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The Mining Investment Experts

Weekly Commentary

7 May 2022 *Chart comments as at Friday's close* Analyst : Warwick Grigor

Sentiment has taken another hit with inflation talk

Sentiment deteriorated last week, which is not surprising given the volatility and the uncertainty in the markets. A number of share prices have fallen back to their support lines. These have to hold or the story gets uglier.

The US markets don't know which way to turn. It is not just a battle between the bulls and the bears, which we can always understand when there are counterposing opinions struggling for dominance. There is something more fundamentally confusing in the volatility and the reaction to daily news flow. On the one day we have a very strong market because the interest rate goes up by 50 basis points, suggesting that you sell on rumour and buy on news …. even if it is just confirmation of negative news. On the the next day it crashes down again because people are saying there will likely be more rate increases further out. I would have thought that would have been obvious the day before.

We are basically in sync with the US markets, though not perfectly. We do have much greater weightings towards commodity based stocks. We have a Federal election coming up but there hasn't been much evidence of expectations on the outcome affecting share prices, yet.

The Labor Party has not given us cause for concern on its policies because it really hasn't told us what they are. Maybe it is just trying to get through the campaign without any gaffs, hoping there are enough uninspired Liberal voters from the last election who are prepared to give them a go this time. Whoever wins, the outcome is still likely to be messy. International events are more relevant to stock prices at the moment, with inflation and interest rates being more international in flavour than being confined to our domestic economy. We should be seeing the re-emergence of inflation as an economic pandemic that has a long way to go before it will be purged.

Virus, war and inflation limit policy options

The Ukraine War serves to remind us that the global economy is capable of being thrown into disarray through the actions of individual psychopaths, with consequences that are never fully thought through from the beginning. Just as we are getting through the inconvenience of the Covid pandemic, the Russian invasion and the imposition of sanctions are providing yet another global disruption.

Russia is the world's No. 2 oil exporter and the No. 3 coal exporter. Sanctions, even partial sanctions, are driving up energy prices around the world and adding 2.5% to global inflation. This shock to the system is one of the reasons why central banks have been caught with their pants down, losing control of the inflationary agenda. The US economy is suffering and it runs the risk of going into a recession (though last night's employment figures may suggest otherwise). Normally you would cut interest rates to prevent a recession, but if the Reserve Banks does so, it fails in the inflation fight. So, the result becomes stagflation and a return to the dilemma of the early 1980s. Any fiscal stimulation to boost economic activity runs the risk of throwing fuel on the fire as there is already a shortage of goods in the market place as a result of supply shocks. Policy options are limited so we had better just get ready to ride this one out. Nothing looks easy. Maybe we should be increasing our portfolio exposure to coal and oil companies.

The higher fossil fuel prices serve to make renewable energy more competitive so there is likely to be no slow down in new projects and battery input material prices will continue to be strong. The swing towards greater acceptance of nuclear power seems assured. There are plenty of ASX-listed companies that provide useful exposure to these areas. Again, while inflation and higher interest rates are generally not good for stocks market, resource stocks could be better performers than yield stocks.

Resources Round-Up Conference

The Resources Roundup Conference was held in Sydney over three days last week. It was the best gathering of mining and exploration stocks I have attended over the last two and a half years. Thanks Stewie .. .another great show.

While it was good to catch up with many companies I am always on the lookout for fresh stories. Two of the most interesting ones were a high grade epithermal gold explorer in Far North Queensland and an emerging new garnet producer in WA. I'll get back to you on these once I have done more work. Apart from these, everything was a "buy", if you believed the sales pitches. 😉

Go coal go!

Any investor who has been seduced by the ESG argument that we should avoid coal stocks because they are bad should have a look at the Stanmore Coal share price last week. It surged higher while almost everything else was falling. While Australia is being pressured to shut down it remaining six coal fired power stations, India, China and others are building dozens more. How is our token effort going to make a difference? Maybe the more coal we export, the better we will be able to finance alternative energy projects. Maybe the end justifies the means.

Alicanto returns a great silver/zinc intercept

It is hard to get a cheer out of the market at the moment unless you are in the rare earths race or finding lithium. Even the reporting of 4.7m at 24.4% Zn, 875 gpt Ag and 3.7% Pb barely moved the dial.

That was the intercept reported by Alicanto, only 120m from the surface at its Sala Project in Sweden and only 200m from the rich, historical Sala silver mine that produced 200 Moz. The reference to it as an exceptional intersection is appropriate given that we are not going to see all holes in the target return such fabulous grades, but it is nevertheless very encouraging.

The Company is busily working on the maiden resource statement, due for release in this quarter. The grade will be lower than the above mentioned intercept, but we are still expecting very strong grades that we can start estimating potential earnings around. Silver will be the key economic mineral, and the silver price traditionally performs well in an inflationary environment.

We should remember that the resource, when it is released, will only be the first step. There are a number of parallel structures to the west that should keep the exploration story alive for some time yet before there is a switch to the development mentality that can slow down share prices.

Disclosure: Interests associated with the author are shareholders in Alicanto.

Meeka finding gold and rare earths

We have previously mentioned Meeka Gold (MEK) when it was still called Lattitude Consolidated. We saw value in its Murchison Gold Project that according to a scoping study could support 50,000 oz p.a. over an eight year life, though there is every chance that the resources will be either sold or toll treated through a neighbouring mill. However, you can't sit around waiting for a suitor so the Company is now working on a PFS. Continuing exploration in the area is likely to lift the resource above the current mineable figure of 4.9 Mt at 2.8 gpt, containing 443,000 oz. We also have a high opinion of the management.

More recently Meeka has been looking for gold a long way from Meekatharra, down near Esperance, at a prospect called Circle Valley. The higher-grade mineralisation sits within a 10-80m thick zone of lower grade gold mineralisation (≥ 0.1g/t Au) that thickens and thins along strike. It has currently been defined over a strike length of 700m and remains open in all directions. Similar to Tropicana, the mineralisation is hosted in gneiss within pyrite-biotite shear zones with higher gold grades associated with K-feldspar alteration. Some of the intercepts reported were 23m at 5.09 gpt from 13m down hole and 24m at 1.21 gpt from 24m down hole. It looks promising but the work has only just started.

What is curiously interesting though, is the co-incidental discovery of rare earth mineralisation in the same area. Named Cascade, the central area has returned a discrete cluster of samples grading > 400 ppm TREO in the leached and oxidised pedolith (surface horizon), within a 250km^2 area. Like with all of the other REE discoveries that companies are announcing, this prospect is just being exposed.

Given the number of discoveries being announced it is almost a case of seek and you will find. No-one was allowing for the sedimentary deposits hosted by clays until recently. Now there are so many that it will take a considerable amount of work to try and decide which are the better ones.

Saturn increases ounces but at the cost of grade

During the week I was asked why I hadn't commented on a particular company for a while. My response referred to the intuition one gets from seeing things that don't necessarily add to the perceived value. One objective point was that the company concerned had gone to the market too many times to raise capital, leading to more slop in the market. We see this too often without the commensurate improvement in value to encourage further on-market buying. Raising money is not hard just now because of the aggressive brokers who want to charge capital raising fees, but loyal shareholders usually have to carry the burden of an underperforming share price. It is hardly satisfactory.

Another case in point is Saturn Metals (STM). That company went to the market too many times in a short space of time. It also made repeated announcements highlighting individual good assays, stating that the better grades were being experience in the hanging wall. The ASX releases consistently referred to high grades but it was hollow rhetoric. One might have reasonably expected that the average grade would increase as a consequence. However, the opposite has happened.

On Monday the company announced a 525,000 oz upgrade of the Apollo Hill resource to 1.47 Moz, but it came at a cost of a fall in the grade to 0.6 gpt. That is not very comforting. Sure, maybe the project works as a heap leach exercise, but it is much less attractive than something around 1 gpt. It becomes a "hard work" project rather than low hanging fruit. It has been disappointing, in my view. Let's see if the Canadian institutions still want to hold their stock, or move to something with more upside. If they turn into sellers it could have serious implications for the share price.

"Heavily Oversubscribed" - really?

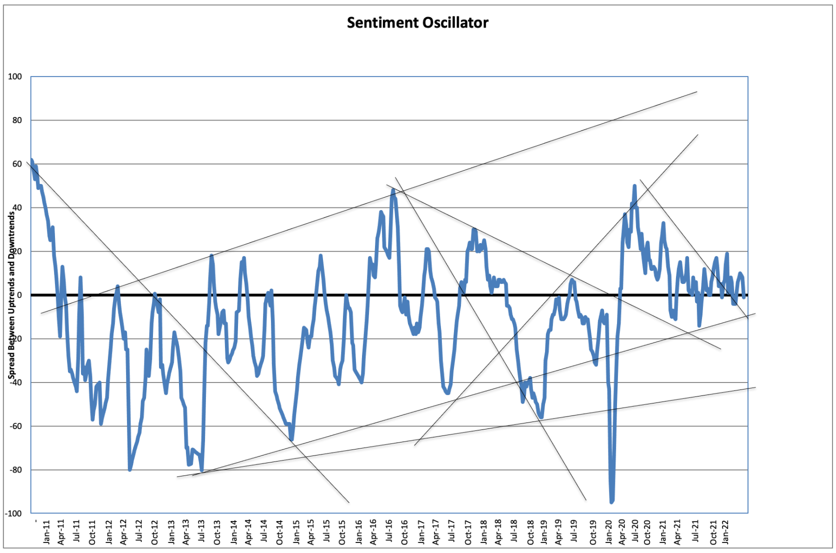
I saw recently that a company made a release to the ASX with the headline "PVW Completes Heavily Oversubscribed Placement Raising $9.5m". Bollocks!

Technically speaking, investors don't "subscribe" to a placement. They bid into a book. The broker, or manager, looks at the bids and balances the book, and then makes allocations which need to be confirmed when punters are advised of allocations. They then proceed to settlement a few days later. There is actually no subscription in the true sense of the word that may require refunds if the placement is over-subscribed.

It is time that the AXS stopped companies making statements in releases about the whether or not raisings are over-bid, over-subscribed or whatever. They are misleading at best, deceitful at worst. They are designed to make people think they are lucky to get their allocations and can create false impressions about the substantive level of interest in the placement.

We all know that brokers have a policy of arranging for excess bids. They don't close the book when the nominated target is achieved, partly because they will always push for an upsizing with the larger fee, but when they do upsize they reduce the likelihood of after-placement buying. They have already satisfied demand. Have you noticed how many times the share price falls below the placement price a few days later, even when there is "strong demand" for the placement?

We also know that punters are more likely to take a placement if they know it is already filled because suddenly there is a perceive shortage of available stock and FOMO takes over. So, they double or triple their bids in the expectation that they will get cutback. It becomes a game. It might look as if the placement is heavily overbid but it is all about posturing. Companies should not be allowed to promote the fallacies inherent in the process to make it look as if there is seriously more demand. They should just be saying how much has been committed/raised; simple and accurate.



Sentiment Oscillator: Sentiment fell again last week. There were 35% (39%) of the charts in uptrend and 36% (31%) 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		fallen to hit support line	
Metals and Mining	XMM		sharp fall from high	
Energy	XEJ		correction	
Information Technology	XIJ		down	
Stocks	**Code**		**Trend Comment (updated comments in bold)**	**Main Interest**
Alpha HPA	A4N		near its highs	HPA
Adriatic Resources	ADT		breached downtrend	zinc, polymetallic
Alkane Resources	ALK		breached uptrend	gold
Alicanto Minerals	AQI		sideways through downtrend	base metals, silver, gold
Altech Chemical	ATC		at apex of wedge	HPA, anodes
Anteotech	ADO		bounced from lows to meet shallower d'tend	silicon anodes, biotech
Alto Metals	AME		sideways	gold exploration
American Rare Earths (was BPL)	ARR		off its highs	rare earths
Antilles Gold	AAU		still down	gold
Arafura Resources	ARU		consolidating near highs	rare earths
Ardea Resources	ARL		heavy retracement	nickel
Aurelia Metals	AMI		breached support line	gold + base metals
Australian Potash	APC		risen to hit downtrend line	potash

Australian Rare Earths	AR3		down	rare earths
Auteco Minerals	AUT		rallying	gold exploration
Arizona Lithium	AZL		uptrend	lithium
Azure Minerals	AZS		weaker	nickel exploration
BHP	BHP		slump from its high	diversified, iron ore
Beach Energy	BPT		new uptrend confirmed	oil and gas
Bellevue Gold	BGL		testing downtrend	gold exploration
Benz Mining	BNZ		breached downtrend	gold
Blue Star Helium	BNL		down	gas, helium
BMG Resources	BMG		turned down at resistance line	gold exploration
Boab Metals	BML		on support line	silver/lead
Breaker Resources	BRB		heavy fall from highs	gold exploration
Buru Energy	BRU		sideways	oil
Calidus Resources	CAI		surged higher	gold
Capricorn Metals	CMM		surge to new high	gold
Caravel Minerals	CVV		rallied to meet resistance line	copper
Castile Resources	CST		good rise	gold/copper/cobalt
Celsius Resources	CLA		rallying	copper
Chalice Mining	CHN		down	nickel, copper, PGMs, gold exploration
Chesser Resources	CHZ		rallied off lows	gold exploration
Cobalt Blue	COB		surge to new high	cobalt
Cyprium Metals	CYM		surge out of downtrend	copper
Danakali	DNK		downtrend accelerating	potash
De Grey	DEG		on support line	gold
E2 Metals	E2M		down	gold exploration
Ecograf	EGR		down	graphite
Element 25	E25		down	manganese
Emerald Resources	EMR		recovered to highs	gold
Empire Energy	EEG		breached uptrend	gas
Euro Manganese	EMN		down	manganese
Evolution Mining	EVN		resumed uptrend	gold
Firefinch	FFX		regained uptrend	gold
First Graphene	FGR		testing uptrend	graphene
Fortescue Metals	FMG		rallying after heavy fall	iron ore
FYI Resources	FYI		down	HPA
Galena Mining	G1A		still down	lead
Galilee Energy	GLL		breaching downtrend	oil and gas, CBM
Genesis Minerals	GMD		collapse back to downtrend	gold
Genmin	GEN		new uptrend breached	iron ore
Global Energy Ventures	GEV		down	hydrogen
Gold Road	GOR		off its highs	gold
Great Boulder Resources	GBR		down	gold exploration
Hastings Technology Metals	HAS		testing uptrend	rare earths
Hazer Group	HZR		heavy slump	hydrogen

Highfield Resources	HFR		back to resistance line	potash
Hillgrove Resources	HGO		long term uptrend	copper
Iluka Resources	ILU		new high	mineral sands
Image Resources	IMA		new uptrend	mineral sands
ioneer (was Global Geoscience)	INR		down	lithium
Ionic Rare Earths (Oro Verde)	IXR		new high	rare earths
Jervois Mining	JVR		shallower uptrend	nickel/cobalt
Kingston Resources	KSN		sideways	gold
Kingwest Resources	KWR		drifting lower	gold
Krakatoa Resources	KTA		steep rise	rare earths
Legend Mining	LEG		sideways	nickel exploration
Lepidico	LPD		rising again	lithium
Lindian Resources	LIN		surge higher	bauxite
Lion One Metals	LLO		spike higher	gold
Los Cerros	LCL		rallied to hit resistance line	gold exploration
Lotus Resources	LOT		holding long term uptrend	uranium
Lucapa Diamond	LOM		downtrend	diamonds
Lynas Corp.	LYC		sharp pullback	rare earths
Magnetic Resources	MAU		shallow downtrend	gold exploration
Mako Gold	MKG		breaching support	gold exploration
Marmota	MEU		surge higher on REE news	gold exploration
Marvel Gold	MVL		breached uptrend	gold exploration
Matador Mining	MZZ		new low	gold exploration
Mayur Resources	MRL		slump to new low	renewables, cement
Meeka Gold	MEK		strong rise but still LT downtrend	gold
Megado Gold	MEG		surge higher	rare earths, gold exploration
Meteoric Resources	MEI		sideways through downtrend line	gold exploration
MetalsX	MLX		new high	tin, nickel
Metro Mining	MMI		new uptrend confirmed	bauxite
Mincor Resources	MCR		new high	gold/nickel
Mithril Resources	MTH		down	gold/silver
Musgrave Minerals	MGV		testing downtrend	gold exploration
Neometals	NMT		new high	lithium
Northern Minerals	NTU		down	REE
Northern Star Res.	NST		breached downtrend	gold
Nova Minerals	NVA		down again	gold exploration
Oceana Gold	OGC		rising	gold
Oklo Resources	OKU		down	gold expl.
Orecorp	ORR		down	gold development
Oz Minerals	OZL		back into downtrend	copper
Pacific American	PAK		back to lows	coking coal
Pantoro	PNR		down	gold
Panoramic Res	PAN		rising	nickel
Peak Minerals	PUA		pullback	copper exploration

Peak Resources	PEK		down	rare earths
Peel Mining	PEX		sideways	copper
Peninsula Energy	PEN		on support line	uranium
Poseidon Nickel	POS		drifting lower	nickel
Perseus Mining	PRU		near highs	gold
PVW Resources	PVW		down heavily	rare earths
Queensland Pacific Metals	QPM		testing downtrend	nickel/cobalt/HPA
Red River Resources	RVR		on support line	zinc
Regis Resources	RRL		breaching uptrend	gold
Renergen	RLT		new high	gas, helium
RIO	RIO		new uptrend	diversified, iron ore
Rumble Resources	RTR		back in downtrend	gold exploration
S2 Resources	S2R		drifting lower	gold exploration
St Barbara	SBM		sideways	gold
Sandfire Resources	SFR		sideways through downtrend line	copper
Santos	STO		uptrend	oil/gas
Saturn Metals	STN		sideways	gold exploration
Silex Systems	SLX		turning up again	uranium enrichment technology
Silver Mines	SVL		sideways	silver
South Harz Potash	SHP		heavy pullback	potash
Stanmore Coal	SMR		pullback	coal
Strandline Resources	STA		surge to new high	mineral sands
Sunstone Metals	STM		downtrend	exploration
Talga Resources	TLG		testing downtrend	graphite
Technology Metals	TMT		down	vanadium
Tesoro Resources	TSO		spiked through downtrend	gold exploration
Theta Gold Mines	TGM		down	gold
Thor Mining	THR		spiked higher	gold exploration
Tietto Minerals	TIE		breached uptrend on placement	gold
Titan Minerals	TTM		down	gold
Turaco Gold	TCG		downtrend	gold exploration
Vanadium Resources	VR8		heavy correction	vanadium
West African Resources	WAF		holding uptrend	gold
Westgold Resources	WGX		down	gold
West Wits Mining	WWI		heavy fall	gold
Whitehaven Coal	WHC		secondary uptrend	coal
Wiluna Mining	WMC		heavy fall	gold
Yandal Resources	YRL		sideways	gold exploration
Zenith Minerals	ZNC		surge to new high	gold exploration
Zinc Mines of Ireland	ZMI		sideways	zinc
Totals	35%	50	Uptrend	
	36%	51	Downtrend	
		141	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	31	22.0%	
Gold Exploration	23	16.3%	
Nickel	11	7.8%	
Copper	10	7.1%	
Rare Earths	11	7.8%	
Oil/Gas	7	5.0%	
Iron Ore/Manganese	6	4.3%	
Lithium	4	2.8%	
Potash/Phosphate	5	3.5%	
Graphite/graphene	4	2.8%	
Uranium	3	2.1%	
Zinc/Lead	4	2.8%	
Mineral Sands	3	2.1%	
Silver	3	2.1%	
Coal	3	2.1%	
Bauxite	2	1.4%	
Cobalt	1	0.7%	
Tin	1	0.7%	
Diamonds	1	0.7%	

Other	**8**		
Total	**141**		

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