

8 February 2020

On Friday's Close

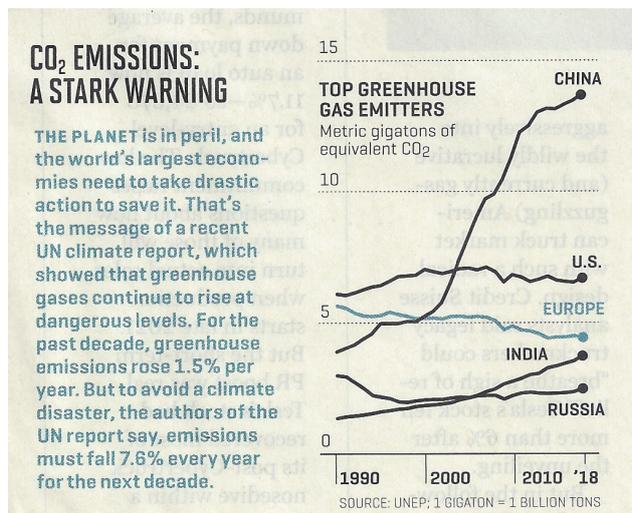
Analyst : Warwick Grigor

Markets still bouncing around on Coronavirus speculation

Guess what; the climate has changed ... again! Instead of droughts and fires we have cool weather and rain delivering flooding. Extend the time frame beyond the recent few months to a few years, or to a few decades and you will notice that there is constant change. Cycles mean that change is always happening on a rotational basis. The Federal Government must be confused as to what the barking dogs want it to do now.

During the week we saw a spike of interest in stocks that have a nexus with alternative energy, with the most obvious ones being lithium producers. Whether this was just a rally in an extended bear market or whether the sentiment is really turning remains to be seen. The escalating theme right now is all about the coronavirus - not about how many are dying, but about how it will affect trade, tourism and our universities. The Chinese government announced that it is prepared to use monetary policy to cushion the impact, but this is a response that even Alan Greenspan probably wouldn't have thought of. Will it make any difference in the short term?

Will the virus scare last for four weeks or four months? Is it just a pause with respect to global growth, with a subsequent catch up period, or is it a game changer. Is it nature's way of addressing the elephant in the room - too many people in the world? If so is it a token gesture or the start of something serious. We will see.



Japan is building more coal fired power plants

So much for phasing out coal fired power stations. Japan is now on a program of building up to 22 coal fired power stations to replace those nuclear power plants shut because of Fukushima. It seems like one step forward and two steps back in the quest to reduce carbon emissions.

Tackling climate change is a noble cause and anything that reduces pollution is good, but anything we do in Australia is

just "pi***ing in the wind" when something like this happens in Japan. There is no point in taking the high moral ground in the battle, hamstringing our own country, when countries like Japan behave this way; and don't even start on what China is doing.

Resolution Minerals rebirthing next to Pogo

The market loves to see new exploration stories with plenty of exploration upside, especially on the gold front. As each new cycle in the market comes around it's the new stories that gather most attention, much more so than repeats of old stories that are full of stale bulls. One of the most tempting new stories right now is Resolution Metals Ltd (RML), with leases around the 10 Moz Pogo Gold Mine (4 Moz at 13.6 gpt mined, 6 Moz resource remaining). In 2018, Northern Star purchased an 85% interest in Pogo for \$347m. The mine is currently producing around 300,000 oz p.a.

Resolution is the new name for Northern Cobalt, one of the wave of cobalt plays that had the rug pulled out from under its feet when the cobalt price collapsed. Duncan Chessell, the new Managing Director, believes that the 64North Project in the Tintina Gold Province in Alaska will transform the Company. Being in a province that has a regional gold endowment of 100 Moz is a good start.

The first thought one will have when Alaska is mentioned is one of ice and snow, with limited field seasons and challenging logistics, but RML is quick to point out that 64North is only two hours drive from Fairbanks by an all-year-round gravel road that is used to service Pogo. Thus there are significant advantages over the typical summer-only, helicopter supported exploration program elsewhere in Alaska. Exploration costs at 64North will be much more reasonable.

Resolution is quickly moving into a drill program, benefitting from US\$15m exploration expenditure program conducted by prior owners in the period 1998-2012. The geology seems to be the same as that of Pogo with evidence of similar deep feeder systems that emplaced gold. There is plenty of highly anomalous surface geochemistry to offer encouragement, supported by good geophysics.

Chasing Pogo-styles, RML is looking to find low angle 5-20m thick veins within a regional shear zone that host free milling, low sulphide gold mineralisation. In the first six months of 2020, it aims to drill six holes at the Aurora end of the leases. It will have to drill below 200m vertical to get to the interesting rocks, continuing to depths of 400-500m. The first six holes (2,000m) are expected to cost in the order of US\$1m, with all-in costs of about US\$400/m.

RML knocked out a \$1.5m placement at 3.5¢ last October, shortly after dealing on 64North. Last week is raised another \$4.5m at 5¢, giving it sufficient funds to start the first drill program and to move on to subsequent programs.

RML is acquiring its interest from Millrock Resources, a TSX-listed company. In each of the first four years it has to spend US\$5m to earn 30% initially, increasing to 60%. Completion of a BFS and first production milestones sees its equity lift to 70% and then 80% levels. Along the way it also has to issue 38 millions shares.

On the one hand you could say that this is a sizeable commitment, but on the other hand you would have to acknowledge that these are very exciting targets. If the first few holes come up with the right mineralisation and there is indeed a Pogo-style system, then price performance could be spectacular - much like we saw with Bellevue Gold. If it takes longer than the first program to deliver, you might expect some nervousness along the way, but enthusiasm is currently very high. You should expect to see good trading opportunities in this speculative phase of drilling.

Disclosure: Interests associated with the author hold shares in Resolution Metals.

High Purity Alumina Comparisons

An emerging sector with links to alternative energy is that of high purity alumina (HPA). The link here is the need to have HPA for separators in batteries, with the emphasis on high purity of 4 nines or better. The better the quality the less the risk of fires in the batteries.

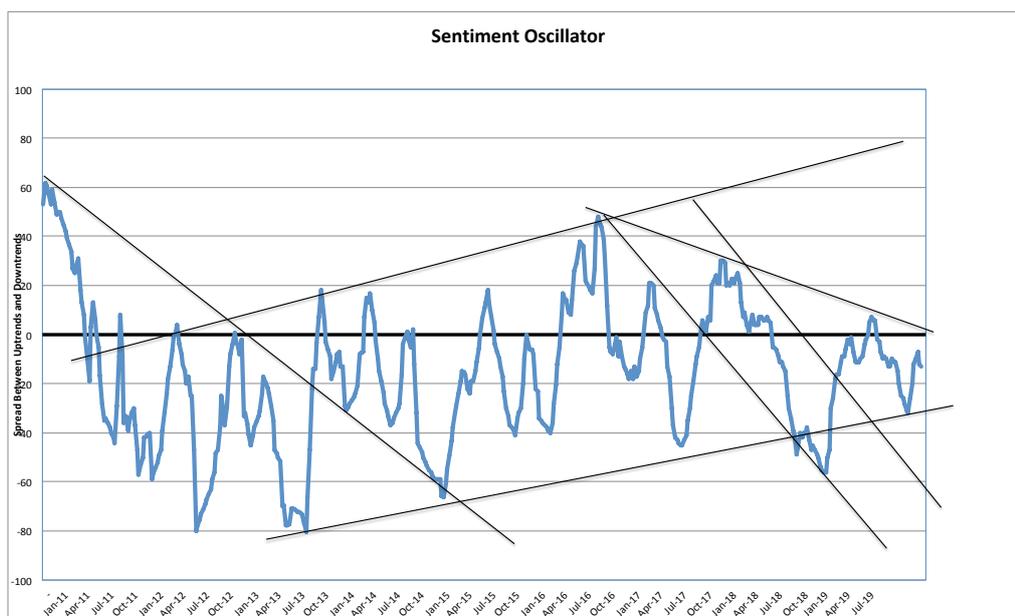
We have prepared a brief paper on the sector in the second attachment to this Weekly so that readers can see what is available. The two most notable stocks are Altech and

Alpha HPA. Altech has been the earliest mover and it has commenced construction of the facilities, but according to the publicly released figures it has the most expensive capex and opex. Alpha HPA plans to use an innovative SX methodology that circumvents the high temperature and pressure acid leaching route, preferring a commercially available feedstock that obviates the need for any mining. The other companies are following in the more conventional footsteps of Altech. They may benefit from Altech's learning curve, as there doesn't seem to be a definite first mover advantage in play.

There are some bullish forecasts regarding the the pricing of HPA in the coming years as the move to batteries and alternative energy accelerates. Though, there are no obvious barriers to entry other than high capital costs, so it could be a case of new entrants coming along to add to supply in due course, trimming the profitability of earlier movers. The least advanced company in the study, Salazar Minerals, could be such an example. FYI Resources looks like the lowest cost entry to the sector and therefore it may offer the best leverage.

We are not making any investment recommendations for the sector or the companies involved, as it is so early in the learning curve. Nevertheless, we trust that some readers will find the comparative table to be of some benefit.

Disclosure: Interests associated with the author hold shares in Alpha HPA



Sentiment Oscillator: The market sentiment weakened slightly last week with 30% (29%) of the charts in uptrend and 43% (41%) 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	still correcting	
Metals and Mining	XMM	correcting lower	
Energy	XEJ	breached uptrend	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Alpha HPA	A4N	new high	HPA
Adriatic Resources	ADT	breached steep uptrend	zinc
Aeon Metals	AML	breached downtrend	copper + cobalt
Alacer Gold	AQG	testing uptrend	gold – production
Alkane Resources	ALK	surge on Roswell resource	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Alicanto Minerals	AQI	breached downtrend	gold exploration
Allegiance Coal	AHQ	breaching uptrend	coal
Alliance Resources	AGS	sideways	gold exploration
Apollo Consolidated	AOP	surge higher	gold exploration
Arafura Resources	ARU	testing uptrend	rare earths
Argent Minerals	ARD	breached downtrend	silver
Aurelia Metals	AMI	testing downtrend	gold + base metals
Australian Potash	APC	breached downtrend	potash
Australian Mines	AUZ	base forming	cobalt/nickel
Australian Vanadium	AVL	new low	vanadium
BHP	BHP	rising after downtrend breached	diversified, iron ore
Base Resources	BSE	testing downtrend	mineral sands
Bathurst Resources	BRL	down	coal
BBX Minerals	BBX	heavy fall, then rallied	gold exploration
Beach Energy	BPT	testing uptrend	oil and gas
Beacon Mining	BCN	testing uptrend	gold production
Bellevue Gold	BGL	rallied to meet resistance line	gold exploration
Berkeley Energia	BKY	in secondary downtrend	uranium
Blackstone Minerals	BSX	new high	nickel
Bounty Coal	B2Y	still in downtrend	coal
Breaker Resources	BRB	down	gold exploration
Broken Hill Prospecting	BPL	up from lows	minerals sands
Buru Energy	BRU	turning down	oil
Buxton Resources	BUX	turned down at resistance line	nickel exploration
Capricorn Metals	CMM	rising	gold
Cardinal Resources	CDV	breached downtrend	gold exploration
Cassini Resources	CZI	rising	nickel/Cu expl.
Central Petroleum	CTP	down	oil/gas
Chalice Gold	CHN	new recent high	gold exploration

Chase Mining	CML		heavy slump	nickel/copper/PGE
Chesser Resources	CHZ		new high	gold exploration
Cobalt Blue	COB		stronger	cobalt
Dacian Gold	DCN		testing uptrend	gold
Danakali	DNK		drifting lower	potash
Davenport Resources	DAV		at lows	potash
Ecograf (was Kibaran)	EGR		rallying	graphite
Emerald Resource	EMR		gentle downtrend	gold
Evolution Mining	EVN		testing downtrend	gold
Exore Resources	ERX		sideways to lower	gold exploration
FAR	FAR		new low	oil/gas
First Graphene	FGR		breached downtrend	graphene
Fortescue Metals	FMG		new high	iron ore
Galaxy Resources	GXY		breached downtrend	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		testing downtrend	graphite
Heron Resources	HRR		new low	zinc
Highfield Resources	HFR		ST uptrend	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		new high	gold, nickel
ioneer (was Global Geoscience)	INR		testing support	lithium
Jervois Mining	JVR		meeting resistance line	nickel/cobalt
Jindalee Resources	JRL		at apex of flag	lithium
Karoon Gas	KAR		breached downtrend	gas
Kasbah Resources	KAS		new low	tin
Kin Mining	KIN		bounced	gold
Kingston Resources	KSN		down	gold
Legend Mining	LEG		stronger	nickel exploration
Lepidico	LPD		down	lithium
Lindian Resources	LIN		pullback	bauxite
Lithium Australia	LIT		surged higher	lithium
Lucapa Diamond	LOM		off its lows	diamonds
Lynas Corp.	LYC		strong rally	rare earths
Mako Gold	MKG		rising off lows	gold exploration
Marmota	MEU		breached downtrend	gold exploration
MetalsX	MLX		new low	tin, nickel
Metro Mining	MMI		gentle uptrend	bauxite
Mincor Resources	MCR		continuing higher	gold
Musgrave Minerals	MGV		new high	gold exploration
Myanmar Minerals	MYL		breached downtrend	zinc

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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		breached steepest downtrend	gold
Oklo Resources	OKU		stronger	gold expl.
Orecorp	ORR		continuing higher	gold development
Oro Verde	OVL		rising	rare earths
Orocobre	ORE		breached downtrend	lithium
Oz Minerals	OZL		uptrend breached	copper
Pacific American Holdings	PAK		testing downtrend	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		sideways	uranium
Pensana Metals	PM8		at lows	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
Prodigy Gold	PRX		down	gold exploration
Ramelius Resources	RMS		breached ST downtrend	gold production
Real Energy	RLE		down	gas
Red5	RED		breached downtrend	gold
Red River Resources	RVR		now in secondary downtrend	zinc
Regis Resources	RRL		testing downtrend	gold
Resolution Minerals	RML		new uptrend started	cobalt
Resolute Mining	RSG		testing downtrend	gold
RIO	RIO		rising again	diversified, iron ore
Salt Lake Potash	SO4		down	potash
Saracen Minerals	SAR		testing downtrend	gold
St Barbara	SBM		still in shallow downtrend	gold
Sandfire Resources	SFR		down	copper
Santos	STO		into uptrend	oil/gas
Saturn Metals	STN		rising again	gold exploration
Sheffield Resources	SFX		new low	mineral sands
St George Mining	SGQ		new low	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

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Strandline Resources	STA		sideways	mineral sands
Syrah Resources	SYR		down again	graphite
Talga Resources	TLG		breached downtrend	graphite
Technology Metals	TMT		sideways	vanadium
Vango Mining	VAN		down	gold
Venturex	VXR		strong rally, hit resistance line	zinc
Vimy Resources	VMY		new low	uranium
West African Resources	WAF		down after breaching support	gold
Westgold Resources	WGX		shallower uptrend	gold
West Wits Mining	WWI		new uptrend following US finance	gold
Western Areas	WSA		breached support line	nickel
Whitebark Energy	WBE		rising	oil and gas
Whitehaven Coal	WHC		down	coal
Yandal Resources	YRL		down	gold exploration
Zinc Mines of Ireland	ZMI		down	zinc
Totals	30%	41	Uptrend	
	43%	59	Downtrend	
		137	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	29	21.2%
Gold Exploration	20	14.6%
Oil/Gas	9	6.6%
Nickel	8	5.8%
Lithium	8	5.8%
Coal	7	5.1%

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Zinc/Lead	10	7.3%	
Mineral Sands	6	4.4%	
Rare Earths	6	4.4%	
Potash/Phosphate	5	3.6%	
Copper	5	3.6%	
Cobalt	3	2.2%	
Graphite	4	2.9%	
Tin	2	1.5%	
Iron Ore	3	2.2%	
Uranium	2	1.5%	
Bauxite	3	2.2%	
Vanadium	2	1.5%	
Silver	2	1.5%	
Diamonds	1	0.7%	
Other	2		
Total	137		

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