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The Mining Investment Experts

Weekly Commentary

6 March 2021 *On Friday's Close* Analyst : Warwick Grigor

Sweaty palms as interest rate speculation dominates

On the broader front the stock markets continue to be negatively affected by interest rate speculation that has caused them to retreat from their highs. Comments by Jerome Powell pushed bond yields to a 12 month high, above 1.6%, and 200% above the August lows and our Sentiment Oscillator has turn negative.

Once again there is no way of telling whether this is a correction and a consolidation or a major turning point, so markets will be dominated by a more cautious psychology that will involve profit taking for the immediate future.

The speculative end of the market has been very volatile this year, initially with spectacular gains that have been almost unbelievable, except that seeing is believing. The EV and alternative energy stocks went through a bubble that seems to have quickly run its course, judging by the heavy falls in the last two weeks. These sectors will have additional runs as the year progresses, but you will have to get your timing right. The next two weeks are more difficult to predict. Liquidity still holds the key to market movements. There continues to be plenty of it around.

When markets behave like this it is difficult to make objective, disciplined decisions. Even if you know with confidence what markets should be doing, the irrationality of market psychology - the group think - can distort the best made plans. We all know that markets can't rise forever but very few people are able to totally withdraw from the game. That means having a bet each way.

Modern Monetary Theory

We have previously commented that the Keynesian economic model, where governments swing from budget deficits to surpluses depending upon where we are in an economic cycle, is taking time out. The flood of liquidity that governments have delivered as a response to the virus has been financed by money creation and huge deficits. The markets seem happy with this response even though the mountain of "debt" might never be repaid … unless inflation eats into it.

The observation that no-one is worried by deficits at present brings us to consider the role of Modern Monetary Theory in explaining the lack of concern. As individuals and corporations we are taught that excessive borrowing can be terminal, so prudent financial management is encouraged. Debt repayments are enforceable at law because the money has come from another organisation that will want the principle repaid, with interest. However, who is there to force governments to repayment debt that is generated by deficit spending? Why does a government even need to borrow when it can just print money?

When I was being taught economics in the 1980s, there was a "*crowding out*" concept we studied whereby if governments went to the open market to finance its expenditure, it had the effect of forcing up interest rates as it competed with private industry for funds. It was considered to be a problem.

However, why does a government need to be disciplined at all if it has control of the printing presses and credit? If its job is to pursue full employment and it can do so by making sure there is plenty of cheap money available, then what is wrong with that? Look at how China operates, without the disciplines of fiscal responsibility that we have been used to. China spends money because it is a good idea, without concerns of government debt. It seems to work for them.

Western governments have used Milton Friedman style monetary economics to control inflation in recent decades, based on the theory that if there is too much money creation it will lead to inflation. Interest rates have been used to dampen down an economy when it start to overheat. However, one problem with this approach is that it hits everyone hard with no selectivity. It doesn't distinguish between different sectors within an economy when some are booming and some are failing. A more targeted taxation policy would be able discriminate between those sectors of an economy doing better and those that are struggling. Interests rates are not the only policy initiative available to slow down overheating economies.

Saturn is still coming to grips with Apollo Hill

During the week we received a face-to-face presentation from Saturn Metals (STN), rather than a Zoom meeting. The MD and geologist were on route to visit the West Wyalong gold exploration project in NSW.

Recall that Saturn's lead project, Apollo Hill, is progressing as a circa 1 Moz low grade gold deposit in WA, at just under 1 gpt. This low grade has great leverage to the gold price. The shares were well sought after this time last year as the gold price moved higher, but the leverage works both ways. The fall in the gold price since August has stripped $61m of market capitalisation off Saturn leaving it at $36m today, with $12m in the bank.

One of the reasons why Saturn performed so well in 2020, was the on-market buying and the funding by Canadian specialist institutions. While that was good at the time, it is not so good when these same institutions decide to exit the stock. A falling gold price that leads to redemptions in these funds can exacerbate the selling when these institutions have to raise liquidity. The announcement last week that 1832 Asset Management had ceased to become a substantial shareholder explains some of the recent falls in the share price of Saturn.

Back in January, STN announced an Indicated and Inferred Mineral Resource of 35.9 Mt at 0.8 gpt for 944,000 oz. Low grade it is, but the orebody is capable of delivering high grade intercepts such as 8m at 12.9 gpt and 12m at 9.98 gpt. You could look at this as a large tonnage low grade heap leach project as there are a number of features that make it look amenable to that method of recovery. Though, a very coarse grind size of 300 μm delivers 92% recovery, making CIL processing attractive as well. Interestingly for such a low grade, gravity gold recovery tests have range from 30% to 60%.

By the time we had finished discussing all of the variables and the apparent extensions of mineralisation along strike and at depth, it was apparent that there is much more work required before this orebody and mineralised system is fully understood. There are plenty more ounces to be defined but much more work is needed for selecting a process route and a scale of operating.

West Wyalong on the other end of the grade scale

In marked contrast to Apollo Hill, Saturn's West Wyalong gold project in the Lachlan Fold Belt of NSW is high grade. Between 1894 and 1915, about 440,000 oz were recovered at a spectacular grade of 36 gpt. Underground development reached depths of 411m, but records indicate that stoping only went as deep as 274m.

Mining stopped during WW1, supposedly because of a labour shortage, and the workings have never been reopened. Gold Cross drilled a few exploration holes in the 1980s, but nothing eventuated from the work. As far as Saturn is concerned, there continues to be significant potential for high grade gold deposits. Work will commence with near surface assessment and then some deep RC or diamond holes will test extensions of orebodies at depth. There is a great deal of work to be done to form a modern view of the prospectivity, but there is plenty of optimism at this point. STN can earn an 85% interest by spending $2.1m over four years.

With a market capitalisation of only $36m, there is certainly no premium in the share price. It looks cheap, even given the softer gold price. Provided there is no further selling from the Canadian institutions we are likely to see the shares form a base in the 30-40¢ price range.

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

Ionic Rare Earth triples size of Makuutu

We commented on 6/2/21, that IXR's Makuutu deposit in Uganda looked like a "stand-out". Wednesday's ASX release underwrote that view with a tripling of the mineral resource, from 78.6 Mt to 315 Mt at 650 ppm TREO. The previous 78.6 Mt has been mostly converted to Indicated resources, which stand at 66Mt at 820 ppm and provides validation of the previous MRE given this is the area that has been mostly increased in confidence.

Overall the grade has come down from 840 ppm, to 650 ppm (440 ppm without Cerium), but with an orebody this size there is plenty of room to focus on the higher grade zones with a 100 year life span. This latest figure sits comfortably within the exploration target of 240-800 Mt at 450-900 ppm.

Disclosure: Interests associated with the author own shares in Ionic Resources and has received capital raising fees

Graphene could dramatically change computers

I was sent a link to the following video during the week. It talks about the potential for graphene to give us computer processors 1,000 times more powerful than the silicon-based processors, using only 1% of the power. This would be quite extraordinary. I'm not saying this is about to happen, but the scientist in the clip believes it is a possibility. So, as an advocate of the future of graphene, I'm happy to show it.

FGR engagement with US investors

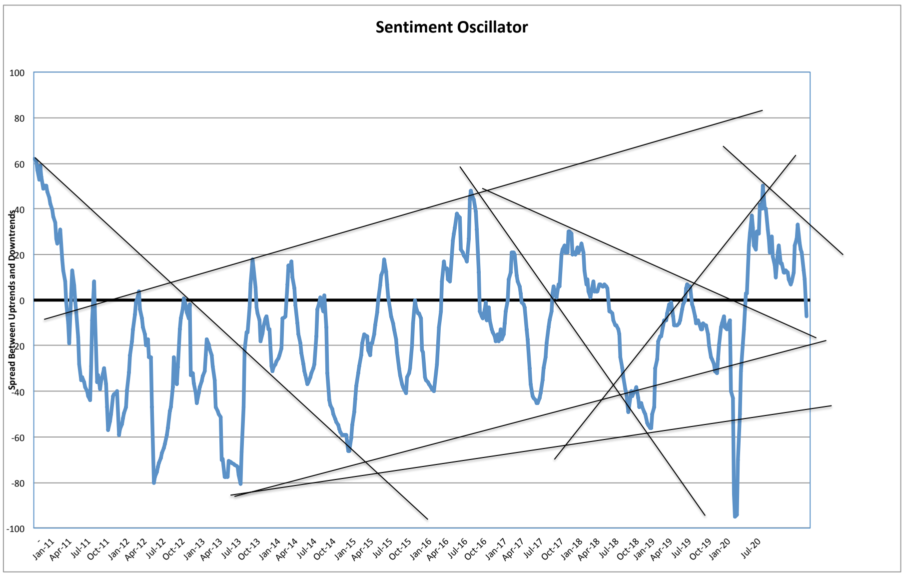
In recent months First Graphene has been actively engaging investors in the USA. One element of this has been the commissioning of Arrowhead Business and Investment Decisions, LLC to prepare a detailed due diligence research report on the Company. This was released earlier this week and can be obtained by clicking on the following link. https://firstgraphene.net/wp-content/uploads/2021/03/First-Graphene-ABID-Report-26-February-2021.pdf

As a follow-up to this report Arrowhead has lined up 40 of its institutional and high net worth investors to attend presentations in the coming weeks.

Disclosure: Interests associated with the author own shares in First Graphene and the author is a director. Capital raising fees have been

We have added Ardea Resources (ARL) to our chart coverage. Pensana has been delisted.

Sentiment Oscillator: Sentiment turned negative over the week as many stocks broke through support lines on the downside. There were 36% (43%) of the charts in uptrend and 43% (34%) 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		downtrend confirmed	
Metals and Mining	XMM		correcting lower	
Energy	XEJ		risen to resistance line	
Stocks	**Code**		**Trend Comment (updated comments in bold)**	**Main Interest**
Alpha HPA	A4N		new high	HPA
Adriatic Resources	ADT		weaker	zinc, polymetalic
Aeon Metals	AML		still in downtrend	copper + cobalt
Alkane Resources	ALK		breached uptrend, heading down	gold, zirconia
Alicanto Minerals	AQI		sideways	base metals, silver, gold
Allegiance Coal	AHQ		surge through downtrend, then pullback	coking coal
Alliance Resources	AGS		pullback	gold predevelopment
Alto Metals	AME		down	gold exploration
American Rare Earths (was BPL)	ARR		breached downtrend (COB holding)	rare earths
Apollo Consolidated	AOP		down	gold exploration
Arafura Resources	ARU		pullback	rare earths
Ardea Resources	ARD		uptrend, fallen back to support	nickel
Aurelia Metals	AMI		down	gold + base metals
Australian Potash	APC		holding shallower uptrend	potash
Auteco Minerals	AUT		down	gold exploration
BHP	BHP		pullback	diversified, iron ore
Base Resources	BSE		near highs	mineral sands
Beach Energy	BPT		LT downtrend continuing	oil and gas
Beacon Mining	BCN		sideways	gold production
Bellevue Gold	BGL		down on release of feasibility	gold exploration

Blue Star Helium	BNL		down	gas, helium
Boab Metals	BML		down	silver/lead
Breaker Resources	BRB		sideways	gold exploration
Buru Energy	BRU		breached support line	oil
Calidus Resources	CAI		down	gold
Capricorn Metals	CMM		down	gold
Caravel Minerals	CVV		in pullback phase	copper
Celsius Resources	CLA		down	uptrend
Central Petroleum	CTP		sideways	oil/gas
Chalice Gold	CHN		testing support line	nicklel, copper, PGMs, gold exploration
Chase Mining	CML		back to lows	nickel/copper/PGE
Chesser Resources	CHZ		down now	gold exploration
Cobalt Blue	COB		new high	cobalt
Cyprium Metals	CYM		back to support line	copper
Dacian Gold	DCN		back to support line	gold
Danakali	DNK		steeply higher	potash
Davenport Resources	DAV		rising again	potash
De Grey	DEG		shallower downtrend	gold
E2 Metals	E2M		correcting lower, ST downtrend	gold exploration
Ecograf (was Kibaran)	EGR		heavy pullback	graphite
Element 25	E25		pullback	manganese
Emerald Resources	EMR		coming back to support line	gold
Euro Manganese	EMN		down	manganese
Evolution Mining	EVN		down	gold
Firefinch	FFX		strongly higher	gold
First Graphene	FGR		consolidating	graphene
Fortescue Metals	FMG		pullback - uptrend breached	iron ore
Galaxy Resources	GXY		down	lithium
Galena Mining	G1A		at recent highs	lead
Galilee Energy	GLL		pullback	oil and gas, CBM
Genisis Minerals	GMD		down	gold
Gold Road	GOR		down	gold
Hastings Technology Metals	HAS		breached uptrend	rare earths
Hazer Group	HZR		down	hydrogen
Highfield Resources	HFR		rising	potash
Hillgrove Resources	HGO		breached downtrend	copper
Iluka Resources	ILU		strong rise	mineral sands
Image Resources	IMA		testing support	mineral sands
Independence Group	IGO		pullback	gold
ioneer (was Global Geoscience)	INR		new high	lithium
Ionic Rare Earths (Oro Verde)	IXR		new high	rare earths
Jervois Mining	JVR		rising again	nickel/cobalt
Jindalee Resources	JRL		correcting lower	lithium
Kin Mining	KIN		downtrend	gold

Kingston Resources	KSN		down	gold
Kingwest Resources	KWR		back to support line	gold
Legend Mining	LEG		turned down at resistance line	nickel exploration
Lepidico	LPD		back to long term support	lithium
Lindian Resources	LIN		softer	bauxite
Lithium Australia	LIT		pullback	lithium
Los Cerros	LCL		on support line	gold exploration
Lotus Resources	LOT		new high	uranium
Lucapa Diamond	LOM		breaking downtrend	diamonds
Lynas Corp.	LYC		new high	rare earths
Mako Gold	MKG		down again	gold exploration
Manhattan Corp	MHC		down	gold exploration
Marmota	MEU		testing downtrend	gold exploration
Marvel Gold	MVL		off its lows	gold exploration
MetalTech	MTC		down	gold
Meteoric Resources	MEI		testing uptrend	gold exploration
MetalsX	MLX		pullback	tin, nickel
Metro Mining	MMI		down again	bauxite
Mincor Resources	MCR		down	gold/nickel
Musgrave Minerals	MGV		down	gold exploration
Myanmar Minerals	MYL		breaching downtrend	lead, zinc, silver
Nelson Resources	NES		new high	gold exploration
Neometals	NMT		near high	lithium
Northern Minerals	NTU		on support line	REE
Northern Star Res.	NST		down	gold
NTM Gold	NTM		new high	gold exploration
Oceana Gold	OGC		down	gold
Oklo Resources	OKU		down	gold expl.
Orecorp	ORR		down	gold development
Orocobre	ORE		down	lithium
Oz Minerals	OZL		new high	copper
Pacific American Holdings	PAK		breaching ST downtrend	coal
Pantoro	PNR		breached support line	gold
Panoramic Res	PAN		breaching uptrend	nickel
Peak Minerals	PUA		slump	copper exploration
Peak Resources	PEK		new high	rare earths
Peel Mining	PEX		at highs	copper
Peninsula Energy	PEN		breached uptrend	uranium
Poseidon Nickel	POS		sideways	nickel
Perseus Mining	PRU		down	gold
Pilbara Minerals	PLS		pullback	lithium
Polarex	PXX		down	polymetallic exploration
Queensland Pacific Metals	QPM		new high	nickel/cobalt/HPA
Ramelius Resources	RMS		continuing down	gold production

Red5	RED		down	gold
Red River Resources	RVR		breached uptrend	zinc
Regis Resources	RRL		down	gold
Renergen	RLT		heavy pullback	gas, helium
Resolution Minerals	RML		new low	gold exploration
Resolute Mining	RSG		down	gold
RIO	RIO		off its highs	diversified, iron ore
Rumble Resources	RTR		back in downtrend	gold exploration
Salt Lake Potash	SO4		down	potash
St Barbara	SBM		secondary downtrend	gold
Sandfire Resources	SFR		breached downtrend	copper
Santos	STO		strongly higher	oil/gas
Saturn Metals	STN		heavy fall	gold exploration
Sheffield Resources	SFX		rising	mineral sands
Sky Metals	SKY		back in downtrend	gold exploration
St George Mining	SGQ		down	nickel
Silex Systems	SLX		down	uranium enrichment technology
Silver Mines	SVL		down	silver
Sipa Resources	SRI		down	general exploration - Ni,Cu, Co, Au
Stanmore Coal	SMR		breached steepest downtrend	coal
Strandline Resources	STA		sideways	mineral sands
Sunstone Metals	STM		down again	
Talga Resources	TLG		breached support line, down	graphite
Technology Metals	TMT		sideways	vanadium
Tesoro Resources	TSO		down	gold exploration
Theta Gold Mines	TGM		on support	gold
Thor Mining	THR		lower	gold exploration
Tietto Minerals	TIE		down again	gold
Titan Minerals	TTM		sideways	gold
Vango Mining	VAN		down	gold
Venturex	VXR		surge on funding	zinc
Vimy Resources	VMY		steeply higher	uranium
West African Resources	WAF		down	gold
Westgold Resources	WGX		down	gold
West Wits Mining	WWI		off its highs	gold
Western Areas	WSA		down	nickel
Whitehaven Coal	WHC		on support line	coal
Wiluna Mining	WMX		down	gold
Yandal Resources	YRL		breached downtrend	gold exploration
Zinc Mines of Ireland	ZMI		breached downtrend	zinc
Totals	36%	53	Uptrend	
	43%	63	Downtrend	
		148	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	36	24.3%	
Gold Exploration	25	16.9%	
Nickel	12	8.1%	
Copper	10	6.8%	
Oil/Gas	7	4.7%	
Lithium	8	5.4%	
Zinc/Lead	7	4.7%	
Rare Earths	7	4.7%	
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	**4**		
Total	**148**		

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