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On Friday's Close

Analyst : Warwick Grigor

## Plenty of news flow from the juniors last week

We have had a great surge in the market following the extreme lows caused by the virus panic, but is this giving us a false sense of optimism? Where to now? Will the market keep rising without having a pause?

We are back in the position of trying to figure out what all the virus stuff means. It will take a while for us to get a clear view and decide who will be the winners and losers. While there is a general feeling that you can't go wrong with gold, what about the metals that require economic activity?

The strength of the iron ore price is somewhat anomalous if you consider that lower growth should mean less demand for steel. Something doesn't add up here, especially if you consider that the Pilbara mines are not in danger of being locked down. It has been suggested that production from Chinese mines has been interrupted by the virus, so the Chinese have to turn to Australia to fill the gap. Maybe.

There isn't any real sense in being optimistic about a rapid economic recovery, but neither is there a need to be too depressed. Share prices will react as news filters through about specific industries and companies, while exploration activity will provide some excitement when results come through. There has been plenty of news flow over the last week, and that is an essential ingredient to make share prices move.

A number of charts have risen to meet the longer term downtrend lines that were in place before the coronavirus surfaced. That would suggest they need to go through a period of contemplation or consolidation before firming up on the next direction.

### *FGR supplying PureGRAPH® for face masks*

First Graphene (FGR) released an announcement out of left field last week, stating that it had agreed to supply PureGRAPH® to planarTECH (Holdings) Ltd for use in the testing and manufacturing of innovative face masks. It is believed that a face mask with a graphene coating will provide anti-static and bacteria-resistant properties. So, FGR is getting involved in supplying to the PPE (Personal Protective Equipment) product verticals. The potential uses for graphene continue to expand.

*Disclosure: The author is a director of First Graphene and interests associated with him own shares and options.*

### *Exore in the spotlight with maiden resource and the chance to lift its interest to 100% in Bagoie*

Exore Resources (ERX) has made a strong recovery from the ridiculous virus induced low of 2.2¢, closing the week at 6¢. Two news items added to last week's surge. Firstly, a maiden resource of 530,000 oz at 2.5 gpt (Indicated & Inferred) was announced for the 80% owned Bagoie gold project in Cote d'Ivoire, demonstrating an economical

discovery cost of US\$8/oz. That was a good result following 14 months of exploration and drilling.

Secondly, Apollo Consolidated stated that it has accepted an offer from Ibaera Capital Fund LP for its 20% interest in the Bagoie and Liberty projects, for US\$4.5m. That offer represents a 51% premium to the Exore enterprise value on the day, considering that Exore has a cash balance of around \$13m. The news has thrown the cat amongst the pigeons as Exore holds a 30-day pre-emptive right over Apollo's stake. What will Exore do? Extrapolating the US\$4.5m figure, it implies that Exore's stake is worth A\$28m. But, Exore has management control so there must be some sort of premium warranted in valuing its equity.

At the close of trading on Friday, the market capitalisation of Exore was \$35m. Add the implied \$28m value of the project and the \$13m cash, and you get a valuation of \$41m. So Exore's shares should move higher. Consider that Ibaera would not be buying the stake because it is only getting fair value. It obviously thinks it is worth much more than it is paying. You don't buy minority interests unless you are getting a great deal. What will continued exploration deliver? Twice as much gold? Three times as much?

What will Exore do? It is much easier operating a 100%-owned mine than one owned 80%, and the price seems modest. Surely it will exercise its preemptive right. Will Apollo and Ibaera try and frustrate the move? This could be a leg up for Exore in a project it knows well, or it could be the source of a frustrating battle. Watch this space.

*Disclosure: Interests associated with the author own shares in Exore.*

### *Two Lindian releases last week*

There were two items of news flow from Lindian (LIN) last week. The Company reported excellent grades from the conglomerate bauxite project, but this wasn't enough to counter the news that it had lost the court case in Malawi regarding the Kangankunde rare earths project.

### *The court case first*

We hadn't bothered to mention the rare earths court case in any of our previous commentary on Lindian even though the deposit looked interesting. It is a dangerous game to punt on the outcome of court cases, especially those in foreign jurisdictions. So, it is best to ignore them. Nevertheless, there were obviously some punters out there who were betting on a win, judging by the fall in the share price when the news came out. The Company isn't giving up though, believing it has a strong argument. It is preparing to appeal to the full bench, instead of a single

judge. Again, I'll ignore this and focus on the real project; conglomerate bauxite.

### *Next, high bauxite grades confirmed at Bouba*

In a rather technical release - perhaps too technical for the average punter - Lindian provided further positive news on the Bouba conglomerate bauxite project. Somehow the main message to the market was lost in the detail. That message was that everything was going well with grades, recoveries and reactive silica levels being just what was expected. The consistency of very high grades with no evidence of geochemical zonation was all positive news.

Bouba's primary assays ranged from 55 to 58% Al<sub>2</sub>O<sub>3</sub>, much higher than the typical Guinea bauxite grades of 45-48%. The low temperature recovery levels of 45% to 49% might have confused readers, but these are still much better than 40-42% experienced by the industry elsewhere in Guinea. In a word, the results were "impressive". The Company is continuing on its path of more completely defining the resource size ahead of a business plan to maximise the return to shareholders, probably by selling very high grade bauxite to local producers and exporters to minimise capex and to maximise cash flow. One would have to suggest that the shares have been oversold.

*Disclosure: Interests associated with the author own shares and options in Lindian and have received capital raising fees..*

### *Aggressive surge on Alliances's infill holes*

We last mentioned Alliance (AGS) in October 2019, when Ian Gandel et al achieved a 68% shareholding, suggesting that it was a low risk and more patient way to play the emerging gold producers market. That patience has paid off with the release of the latest (infill) drill results from the Weednanna Gold Deposit in Sth Australia, and soil auger results at Nepean, released to the ASX on Friday.

AGS shares jumped 144% at one point on Friday, on the back of RC drill results that included 4m at 6 gpt, 6m at 4.8 gpt, 5m at 63 gpt, 7m at 8.8 gpt and 7m at 9.1 gpt. All of them had narrower, higher grade zones within these intercepts. All of these intercepts commenced within 9m from the surface, downhole. Thus they are all eminently open pitable. The program was designed to add to confidence rather than expand the dimensions of the resources. Drill spacing were 5m x 12.5m and 10m x 12.5m on Shoot 10, to deliver measured resources, while the deeper drilling on Shoots 5, 5E, 6 and 9 were on 20m x 25m spacings, to define an Indicated resources.

The initial share market reaction was rather extreme given the in-fill nature of the holes i.e. it wasn't a new discovery, or even an extension. Maybe the more astute shareholders realised this, taking advantage of the surge and judiciously banking some profits. The share price ending up only 61% at the close - still not a bad effort.

Early in May, AGS commenced a program on Shoots 2 and 10 that involve 41 holes for 5,100m. Metallurgical studies are continuing in preparation for the commencement of a feasibility study in the December Half of 2020.

In a separate announcement, AGS reported a 4.5 km<sup>2</sup> gold in soil anomaly at Nepean, 26 km SW of Coolgardie in WA.

This is obviously early stage grassroots exploration, and therefore an open book at this juncture.

*Disclosure: Interests associated with the author own shares in Alliance.*

### *Julimar drilling adds to size potential*

Following up on last week's comment on Chalice (CHZ), the Company reported exciting visual drilling results from the new Gonneville Ni-Cu-PGE discovery at the Julimar project. The third diamond hole (JD003), currently down to 489m on the way to 530m down hole, has hit broad zones of mineralisation, both massive and disseminated. I can imagine the excitement at the rig as the drillers were recovering the core. Assays are required of course, but the size of the discovery is being confirmed.

There has been some commentary on the web about whether the presence of talc is a relevant consideration, and if so, whether or not it will affect recoveries, but it is too early to give these comments oxygen. With every mineralised system there will be zones with different metallurgical issues. The key is to design a recovery process that takes these into account. In the same way that a mining reserve can be significantly smaller than a geological resource (often only 50-60% is converted), some zones will be more metallurgically complex and not representative of the bulk. What is outstanding about Julimar at the moment (apart from grades), is the size that can offer considerable flexibility in any development plan.

### *Alosa suspends mining of low-margin mines*

Traditionally we mining analysts look at mine supply, of any commodity, and see whether it is above or below the level of demand in order to forecast the direction of the commodity price. Demand is usually linked to timing in the economic cycle. Today it is a different, less certain approach. We all know that economic activity is shrinking with the lockdowns around the globe, so demand should fall, but what is happening to supply? Are movements in supply proportional to shifts in demand? We don't know yet.

In the case of diamonds we have seen mines placed on care and maintenance because of lockdowns. We are also seeing mines shut down because of anticipated declines in demand. The latest example is Alosa suspending mining at its Aikhal underground and the the Zarya open pit mines in Yakutia.

It is commonly said that "*the trend is your friend*" when investing in the stock market. True enough. However, with the virus turmoil, it is much harder to ascertain what the trend is. Do we just have a short term suspension of buying of diamonds, to be followed by a catch up once the clouds lift, and if so when will this happen? It makes sense to preserve the integrity of a resource when there is so much uncertainty about the level of demand and the prices to be received. This will avoid flooding the market with stock. Alosa expects the mines, which produced 2.6 million carats in 2019, to be off-line until December.

**The coronavirus has longer term social implications**

For many years there has been a push for social inclusion; bring everyone into the same room. Minority and special interests groups have had a greater say than ever before, to the ironic outcome that the vast majority in our democratic country has been largely ignored in favour of the vocal minority groups. We have seen reverse discrimination in Australia (not talking racial, but all forms), such that there has been a major assault on the way many of us think. It has been a vigorous exercise in social engineering that has left many of us dumbfounded and not knowing which way to turn. Maybe the last Federal election was the first sign of pushback, steering us back onto a less fanatical path.

Now we have the coronavirus and the sudden emergence of exclusion as opposed to inclusion. Rather than bringing people together we are seeing government-instructed separation. It is alien and confusing to the social animal known as the human being, this anti-social behaviour. As yet we do not know whether this is just temporary, or whether the realisation that we can survive when more

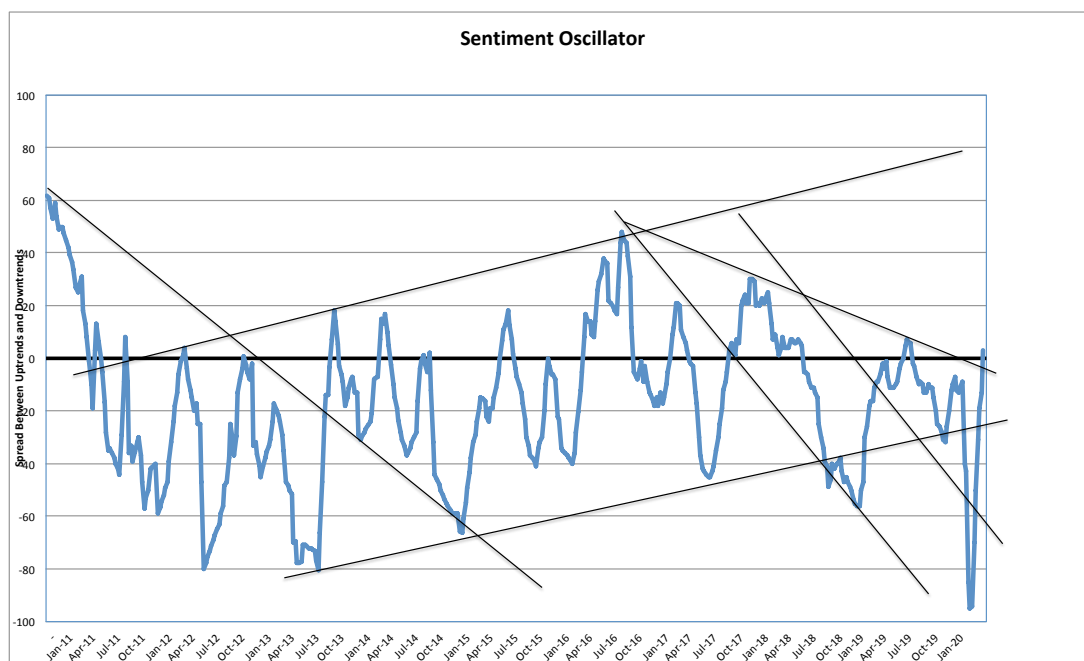
isolated, both socially and in the work place, is a new chapter in the evolution of the human race. Will we all become more self-reliant and independent, individually and nationally within a diminishing global trend, preferring to trust our own judgment rather than what we are being instructed to do? Will our confidence in government and authorities diminish or be enhanced by the severity of the lockdown and what it has done to our world? ? How will the Australian of tomorrow compare with the Australian of yesterday in attitude and aptitude?

The Australian ran an article on Thursday saying that suicide rates in Australia are forecast to rise by up to 50% due to the social and economic impacts of the coronavirus, resulting in an extra 1,500 deaths p.a. over the next five years. Draw your own conclusions when you consider that there have been 96 deaths from the virus, so far.

**Talking about opportunities ...**

I saw a company name that took the cake; "Golden Opportunity Resources (CSE:GOOP). The only trouble is that it is a silver company, not gold, operating in Argentina.

**Sentiment Oscillator:** There was another healthy improvement in sentiment over the week, with 37% (32%) of the charts in uptrend and 34% (45%) in downtrend on Friday's close. This came about mostly because of breaches of downtrends, though whether these movements can evolve into uptrends remains to be seen. The chart below suggests that the recent movements have been extraordinary, and that we should expect a pullback.



## 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	trying to recapturing uptrend	
Metals and Mining	XMM	continuing higher	
Energy	XEJ	rising again	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Alpha HPA	A4N	new uptrend started	HPA
Adriatic Resources	ADT	rising again	zinc
Aeon Metals	AML	bouncing off lows	copper + cobalt
Alacer Gold	AQG	new high	gold – production
Alkane Resources	ALK	recovering	gold, zirconia
Alicanto Minerals	AQI	rising again	gold exploration
Allegiance Coal	AHQ	down	coal
Alliance Resources	AGS	surge above resistance line	gold exploration
Apollo Consolidated	AOP	breached steepest downtrend, on resistance line	gold exploration
Arafura Resources	ARU	heading to resistance line	rare earths
Aurelia Metals	AMI	risen to resistance line	gold + base metals
Australian Potash	APC	down	potash
Australian Mines	AUZ	base forming	cobalt/nickel
Australian Vanadium	AVL	new low	vanadium
BHP	BHP	rising again	diversified, iron ore
Base Resources	BSE	down	mineral sands
Bathurst Resources	BRL	down	coal
BBX Minerals	BBX	down	gold exploration
Beach Energy	BPT	rallied through downtrend	oil and gas
Beacon Mining	BCN	breached downtrend	gold production
Bellevue Gold	BGL	steep uptrend from lows	gold exploration
Blackstone Minerals	BSX	rising	nickel
Breaker Resources	BRB	rising	gold exploration
Broken Hill Prospecting	BPL	testing downtrend	minerals sands
Buru Energy	BRU	breached downtrend	oil
Buxton Resources	BUX	turned down at resistance line	nickel exploration
Capricorn Metals	CMM	rising again	gold
Cardinal Resources	CDV	breaching downtrend	gold exploration
Cassini Resources	CZI	strong rally	nickel/Cu expl.
Central Petroleum	CTP	down	oil/gas
Chalice Gold	CHN	another surge on high grade palladium	gold exploration
Chase Mining	CML	testing downtrend	nickel/copper/PGE
Chesser Resources	CHZ	new uptrend started	gold exploration
Cobalt Blue	COB	wedge forming	cobalt
Dacian Gold	DCN	collapse on recapitalisation	gold

Danakali	DNK		drifting lower	potash
Davenport Resources	DAV		testing resistance line	potash
De Grey	DEG		creeping higher	gold
Ecograf (was Kibaran)	EGR		down	graphite
Emerald Resource	EMR		breaching downtrend	gold
Evolution Mining	EVN		surge higher	gold
Exore Resources	ERX		strong uptrend	gold exploration
FAR	FAR		new low	oil/gas
First Graphene	FGR		short term down to meet entitlement price	graphene
Fortescue Metals	FMG		new high	iron ore
Galaxy Resources	GXY		down	lithium
Galena Mining	G1A		breached steepest downtrend	lead
Galilee Energy	GLL		back to lows	oil and gas, CBM
Gold Road	GOR		softening	gold
Graphex Mining	GPX		down	graphite
Heron Resources	HRR		recovery, but still in downtrend	zinc
Highfield Resources	HFR		testing downtrend	potash
Hillgrove Resources	HGO		still in downtrend	copper
Iluka Resources	ILU		softer	mineral sands
Image Resources	IMA		improving	mineral sands
Independence Group	IGO		softer	gold, nickel
ioneer (was Global Geoscience)	INR		down	lithium
Jervois Mining	JVR		recovered to hit resistance line	nickel/cobalt
Jindalee Resources	JRL		spike to hit resistance line	lithium
Kin Mining	KIN		rising	gold
Kingston Resources	KSN		uptrend through resistance line	gold
Kingwest Resources	KWR		uptrend through resistance line	gold
Legend Mining	LEG		surge to new high	nickel exploration
Lepidico	LPD		down	lithium
Lindian Resources	LIN		slump	bauxite
Lithium Australia	LIT		recovered to hit resistance line	lithium
Lucapa Diamond	LOM		at lows	diamonds
Lynas Corp.	LYC		rising again	rare earths
Mako Gold	MKG		down	gold exploration
Marmota	MEU		strong recovery	gold exploration
MetalsX	MLX		recovered to hit resistance line	tin, nickel
Metro Mining	MMI		down	bauxite
Mincor Resources	MCR		recovered to hit resistance line	gold
Musgrave Minerals	MGV		rising	gold exploration
Myanmar Minerals	MYL		recovered to hit resistance line	zinc
Nelson Resources	NES		uptrend through resistance line	gold exploration
Neometals	NMT		continuing down	lithium
Northern Minerals	NTU		down	REE
Northern Star Res.	NST		softer	gold

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NTM Gold	NTM		rising again	gold exploration
Oceana Gold	OGC		rising	gold
Oklo Resources	OKU		new high	gold expl.
Orecorp	ORR		testing downtrend	gold development
Oro Verde	OVL		breached uptrend	rare earths
Orocobre	ORE		forming a base	lithium
Oz Minerals	OZL		strong rally	copper
Pacific American Holdings	PAK		new low	coal
Pacifico Minerals	PMY		down	silver/lead
Pantoro	PNR		recovered to hit resistance line	gold
Panoramic Res	PAN		down	gold , nickel
Peak Resources	PEK		testing steepest downtrend	rare earths
Peel Mining	PEX		down	copper
Peninsula Energy	PEN		strong surge then pullback	uranium
Pure Minerals	PM1		down	nickel/cobalt/HPA
Pensana Metals	PM8		breached downtrend	rare earths
Perseus Mining	PRU		struggling to move higher	gold
Pilbara Minerals	PLS		but strong rally	lithium
PNX Metals	PNX		down	gold, silver, zinc
Polarex	PXX		down again	polymetallic exploration
Ramelius Resources	RMS		rising	gold production
Real Energy	RLE		down	gas
Red5	RED		sideways	gold
Red River Resources	RVR		rallying	zinc
Regis Resources	RRL		uptrend again	gold
Resolution Minerals	RML		heavy pullback	gold
Resolute Mining	RSG		rising	gold
RIO	RIO		down	diversified, iron ore
Salt Lake Potash	SO4		breached steepest downtrend	potash
Saracen Minerals	SAR		rising	gold
St Barbara	SBM		uptrend breaching resistance line	gold
Sandfire Resources	SFR		rising	copper
Santos	STO		strong uptrend	oil/gas
Saturn Metals	STN		recapturing uptrend	gold exploration
Sheffield Resources	SFX		off its lows	mineral sands
Sky Metals	SKY		uptrend maintained	gold exploration
St George Mining	SGQ		breached downtrend	nickel
Silex Systems	SLX		recovered to hit resistance line	uranium enrichment technology
Sipa Resources	SRI		testing downtrend	general exploration - Ni,Cu, Co, Au
Spectrum Metals	SPX		new high	gold exploration
Stanmore Coal	SMR		surge out of downtrend	coal
Strandline Resources	STA		recovered to hit resistance line	mineral sands
Syrah Resources	SYR		breaching steepest downtrend	graphite
Talga Resources	TLG		breached downtrend	graphite

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Technology Metals	TMT		testing downtrend	vanadium
Tesoro Resources	TSO		fallen to support line	gold exploration
Titan Minerals	TTM		breaching downtrend	gold
Vango Mining	VAN		breaching uptrend	gold
Venturex	VXR		down again	zinc
Vimy Resources	VMY		strong rally	uranium
West African Resources	WAF		new high	gold
Westgold Resources	WGX		recovered to hit resistance line	gold
West Wits Mining	WWI		testing uptrend	gold
Western Areas	WSA		sideways	nickel
Whitebark Energy	WBE		down	oil and gas
Whitehaven Coal	WHC		turned down at resistance line	coal
Yandal Resources	YRL		breached downtrend	gold exploration
Zinc Mines of Ireland	ZMI		strong rally	zinc
Totals	37%	51	Uptrend	
	34%	46	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	32	23.4%
Gold Exploration	20	14.6%
Oil/Gas	8	5.8%
Nickel	9	6.6%
Lithium	8	5.8%

Coal	6	4.4%	
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	1	0.7%	
Iron Ore	3	2.2%	
Uranium	2	1.5%	
Bauxite	3	2.2%	
Vanadium	1	0.7%	
Silver	2	1.5%	
Diamonds	1	0.7%	
Other	2		
Total	137		

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