buy some?" That depends upon whether the price is going to keep rising, obviously.

While each stock should be viewed on its merits, the "buy" signal is not, in my book, automatically a "yes". Where there has been positive news flow or a change in dynamics - something life changing in the history of a company - there can be justification for buying. Take De Grey or Chalice for example. They have been 10 baggers. If you had bought each of them after they first doubled, you would have made small fortunes. However, the exceptions do not make the rule. You don't want to be a person who is playing catch-up, coming into a stock after it has already run hard, unless there is a sound reason.

The latest sector that I missed is kaolin. In 2019, I looked at kaolin with reference to high purity alumina possibilities. The spreadsheets all looked good but it was frontier stuff. Capital expenditure projections were high. Potential profits looked good but where are the barriers to entry? There are plenty of kaolin deposits around the Australia, and many more overseas. If one company could do it, why can't many? The key measure is the securing of a buyer, for only then could you finance a project. Technical and commissioning risks also had to be considered. I kept an eye on some of these stocks but the more traditional resource plays received much more attention as 2020 began to unfold. The HPA stocks are still interesting but we haven't seen anyone progress to production. (Note that my comments on kaolin don't include a review of halloysite kaolin).

### *Even Syrah has almost tripled in price*

A good example of the market's lack of focus on fundamentals in preference for concepts is the performance of Syrah Resources (SYR) over the last few months. Coming from the position of a failed commercial graphite producer its share price has almost tripled since late September, from 40¢ to hit \$1.09 and a market capitalisation of \$452m.

During the September quarter Syrah bled US\$6.6m, making the cash outflow US\$27m for the first nine months of 2020. Operations were shut down (care and maintenance) back in March, reportedly due to the

coronavirus. The reality it was losing money hand over fist and it was very convenient to blame the virus for the suspension of operations.

Syrah ceases to be a graphite producer as it repositions itself as a battery anode company, subject to achieving a commercially acceptable product as judged by potential customers. It is now more than four years since SYR began bench scale testing. This is a very competitive technical space with no guarantee of success, and very cost sensitive. Many companies are working on their new beautiful anodes but they can't all be successful. How does an investor work that out? Only a naive person would accept companies' presentations as accurate.

While we are talking anodes, have a look at how Talga recently peaked at \$2.15, hitting a market capitalisation of \$567m, on the back of its new anode. Will its product be any better than Syrah's? It is still work in progress so we don't yet know. One thing is for certain - these anode stocks are running on the concept rather than fundamentals. That means they are all vulnerable to big falls when the music stops.

### *Meteoric Reports Big Intercepts at Palm Springs*

MEI reported some good intercepts at Palm Springs last week, including 69m at 4.4 gpt from 181m, 55m at 3.2 gpt from 175m and 21m at 6.1 gpt. Higher grade, narrow intervals within these intercepts were 19m at 7.2 gpt, 8m at 7.6 gpt and 2m at 47.8 gpt. There is nothing shabby about these results ... but the release went down like a lead balloon in the market.

Maybe it is the depth of the intercepts that concerns the market but there is reason to believe that a decline off the base of the old pit could be an economic proposition. Perhaps the market is losing interest in gold exploration while it plays more conceptual stocks in the alternative

energy sector. Nevertheless, this stock will come back into focus as the wheel turns.

### *First Graphene receiving interest out of the USA*

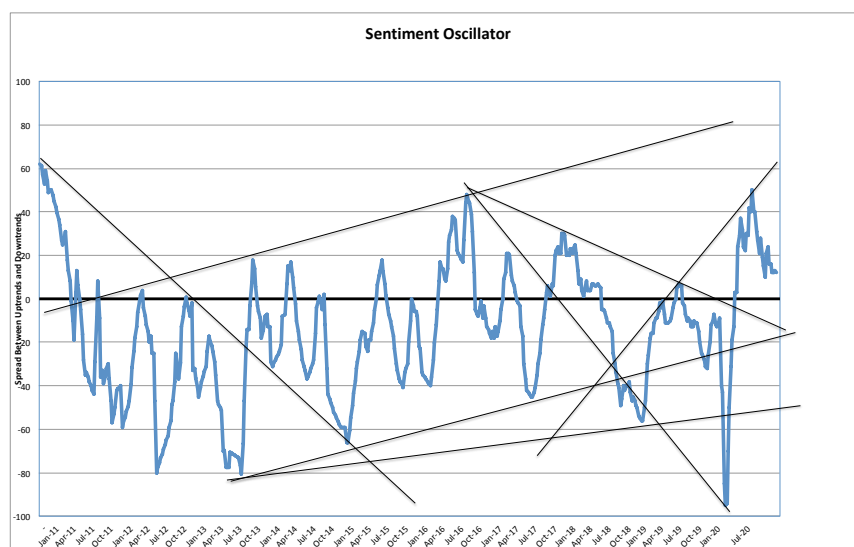
First Graphene has been a good performer in the market in recent weeks with the share price moving higher on large volumes. It seems that this is because of investors in the US coming into the stock on the back of some publicity in the USA. Whereas Australian investors have had to be patient as markets are being opened up, the Americans are coming in with a fresh vision. We have attached an article in this weeks email that quite clearly articulates the value proposition.

*Disclosure: Interests associated with the author own shares and option in First Graphene. Capital raising fees have been received by FEC. The author is a director of First Graphene.*

### *Lucapa delivers an impressive pink diamond*

The high value of the diamonds coming out of the Lulo alluvial diamond mines was in focus last week with the Company reporting that the 46 carat rough pink diamond had yielded a 15.2 carat fancy orange-pink diamond with a clarity of VVS1, with another two diamonds weighing 3.3 carats and 2.3 carats. We don't know how much this will sell for, but I expect it will fetch a substantial price.

*Disclosure: Interests associated with the author own shares and option in Lucapa. Capital raising fees have been received by FEC.*






**Sentiment Oscillator:** Sentiment was steady. There were 43% (43%) of the charts in uptrend and 31% (30%) 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		strongly higher	
Metals and Mining	XMM		new high	
Energy	XEJ		strongly higher	
Stocks	Code		Trend Comment (updated comments in bold)	Main Interest
Alpha HPA	A4N		on support	HPA
Adriatic Resources	ADT		secondary downtrend	zinc, polymetallic
Aeon Metals	AML		sideways to higher	copper + cobalt
Alkane Resources	ALK		breached uptrend, heading down	gold, zirconia
Alicanto Minerals	AQI		down	base metals, silver, gold
Allegiance Coal	AHQ		down	coking coal
Alliance Resources	AGS		slump	gold predevelopment
Alto Metals	AME		on support	gold exploration
American Rare Earths (was BPL)	ARR		off its highs	rare earths
Apollo Consolidated	AOP		breaching downtrend	gold exploration
Arafura Resources	ARU		rising	rare earths
Aurelia Metals	AMI		down	gold + base metals
Australian Potash	APC		testing downtrend	potash
Auteco Minerals	AUT		down	gold exploration
BHP	BHP		new high	diversified, iron ore
Base Resources	BSE		new high	mineral sands
BBX Minerals	BBX		down	gold exploration
Beach Energy	BPT		surged higher	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
Calidus Resources	CAI		sideways	gold
Capricorn Metals	CMM		down	gold
Caravel Minerals	CVV		breaching downtrend	copper
Celsius Resources	CLA		rising	uptrend
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		breached support	gold exploration
Cobalt Blue	COB		gentle uptrend started	cobalt
Cyprium Metals	CYM		surge higher	copper
Dacian Gold	DCN		rallying	gold








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Danakali	DNK		down	potash
Davenport Resources	DAV		resting on support line	potash
De Grey	DEG		down	gold
E2 Metals	E2M		surge on drill result	gold exploration
Ecograf (was Kibaran)	EGR		pullback	graphite
Element 25	E25		new high	manganese
Emerald Resources	EMR		sideways	gold
Euro Manganese	EMN		heavy pullback	manganese
Evolution Mining	EVN		sideways	gold
Firefinch	FFX		testing uptrend (was Mali Lithium)	gold
First Graphene	FGR		steeply higher	graphene
Fortescue Metals	FMG		rising again	iron ore
Galaxy Resources	GXY		rising strongly	lithium
Galena Mining	G1A		rising	lead
Galilee Energy	GLL		breaching uptrend	oil and gas, CBM
Genesis Minerals	GMD		uptrend	gold
Gold Road	GOR		down	gold
Highfield Resources	HFR		rising	potash
Hillgrove Resources	HGO		gently higher	copper
Iluka Resources	ILU		demerger	mineral sands
Image Resources	IMA		falling back to support line	mineral sands
Independence Group	IGO		risen to meet resistance line	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		down	nickel exploration
Lepidico	LPD		sideways	lithium
Lindian Resources	LIN		higher	bauxite
Lithium Australia	LIT		testing uptrend	lithium
Los Cerros	LCL		falling back to support line	gold exploration
Lotus Resources	LOT		testing downtrend	uranium
Lucapa Diamond	LOM		at lows	diamonds
Lynas Corp.	LYC		new high	rare earths
Mako Gold	MKG		back in downtrend	gold exploration
Manhattan Corp	MHC		strong rally	gold exploration
Marmota	MEU		drifting lower	gold exploration
Marvel Gold (was Graphex)	MVL		breached uptrend	gold exploration
MetalTech	MTC		testing downtrend	gold
MetalsX	MLX		breaching downtrend	tin, nickel
Metro Mining	MMI		rallying	bauxite

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Mincor Resources	MCR		rising	gold/nickel
Musgrave Minerals	MGV		down	gold exploration
Myanmar Minerals	MYL		breaching uptrend	lead, zinc, silver
Nelson Resources	NES		testing uptrend	gold exploration
Neometals	NMT		rising	lithium
Northern Minerals	NTU		back to support line	REE
Northern Star Res.	NST		testing support	gold
NTM Gold	NTM		takeover bid	gold exploration
Oceana Gold	OGC		heavy fall	gold
Oklo Resources	OKU		down	gold expl.
OreCorp	ORR		breaching uptrend	gold development
Orocobre	ORE		rising	lithium
Oz Minerals	OZL		strongly higher	copper
Pacific American Holdings	PAK		strongly higher	coal
Pacifico Minerals	PMY		testing downtrend	silver/lead
Pantoro	PNR		testing downtrend	gold
Panoramic Res	PAN		on support line	nickel
Peak Resources	PEK		strongly higher	rare earths
Peel Mining	PEX		downtrend	copper
Peninsula Energy	PEN		down again	uranium
Poseidon Nickel	POS		rising	nickel
Pure Minerals	PM1		correcting lower	nickel/cobalt/HPA
Pensana Metals	PM8		off its highs	rare earths
Perseus Mining	PRU		down	gold
Pilbara Minerals	PLS		rising	lithium
Polarex	PXX		down	polymetallic exploration
Ramelius Resources	RMS		down again	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		breaching downtrend	diversified, iron ore
Rumble Resources	RTR		down	gold exploration
Salt Lake Potash	SO4		breaching downtrend	potash
Saracen Minerals	SAR		weaker	gold
St Barbara	SBM		testing downtrend	gold
Sandfire Resources	SFR		Downtrend	copper
Santos	STO		breached downtrend	oil/gas
Saturn Metals	STN		breached downtrend	gold exploration
Sheffield Resources	SFX		rising	mineral sands
Sky Metals	SKY		on support line	gold exploration
St George Mining	SGQ		rising	nickel

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Silex Systems	SLX		down	uranium enrichment technology
Silver Mines	SVL		on support line	silver
Sipa Resources	SRI		down	general exploration - Ni,Cu, Co, Au
Stanmore Coal	SMR		breached steepest downtrend	coal
Strandline Resources	STA		breaching downtrend	mineral sands
Sunstone Metals	STM		uptrend breached	
Talga Resources	TLG		rising	graphite
Technology Metals	TMT		surge higher	vanadium
Tesoro Resources	TSO		down	gold exploration
Theta Gold Mines	TGM		uptrend	gold
Thor Mining	THR		on support line	gold exploration
Tietto Minerals	TIE		down	gold
Titan Minerals	TTM		gently lower	gold
Vango Mining	VAN		down	gold
Venturex	VXR		rising	zinc
Vimy Resources	VMY		rising	uranium
West African Resources	WAF		down	gold
Westgold Resources	WGX		breached support	gold
West Wits Mining	WWI		rising	gold
Western Areas	WSA		rallying	nickel
Whitehaven Coal	WHC		rising	coal
Wiluna Mining	WMX		down	gold
Yandal Resources	YRL		surged higher	gold exploration
Zinc Mines of Ireland	ZMI		testing downtrend	zinc
Totals	43%	63	Uptrend	
	31%	45	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	25	17.0%	
Nickel	12	8.2%	
Oil/Gas	7	4.8%	
Lithium	8	5.4%	
Zinc/Lead	7	4.8%	
Rare Earths	7	4.8%	
Copper	9	6.1%	
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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