

Gold producers have been the best performers

I received a range of opinions in reply to last week's commentary with the obvious Yes voters being abruptly dismissive of my comments, and other suggesting I stick to what I do best; mining company analysis. That is all fair, I suppose, though some of the abuse was typically, deplorably woke at its worst. Other readers, the majority who contacted me, were in strong agreement with my concerns.

It is interesting how quite a few people said that I demonstrated courage in saying what I did. Maybe I did, but it is a sad reflection on the society where courage is needed to say what one thinks.

Readers should note that the Weekly is more than just opinions on mining companies and their relative merits. It is not a tip sheet. It is an attempt to see through the noise. Much of my thought processes go into understanding market movement; what is moving the market and why, at any given point of a cycle. Markets move more on emotions than clinical analysis and that also takes into account social, political and global economics events. Anything that affects how we feel about the world, domestically and internationally, all play a role in telling us whether to buy or sell shares. It is this observation that obliges me to comment on topics such as the Voice; they do affect market sentiment.

Specifically the Voice has been a cloud overhanging the country. It has created division and uncertainty. It was never an issue that had been successfully integrated into our society as a credible concept largely due to the lack of disclosure and detail. It came across as a political snow job, whatever the merits. As Justice Kirby said, it was never going to succeed because all of the guidelines taught by the history of referendums were ignored by Albanese. It was an offensive act of condescension that tried to make light of something more serious. *NB: This was written before the results of the referendum were known.*

Whether you regard it as coincidental or the primary cause of the depression in the markets, we will know the result post haste. We can get on without the distraction and we can better plan for the future, whatever it holds.

What companies have been the best performers? - Gold Producers

If you have a look at our traffic light style of trend indicators, you will see the vast majority of the tiny number of stocks still in uptrend are gold stocks - primarily producers. Our preferred producer for some time has been Emerald Resources (EMR). Two years ago it was hovering around \$1.00 and it is now sitting at \$2.45. Don't we wish that EMR was our only holding!

Over the past couple of years we have seen money flow into hot stories such as lithium and rare earths, but also into many other alternative energy situations. Try as they might, traditional base metal stocks and nickel are not seeing their

green credential being recognised. With base metals, it inevitably falls back to demand and supply considerations rather than emotional promotion.

There is only one commodity that qualifies for the "making money" tag; gold. It is a constant in our market. If you have the right orebody and the right cost structure, you will be making money and you can turn it into cash the minute it leaves the mine gate. Sure, you get buying and selling waves from time to time that affect the gold price in any particular window of time, but recent history shows that these movements are at the margin rather than at the core. There will always be demand for gold just as there is always demand for money.

Look around the globe today and you will see that wars are becoming more, not less common. For all the supposed increasing sophistication of society, for all the inclusion and tolerance of diversity that is promoted, particularly in Australia, it seems that in many other places around the world these themes get lost in the challenge to even stay alive. Democracy is in decline throughout Africa with coups increasing the propensity for war in that continent. Conflict is always on the doorstep in the Middle East. War is raging in Europe and the spectre of war in the Far East is being stoked by China's increasing militarisation.

Physical gold has always been considered the currency of safety. It is not going to lose this mantle while ever the world is such a messed up place. It is the perfect store of value but not everyone wants to hold bullion because holding for value is not the same as making money. For that you need leverage. What better leverage than owning shares in gold companies? All the better if the companies are expanding production rather than just being steady state producers. Liquidity is always offered through the tradeability of shares on the ASX, should you want to convert your gold company holdings to cash.

More risk preferring investors can come up higher in the chain and invest in advanced exploration companies that have demonstrated serious gold resources, but are not yet in production. Assuming that management is competent and hasn't made fundamental errors, these companies frequently get re-rated once in production and cash is flowing. Get it right and it is very simple when compared with base metals, or industrial minerals or battery input materials.

An exciting high grade gold opportunity

Our commentary on the merits of gold cause us to mention Andean Mining again, a still unlisted junior that has secured ownership of a very high grade project in Colombia, Santa Barbara. You would have heard the expression "*this business is a gold mine*". Well, in the case of Santa Barbara, this is literally what you have.

Since Andean has completed the acquisition of Santa Barbara, an experienced engineering firm has come in to

advise on the recommissioning of the plant at an expanded capacity of 50 tpd. The previous 30 tpd plant was operating during the pilot mining phase whereby mining and treatment of 500 tonnes of the orebody was undertaken to determine operating parameters and costs at scale. Having demonstrated high profitability with 24 gpt recovered in the pilot plant, that exercise was completed in accordance with licensing laws. Now, with a new owner, the focus has shifted to establishing a larger scale, continuous gold mining operation at a rate of 50 tpd.

The project has been reviewed by a Denver-based engineering group with the conclusion being that a 50 tpd plant could be established with incremental capital expenditure in the order of \$1-1.5m, by supplementing and modifying the facility on site. That development time frame would be not more than six months upon getting the green light from the mines department and other regulatory bodies. Given the small footprint of the mine and the earlier approved permits, this final stage is not expected to cause any problems.

At a recovered grade of 20 gpt, Andean could achieve gold production of 10-12,000 oz. p.a. and a positive cash flow of around A\$2m per month, six months after pushing the button. Cash costs might be only US\$250-\$300/oz, giving one of the best profit margins of any operating gold mine.

Once producing at this level the company would be insulated from the pain in the stock market as it will be able to fund itself from positive cash flow. Funds would go to progressive expansion of the mining operation with a vision of building production up to 50,000 oz p.a. within 2-3 years. Simultaneously, Andean will commence the drilling of the 7 km of epithermal gold veins that are yet to be drill tested. Looking into the crystal ball, there could be millions of ounces awaiting to be found.

You might think this sounds too good to be true, but there are analogies where companies have gone from market capitalisations of less than \$20m, to be taken over at project valuations of \$2bn. That is the size of the prize that Andean is looking at. Everyone is looking for 10 baggers. Well, Andean is a strong candidate for this label.

However, Andean has not yet graduated to the ASX-listed club. That is probably only a matter of months away, but there is paperwork to do. In the meantime the only entry point for investors is to take shares in the unlisted entity and join the 100 shareholders already on the register. If you are interested in buying shares please contact Far East Capital to participate in a small private placement.

Disclosure: Interests associated with the author owns shares in Andean Mining. FEC is entitled to receive capital raising fees and the author is the chairman of Andean.

Lucapa's diamond sale fetches US\$15.7m

Once again Lucapa has shown that it has one of the most successful diamond mines in the world with the sale of seven diamonds earning \$24.5m (LOM's share is 40%). As the new CEO Nick Selby said, these larger stones seem somewhat insulated from the softer diamond prices being experienced for smaller goods.

The proceeds don't immediately flow to Lucapa's cash kitty in Perth. They first go to the joint venture company in

Angola and will be repatriated to Australia when that company declares and pays dividends. In the early days there was scepticism as to whether the money would be allowed to leave Angola, but there is now a well established track record of funds being remitted. In CY 2022, Lucapa received A\$22.9m from Angola as loan repayments and dividends. Thus the geopolitical risk is not as great as some people feared.

One of our complaints about the previous managing director was that he was too willing to dilute shareholders with share issues designed to built his empire through acquisitions, but without enough thought to dilution that has kept the share price at its lows. Companies can reward shareholders by building the share price and where a company is profitable they might even pay dividends, but investors waste their time if neither happens. So far the Lulo alluvial diamond mine has been very successful, operationally, but almost all shareholders are still losing money. We are hoping that the change of regime results in management being more responsive to shareholders needs.

Sound fundamentals

In 2022, the projects managed by Lucapa earned revenue of A\$149m and EBITDA of A\$45.6m. It's share of EBITDA was A\$14.9m and it was repaid A\$18.6m in debt. This constitutes success in any language. Blue sky appeal balances out the prospects for the Company as it continues to evaluate the new kimberlite diamond field from which the alluvial diamonds have been sourced.

Footnote: There have been press reports that WD Lab Grown Diamonds has just filed for Chapter 7 bankruptcy in the USA.

Graphene powered green cement

Please see the attached link to an interview with Mike Bell, CEO of First Graphene, in which he comments on the progress made in reduce CO₂ emissions from cement manufacturing. <https://firstgraphene.net/wp-content/uploads/2023/10/The-pathway-for-graphene-powered-green-cement-International-Cement-Review-October-2023.pdf>

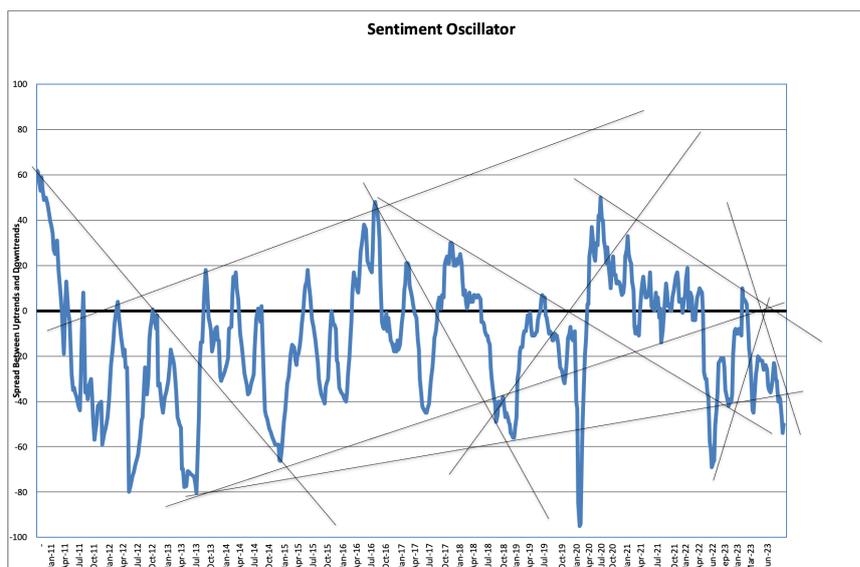
Separately, we received a paper from McKinsey and Company last week concerning the greening of the cement industry. Starting with the imperative that decarbonising of the cement industry has never been more important, it noted that cement is particularly difficult to decarbonise because it directly releases CO₂ in its chemical process.

It referred to four complementary methods that would be helpful in reducing CO₂ emissions, but stated that there was no single silver bullet. They were;

- i. retrofitting carbon capture equipment,
- ii. utilising new admixtures,
- iii. adding supplementary cementitious materials e.g. fly ash, ground granulated blast-furnace slag and silica fume to partially replace clinker, and
- iv. recycling concrete.

What was most notable was that the paper didn't mention graphene. Doesn't McKinsey know what is happening in the UK with Breedon and First Graphene? Are they not up to speed?

Disclosure: Interests associated with the author owns shares in Lucapa and First Graphene. The author is the chairman of First Graphene.



Sentiment Oscillator: Sentiment improved slightly last week. There were 13% (12%) of the charts in uptrend, and 63% (66%) in downtrend.

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 in downtrend	
Metals and Mining	XMM	continuing lower	
Energy	XEJ	breached uptrend	
Information Technology	XIJ	turning down	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
5EA Advanced Materials	5EA	breached steepest downtrend	boron
92 Energy	92E	heavy fall on exploration news	uranium
A-Cap Energy	ACB	new uptrend	uranium
Alpha HPA	A4N	steep fall	HPA
Adriatic Resources	ADT	new high	zinc, polymetallic
Advance Metals (was Pacific American)	AVM	back to lows	coal, gold exploration
Agua Resources	AGR	at lows	phosphate, copper exploration
Alkane Resources	ALK	down	gold
Alicanto Minerals	AQI	stronger	base metals, silver, gold
Almonty Industries	AII	weaker	tungsten
Altech Chemical	ATC	new low on placement	HPA, anodes
Anteotech	ADO	new low on placement	silicon anodes, biotech
Alto Metals	AME	at lows with a placement	gold exploration

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American Rare Earths	ARR		breached steepest downtrend	rare earths
Antilles Gold	AAU		new low	gold and copper expl.
Anax Metals	ANX		new low	copper
Arafura Resources	ARU		new low	rare earths
Ardea Resources	ARL		secondary downtrend	nickel
Aurelia Metals	AMI		failed at secondary downtrend	gold + base metals
Australian Rare Earths	AR3		down	rare earths
Australian Strategic Materials	ASM		testing uptrend	rare earths
Arizona Lithium	AZL		new low	lithium
Azure Minerals	AZS		another surge higher then pullback	nickel exploration
BHP	BHP		down	diversified, iron ore
Barton Gold	BGD		testing downtrend	gold exploration
Beach Energy	BPT		breached uptrend	oil and gas
Bellevue Gold	BGL		new high	gold exploration
Benz Mining	BNZ		breached uptrend	gold
Black Cat Syndicate	BC8		new low on placement	gold
BMG Resources	BMG		down	gold exploration
Boab Metals	BML		new low	silver/lead
Calidus Resources	CAI		new low	gold
Caravel Minerals	CVV		still down	copper
Carnaby Resources	CNB		new low	copper
Castile Resources	CST		back to lows	gold/copper/cobalt
Cazaly Resources	CAZ		breached uptrend	rare earths
Celsius Resources	CLA		at lows	copper
Cobalt Blue	COB		down again	cobalt
Cyprium Metals	CYM		collapse on return from suspension	copper
Dateline	DTR		down	rare earths
Ecograf	EGR		new low	graphite
Emerald Resources	EMR		rising, new high	gold
Empire Energy	EEG		risen to resistance line	gas
EQ Resources	EQR		testing uptrend	tungsten
Euro Manganese	EMN		new low	manganese
Evolution Energy	EV1		new low	graphite
Evolution Mining	EVN		breached uptrend	gold
First Graphene	FGR		breached uptrend	graphene
Fortescue Metals	FMG		bounced above downtrend line	iron ore
FYI Resources	FYI		down	HPA
Galena Mining	G1A		testing downtrend	lead
Genesis Minerals	GMD		testing support	gold
Genmin	GEN		suspended	iron ore
Gold 50	G50		down	gold exploration + gallium
Great Boulder Resources	GBR		new low	gold exploration
Group 6 Metals	G6M		down	tungsten
Hamelin Gold	HMG		testing downtrend	gold exploration

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Hastings Technology Metals	HAS		new low	rare earths
Hazer Group	HZR		breached steepest downtrend	hydrogen
Heavy Minerals	HVY		down	garnet
Highfield Resources	HFR		new low	potash
Hillgrove Resources	HGO		rising gently	copper
Iluka Resources	ILU		heavy fall	mineral sands
ioneer (was Global Geoscience)	INR		down	lithium
Ionic Rare Earths	IXR		breached downtrend	rare earths
Jervois Mining	JVR		new low	nickel/cobalt
Jindalee Resources	JRL		testing downtrend	lithium
Kaiser Reef	KAU		sideways through downtrend	gold
Kalina Power	KPO		testing downtrend	power station additive
Krakatoa Resources	KTA		secondary downtrend	rare earths
Kingfisher Mining	KFM		down	rare earths
Lepidico	LPD		improving	lithium
Lindian Resources	LIN		down	rare earths + bauxite
Lion One Metals	LLO		surge out of downtrend	gold
Li-S Energy	LIS		new low	Lithium sulphur battery technology
Los Cerros	LCL		on support line	gold exploration
Lotus Resources	LOT		rising	uranium
Lucapa Diamond	LOM		testing downtrend	diamonds
Lunnon Metals	LM8		new low	nickel
Lynas Corp.	LYC		still down	rare earths
Mako Gold	MKG		new low	gold exploration
Marmota	MEU		breached downtrend	gold exploration
Matador Mining	MZZ		down	gold exploration
Mayur Resources	MRL		breached uptrend	renewables, cement
Meeka Gold	MEK		down	gold
Megado Minerals	MEG		down	rare earths, gold exploration
MetalsX	MLX		down	tin, nickel
Meteoric Resources	MEI		off its high	rare earths
Metro Mining	MMI		sideways	bauxite
Midas Minerals	MM1		slump	lithium
Nagambie Resources	NAG		new low	gold, antimony
Neometals	NMT		new low	lithium
Newfield Resources	NWF		down	diamonds
Northern Star Res.	NST		down	gold
Nova Minerals	NVA		spiked higher	gold exploration
OreCorp	ORR		rising	gold development
Pacific Gold	PGO		breached short term uptrend	gold exploration
Pantoro	PNR		fallen back to lows	gold
Panoramic Res	PAN		collapse on placement	nickel
Parabellum Resources	PBL		down - suspended	rare earths
Patriot Battery Metals	PMT		breached uptrend	lithium

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Peak Resources	PEK		new low	rare earths
Peninsula Energy	PEN		collapse	uranium
Perseus Mining	PRU		breached downtrend	gold
Poseidon Nickel	POS		collapse	nickel
Provaris Energy	PV1		sideways through uptrend	hydrogen
QMiner	QML		new low	copper
Queensland Pacific Metals	QPM		long term down	nickel/cobalt/HPA
RareX	REE		breached downtrend	rare earths, phosphate
Regis Resources	RRL		collapse	gold
Regergen	RLT		down	gas, helium
Richmond Vanadium	RVT		sideways	vanadium
RIO	RIO		breached resistance line	diversified, iron ore
Rumble Resources	RTR		secondary downtrend	gold exploration
S2 Resources	S2R		sideways though uptrend	gold exploration
Sandfire Resources	SFR		breached uptrend	copper
Santos	STO		rising	oil/gas
Sarama Resources	SRR		at rock bottom	gold exploration
Sarytogan Graphite	SGA		new low	graphite
Siren Gold	SNG		breaching short term uptrend	gold exploration
South Harz Potash	SHP		down again	potash
Southern Cross Gold	SXG		surge higher	gold exploration
Southern Palladium	SPD		breached downtrend	PGMs
Stanmore Coal	SMR		new high	coal
Strandline Resources	STA		new low	mineral sands
Sunstone Metals	STM		meeting resistance line	gold/copper exploration
Suvo Strategic Minerals	SUV		improving	kaolin
Talga Resources	TLG		down	graphite
Tamboran Resources	TBN		improving	gas
Technology Metals	TMT		down	vanadium
Theta Gold Mines	TGM		strong rise	gold
Thor Energy	THR		back into downtrend	uranium
Tietto Minerals	TIE		new low	gold
Vanadium Resources	VR8		drifting lower	vanadium
Venture Minerals	VMS		down	tin, tungsten
Vintage Energy	VEN		down	gas
Voltaic Strategic Resources	VSR		new low	REO + lithium
West African Resources	WAF		new low	gold
West Cobar	WC1		down	rare earth + lithium
Westgold Resources	WGX		off its highs	gold
West Wits Mining	WWI		sideways	gold
Whitehaven Coal	WHC		down	coal
Xantippe Resources	XTC		down	lithium
Zenith Minerals	ZNC		breached downtrend	gold exploration
Totals	13%	18	Uptrend	

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	63%	90	Downtrend	
		142	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 Exploration	19	13.4%	
Gold	20	14.1%	
Rare Earths	17	12.0%	
Lithium	10	7.0%	
Oil/Gas	8	5.6%	
Copper	9	6.3%	
Nickel	7	4.9%	
Iron Ore/Manganese	5	3.5%	
Graphite/graphene	5	3.5%	
Uranium	6	4.2%	
Silver	4	40.0%	
Tungsten	3	2.1%	
Mineral Sands	2	1.4%	
Vanadium	3	30.0%	
Zinc/Lead	2	1.4%	
Coal	2	1.4%	
Potash/Phosphate	3	2.1%	
Bauxite	2	1.4%	

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Tin	2	1.4%	
Cobalt	1	0.7%	
Diamonds	2	1.4%	
Other	10		
Total	142		

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