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On Friday's Close

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## Monetary policy is only a band-aid, not the cure

Having survived the initial panic in the market and the extraordinary gyrations of the gold price, we now wait to see whether there is any merit in relying on the loosening of monetary policy as the ultimate solution. So far, one should be sceptical.

In true Greenspan fashion the Fed has acted to minimise the negative wealth effect of a falling market by dropping interest rates, but how effective will this be in the long run? It provided a short term circuit breaker but the moves at the end of the week suggest that this is not enough.

One thing is certain about this virus; at best we will only be told selective truths. We will act according to what we know and what we learn from others. We are totally vulnerable to being told untruths and deceptions, so we will always be trying to catch up to reality. It is a vulnerable position in which to be.

Individuals need to take greater responsibility for their behaviour as the virus saga unfolds. Governments can make larger policy decisions but these have no finesse. There needs to be more precision in shutdowns and containment policies to ensure that vital supply lines are given priority just like in times of war when essential industries are exempted, and in fact are promoted with special care, to keep the wheels turning. Failure to recognise this will not do us any good.

Individuals need to be sensible and modify their behaviour and their social interaction while we steer through the uncertainty. As far as equity markets are concerned, we need to be prepared for what could be an extended period of uncertainty that is unavoidable, but stock market investors are used to the risk that comes with uncertainty. Business activity may go through a period of suppression, but then the speculation will turn to when the recovery starts to take root.

### *Gold is doing what it is meant to do*

Gold has recovered quickly from the aggressive selloff as everything else keeps falling. At long last we are seeing what gold is supposed to do, in theory; a safe haven in a meltdown situation. This is the reason that gold bugs have been saying you need to have some gold - as insurance in times of disaster.

### *Alicanto placement and excellent drill results*

Alicanto (AQI) had no problems knocking out a \$2.5m placement at 7.5¢ just as markets started to melt down, following the release of some very good drilling results from Wolf Mountain in Sweden. When I was on-site last year, this was one of the most immediate targets crying out to be drilled, owing to the potential size and the surface samples that were running 11.9% Cu and 2.9 gpt gold.

The very first hole drilled by AQI hit more than 60m of strong alteration and disseminated sulphides, representing

the margins of the main target zone. As the Company's consulting geologist said, "*this is the juicy style of mineralisation*" i.e. it is very encouraging.

On Wednesday it reported a second hole, for which the dip angle was reduced from 50° to 42°, and it was collared in the chalcopyrite zone. This hole managed to drill through the disseminated sulphides with chalcopyrite and back into a strong alteration zone, hitting breccia and skarn styles along the way. For those amongst you who like to visit core farms there are some great photos in the ASX release.

For the non-geologists, it is a reasonably classic model to have more intense, higher grade zones encased in broader disseminated zones of mineralisation. The higher grade zones are usually narrow at perhaps several metres in width, while the disseminated zones could easily be tens of metres wide at lower grades. These provide the tonnes to support a bulk mining operation with good economies of scale, while the high grade core provides the kicker to the economics. In this example, hole two demonstrates a combined true width of approximately 55m. The prospective strike length is at least 1 km.

AQI is at the early stage of putting the jigsaw puzzle together but we do know there was a very high grade, small scale historical mine (but without written records). The drilling is showing large dimensions and the core gives evidence of a higher temperature, rich geological environment. It all fits well with the large scale IP anomaly and the expectation of a strong intrusive feature that was the engine room for the mineralisation.

So, the next piece of data we are looking for will be the assays that become available in 4-6 weeks. The high grade zone could be several percentage points of copper (and other minerals, including gold) while the disseminated zones could be in the range of 0.5% to 1.5% copper, if the classic geological model is representative of this location. So far, this project is revealing its secrets in almost textbook fashion.

Interestingly, the release refers to the higher grade style as having "intense" chalcopyrite mineralisation. Traditionally a company would refer to this as "massive" sulphide mineralisation. It seems like the ASX is becoming even more invasive as it seeks to dictate what companies can and cannot say, even though it is lacking in geological credibility.

*Disclosure: Interests associated with the author own shares in Alicanto and FEC has received minor capital raising fees.*

## *Good news from Lindian but the story is incomplete*

The market didn't seem to like Lindian's report on Monday 27th February, covering the drilling of high grade conglomerate bauxite. It wasn't as if it was bad news, but the market still saw it as a chance to sell.

There were two plateaux drilling. Bouba was the conglomerate style while Mamaya was the typical, high grade in-situ deposits found through Guinea.

At Bouba, the drilling was undertaken on 300m centres, sufficient spacing to enable the calculation of a JORC compliant resource. The thickness ranged from 5-7m on the western margin, and to 10-12m to the east. A fair average may be 9-10m, but these numbers are still being calculated. Perhaps the market was looking for something closer to 20m, and that was the reason for the sell-off of the shares. There is nothing wrong with the grade as measured with an XRF tool. Assays frequently exceeded 60% Al<sub>2</sub>O<sub>3</sub>. The Company is now undertaking a detailed evaluation of each hole with one of the key questions being the nature of the silica and the Total Available Alumina (TAL). It seems to be quartz and if so, it won't be a problem.

Mamaya returned average depths in excess of 10m, though in places drilling stopped in mineralisation, so it could be better. Grades seem to be typical of high grade in-situ deposits in Guinea, being approximately 48% Al<sub>2</sub>O<sub>3</sub>. Given the surface area measured, the tonnages at Mamaya will probably be much greater than at Bouba.

There is still more work to be done before a complete understanding of the geology and the metallurgy are understood, and a resource is declared, but that does not stop investors wanting to look into the crystal ball, even if it is cloudy. The good news is that there is definitely conglomerate style bauxite. That was the target. The smaller tonnage may or may not be of concern, if volume is the key to development. However, there could still be the option of mining 50-100 Mt of premium grade ore to producers 50-60 km away by road.

If Lindian was to mine the ore itself and sell it to local plants, you would expect it could net at least US\$10 pt. If it did so at a rate of 5 Mtpa, that would generate cash flow of A\$75m p.a. for 10 years. Capex would be minimal as it would be contract mining, though maybe it would be even smarter to just take a royalty. Given that the market capitalisation is only \$20m with the share price at 2.5¢, there is plenty of upside from here. We shouldn't have to waiting too long for clarity of resource quality, and then it is possible that mining and cash could commence in about two year's time. That is the bullish case. *(NB: The Company would never be able to say this due to the ASX clamping down on what companies can release, but there is nothing stopping an independent mining analyst offering a view).*

In a subsequent development, LIN announced that it had mapped what looks like an extension of the conglomerates to the north of at least 1km and to the south an area now defined as "Bouba South" on the other side of the Tomine River immediately South of the Bouba Plateau measuring approximately 0.5 km x 2.5 km. It may be that the disappointment of shallower depths at Bouba could be countered by the Bouba Northern and southern extensions. Drilling will give us a few answers later this month.

The shares have offered great trading opportunities for speculators over the last three months. Has the share price been pushed too low given the potential earnings situation? Maybe, but the next three months will provide greater clarity when the technical assessment is undertaken.

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## *Saturn Metals has a big buyer out of Canada*

Junior companies get excited when institutions come onto the register because it invariably leads to a higher share price if it is done on-market. There is a corollary though that can be ugly. If such institutions decide to cut their positions there is a risk that they will butcher the share price. Many juniors have experienced the double edged sword.

A real live example of an institution coming onto a register is happening with Saturn Metals. A specialist mining investor, 1832 in Canada, has just lifted its substantial shareholder position from 4.7 million shares (6.49%) to 5.5 million shares (7.51%). (It has to report 1% incremental movements in its holding). That goes a long way to explaining the jump in the share price following the recent drill announcement. One should assume that 1832 is a smart investor, so we shareholders should take encouragement. Will they come back for more, or will they sit and hold? That is an important question.

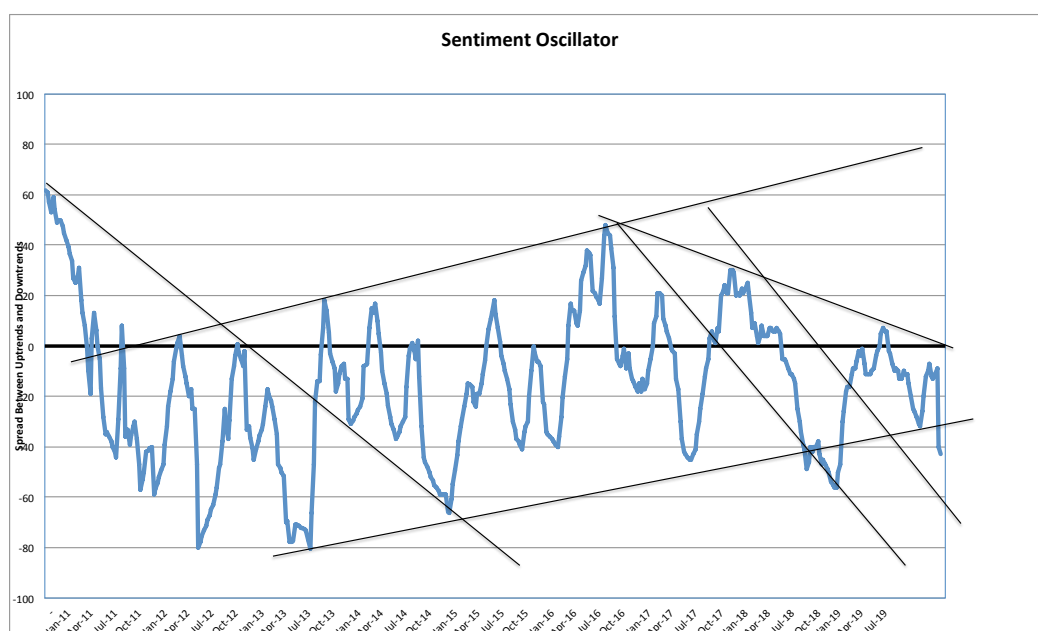
*Disclosure: Interests associated with the author own shares in Saturn Metals*

## *The Bizarre Aussie Toilet Paper Rush*

We have all heard about the great run on toilet paper during the week but there are some things that the standard media won't publish for fear of being called racist. Well, consider this story that was told to me on Thursday.

Reportedly, this man witnessed Chinese consumers buying as much toilet paper as they could in an Australian store on Wednesday. Ten minutes later that man went to the post office and saw the same Chinese people sending the toilet paper to China. So, it seems the shortage on the shelves has nothing to do with Australian consumption. We might have enough paper to keep the Aussie butts wiped, but there is no way we can keep up with all of those in China. Is it time to impose an export ban to protect our domestic consumers?

Actually, today there was a report in The Australian about how authorities had intercepted an attempt to smuggle almost 1,500 litres of hand sanitiser out of Australia (classified as a dangerous substance). Further, Australian toilet paper had been found in Tokyo airport. Personally, I'm much more concerned about what is happening in the equities market.



**Sentiment Oscillator:** Sentiment fell further last week with 19% (19%) of the charts in uptrend and 62% (59%) in downtrend on Friday's close. The improvement came about due to a number of stocks moving out of downtrends and into sideways patterns, as the selling had exhausted itself.

## 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	collapse	
Metals and Mining	XMM	collapse	
Energy	XEJ	collapse	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Alpha HPA	A4N	heavy pullback	HPA
Adriatic Resources	ADT	heavy pullback	zinc
Aeon Metals	AML	falling again	copper + cobalt
Alacer Gold	AQG	testing uptrend	gold – production
Alkane Resources	ALK	heavy pullback	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Alicanto Minerals	AQI	testing steep uptrend	gold exploration
Allegiance Coal	AHQ	down	coal
Alliance Resources	AGS	breached uptrend	gold exploration
Apollo Consolidated	AOP	down	gold exploration
Arafura Resources	ARU	down	rare earths
Argent Minerals	ARD	breached downtrend	silver
Aurelia Metals	AMI	down again	gold + base metals
Australian Potash	APC	down	potash

Australian Mines	AUZ		base forming	cobalt/nickel
Australian Vanadium	AVL		new low	vanadium
BHP	BHP		heading lower	diversified, iron ore
Base Resources	BSE		down	mineral sands
Bathurst Resources	BRL		down	coal
BBX Minerals	BBX		breached downtrend	gold exploration
Beach Energy	BPT		heavy fall	oil and gas
Beacon Mining	BCN		testing uptrend	gold production
Bellevue Gold	BGL		breached downtrend	gold exploration
Blackstone Minerals	BSX		heavy fall	nickel
Breaker Resources	BRB		down	gold exploration
Broken Hill Prospecting	BPL		at lows	minerals sands
Buru Energy	BRU		turning down	oil
Buxton Resources	BUX		turned down at resistance line	nickel exploration
Capricorn Metals	CMM		slump	gold
Cardinal Resources	CDV		testing ST uptrend	gold exploration
Cassini Resources	CZI		testing downtrend	nickel/Cu expl.
Central Petroleum	CTP		down	oil/gas
Chalice Gold	CHN		slump	gold exploration
Chase Mining	CML		heavy slump	nickel/copper/PGE
Chesser Resources	CHZ		slump	gold exploration
Cobalt Blue	COB		new low	cobalt
Dacian Gold	DCN		testing uptrend	gold
Danakali	DNK		drifting lower	potash
Davenport Resources	DAV		at lows	potash
De Grey	DEG		Uptrend	gold
Ecograf (was Kibaran)	EGR		down	graphite
Emerald Resource	EMR		slump	gold
Evolution Mining	EVN		slump	gold
Exore Resources	ERX		down	gold exploration
FAR	FAR		new low	oil/gas
First Graphene	FGR		slump	graphene
Fortescue Metals	FMG		down	iron ore
Galaxy Resources	GXY		down	lithium
Galena Mining	G1A		breached steepest downtrend	lead
Galilee Energy	GLL		downtrend forming	oil and gas, CBM
Gold Road	GOR		steeply higher	gold
Graphex Mining	GPX		down	graphite
Heron Resources	HRR		new low	zinc
Highfield Resources	HFR		back to support line	potash
Hillgrove Resources	HGO		still in downtrend	copper
Iluka Resources	ILU		slump out of downtrend then rebound	mineral sands
Image Resources	IMA		still in downtrend	mineral sands
Independence Group	IGO		testing support line	gold, nickel

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ioneer (was Global Geoscience)	INR		down	lithium
Jervois Mining	JVR		testing resistance line	nickel/cobalt
Jindalee Resources	JRL		spike to hit resistance line	lithium
Kin Mining	KIN		steeply higher	gold
Kingston Resources	KSN		back to support line	gold
Kingwest Resources	KWR		down	gold
Legend Mining	LEG		off its highs	nickel exploration
Lepidico	LPD		down	lithium
Lindian Resources	LIN		holding support line	bauxite
Lithium Australia	LIT		down	lithium
Lucapa Diamond	LOM		off its lows	diamonds
Lynas Corp.	LYC		down	rare earths
Mako Gold	MKG		rising off lows	gold exploration
Marmota	MEU		heavy fall	gold exploration
MetalsX	MLX		new low	tin, nickel
Metro Mining	MMI		gentle uptrend breached	bauxite
Mincor Resources	MCR		breached uptrend	gold
Musgrave Minerals	MGV		new high	gold exploration
Myanmar Minerals	MYL		down	zinc
Nelson Resources	NES		falling again	gold exploration
Neometals	NMT		continuing down	lithium
Resolute Minerals	RML		heavy fall (was Northern Cobalt)	cobalt
Northern Minerals	NTU		down	REE
Northern Star Res.	NST		strong higher	gold
NTM Gold	NTM		new high	gold exploration
Oceana Gold	OGC		bouncing off lows	gold
Oklo Resources	OKU		stronger	gold expl.
Orecorp	ORR		softer	gold development
Oro Verde	OVL		breached uptrend	rare earths
Orocobre	ORE		down	lithium
Oz Minerals	OZL		down	copper
Pacific American Holdings	PAK		new low	coal
Pacifico Minerals	PMY		down	silver/lead
Pantoro	PNR		down	gold
Panoramic Res	PAN		down	gold , nickel
Peak Resources	PEK		down	rare earths
Peel Mining	PEX		down	copper
Peninsula Energy	PEN		down	uranium
Pure Minerals	PM1		sideways channel	nickel/cobalt/HPA
Pensana Metals	PM8		spiked through downtrend line	rare earths
Perseus Mining	PRU		new high	gold
Pilbara Minerals	PLS		but strong rally	lithium
PNX Metals	PNX		sideways	gold, silver, zinc
Polarex	PXX		breached uptrend	polymetallic exploration

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Ramelius Resources	RMS		breached ST downtrend	gold production
Real Energy	RLE		new low	gas
Red5	RED		breached downtrend	gold
Red River Resources	RVR		now in secondary downtrend	zinc
Regis Resources	RRL		down	gold
Resolute Minerals	RML		heavy fall (was Northern Cobalt)	cobalt
Resolute Mining	RSG		testing downtrend	gold
RIO	RIO		down	diversified, iron ore
Salt Lake Potash	SO4		down	potash
Saracen Minerals	SAR		rising again	gold
St Barbara	SBM		still in shallow downtrend	gold
Sandfire Resources	SFR		down	copper
Santos	STO		breached uptrend	oil/gas
Saturn Metals	STN		rising again	gold exploration
Sheffield Resources	SFX		new low	mineral sands
Sky Metals	SKY		surged higher	gold exploration
St George Mining	SGQ		down	nickel
Sipa Resources	SRI		down	general exploration - Ni,Cu, Co, Au
Spectrum Metals	SPX		back in uptrend	gold exploration
Stanmore Coal	SMR		down again	coal
Strandline Resources	STA		sideways	mineral sands
Syrah Resources	SYR		down again	graphite
Talga Resources	TLG		down	graphite
Technology Metals	TMT		down	vanadium
Vango Mining	VAN		breached uptrend	gold
Venturex	VXR		strong rally, hit resistance line	zinc
Vimy Resources	VMY		new low	uranium
West African Resources	WAF		uptrend again	gold
Westgold Resources	WGX		breached uptrend	gold
West Wits Mining	WWI		testing uptrend	gold
Western Areas	WSA		breached support line	nickel
Whitebark Energy	WBE		down	oil and gas
Whitehaven Coal	WHC		down	coal
Yandal Resources	YRL		down	gold exploration
Zinc Mines of Ireland	ZMI		down	zinc
Totals	19%	25	Uptrend	
	62%	84	Downtrend	
		135	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.

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- 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	23.0%	
Gold Exploration	20	14.8%	
Oil/Gas	8	5.9%	
Nickel	9	6.7%	
Lithium	8	5.9%	
Coal	6	4.4%	
Zinc/Lead	10	7.4%	
Mineral Sands	6	4.4%	
Rare Earths	6	4.4%	
Potash/Phosphate	5	3.7%	
Copper	5	3.7%	
Cobalt	3	2.2%	
Graphite	4	3.0%	
Tin	1	0.7%	
Iron Ore	3	2.2%	
Uranium	1	0.7%	
Bauxite	3	2.2%	
Vanadium	1	0.7%	
Silver	2	1.5%	
Diamonds	1	0.7%	
Other	2		
Total	135		

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