

Another slump at the bottom end

The respite we saw after the close of the financial year did not last long. Sentiment turned down again over the last two weeks as a number of uptrends were surrendered. If there is no compelling reason to buy, why would you bother? The market will follow special situations, but they are special because there are not many of them.

What happens after a new high?

We saw our All Ords hit a new high on the 17th July and then we saw a correction. That is normal, but it always attracts questions and opinions about whether or not the market has topped out. Is the game over?

Traders will refrain from pushing the market higher in the absence of news flow. Last week we saw a sell off of tech stocks in the USA as the reporting season started, and then there was the news of strong economic growth. The next concern will be the implications of this strength for interest rates, and so on.

But that is in the top end of the market. We specialise in the resources sector that is populated mostly by junior stocks that present us with a completely different range of parameters.

There is clear bifurcation of our markets between the top end and the junior end. What happens in the leaders has a lesser impact on the juniors, so we should not be responding on a day to day basis to what is happening on the S&P or NASDAQ. We have our own issues to deal with at the bottom end.

Upgrading Gold to a High Quality Liquid Asset

The London Bullion Market Association (LBMA) and the World Gold Council (WGC) are pushing to have gold reclassified under the Basel III banking framework, upgrading it from a Tier 1 asset to a High-Quality Liquid Asset (HQLA). If successful the effect would be enhanced market stability, improved liquidity, regulatory compliance benefits, greater confidence and trust in the financial system, and overall economic and financial stability.

In arguing the case they point to fundamental characteristics such as gold's high credit standing, low legal risk, and denomination in USD, and its market characteristics, such as its low volatility, negative correlation with risky assets, and active and sizeable market.

If successful, it would further enhance the value of gold, adding to the increasing acceptance of what some central bankers have previously called the barbarian currency. There is an interesting IMF Working paper from January 2023, entitled "*Gold as International Reserves: A Barbarous Relic no More?*" If you are interested and have time, click on this link <https://www.imf.org/en/Publications/WP/Issues/2023/01/27/Gold-as-International-Reserves-A-Barbarous-Relic-No-More-528089>

Peak Rare Earths lines up funding of US\$176m

There is still plenty of interest in major rare earth projects (but not in the stock market), as evidenced by Peak's (PEK) announcement of a lenders consortium totalling US\$176m last week. As you would expect with this amount of money, there are a number of names involved; the IDC of South Africa, the Development Bank of Southern Africa, the CRDB Bank PLC, the NMB Bank and the East African Commercial Bank.

While this is positive, the money is not in the bag yet. The Term Sheet is not binding as the parties still have to conduct legal, tax, financial, insurance, technical, social and environmental due diligence. This makes me think that the process will take at least six months from here, and possibly longer.

A Cost and Optimisation Study has commenced with Peak looking at capacity expansions and further cost reductions, aiming to be in a position to make a Financial Decision in December 2024.

Peak is another emerging rare earth company that is within the Chinese sphere of influence. The initial Shenge Resources stake of 19.9%, was obtained through the purchase of shares from a fund. It tightened its grip further with the announcement last week of a deal (non-binding) whereby it would subscribe to a 50% interest in Ngualla Group UK Limited, \$96m. That company owns 84% of the Ngualla Rare Earth Project.

In a good deal for shareholders of Peak, Shenge has agreed to source a debt facility that will relieve Peak from having to inject further equity finance.

So, goals are being kicked even while the rare earth prices are down. Ngualla looks like it will probably proceed but a final investment decision will be made in December. Is a deal with the Chinese the best deal, given geopolitical implications? Time will tell.

Has the Brazilian rare earths bubble burst?

For a while there Brazilian rare earths was all the rage. That was then, but it seems like the worm has turned, sending Brazilian companies down the same path as all the other rare earth companies around the world. The highest flyer, the Gina Rinehart backed Brazilian Rare Earths (BRE), has topped out and commenced a downtrend. Meteoric Resources (MEI), one of the early high flyers, has already fallen by approximately 66%. Summit Resources was a recent entrant to the South American field, running from 6¢ to 50¢ in a matter of weeks. It has fallen back to 20¢ in the last two weeks. Last week Axel REE (AXL) IPO'd after raising \$18m at 20¢, and it promptly fell to a low of 10.5¢.

Another one bites the dust!

Calidus Resource, a gold stock that was at \$1.00 in early 2022, has been placed in administration a few weeks ago with the share price around 11¢. That was only a couple of weeks after announcing a maiden Nullagine Measured & Indicated Resource of 4.1 Mt at 2.33 gpt, for 307,000 oz. The Company said that this was an exciting development, forming the basis for a Study on the restart of the Golden Eagle mill. Further, it said that it would provide a substantial uplift in Calidus's overall production profile (that has been running at about 40,000 oz p.a.) and a significant cash flow generation opportunity.

How is it that the Company has been placed in administration so quickly after that shining ASX release, and only two months after raising \$6m in an SPP?

We have known that Calidus had been operating below expectations for some time, but there was no early warning sign in ASX releases that intimated things were so bad. It was all positive news flow. That highlights a problem for shareholders who are so often the last ones to get the real story. Unfortunate, but was it avoidable?

You may ask how a gold company goes broke when the gold price is at record highs. The answer is simple. Each gold company has its own, often unique situation. You have to assess each on its own merits, much more so than for any other commodity. There is an enormous variation in grade from low grades around 1 gpt, to high grades around 30 gpt. Grade is king, even though low grades give better leverage to the gold price.

There is a tendency for gold companies to go for large scale mines in pursuit of economies of scale, especially in countries with high labour rates. That is supposed to reduce the cost of gold production, and maximise the gold resource, but it also reduces the operating margin as lower grades are pursued. It pays to keep a close eye on what forecast costs are, and what happens in reality. Look for

weasel words in reporting that indicate optimism rather than hard cold facts. At all times, business failure is a risk that needs to be considered. We are frequently reminded of this, notwithstanding the regulations and rules that are intended to reduce the risk for investors.

One view on copper supply

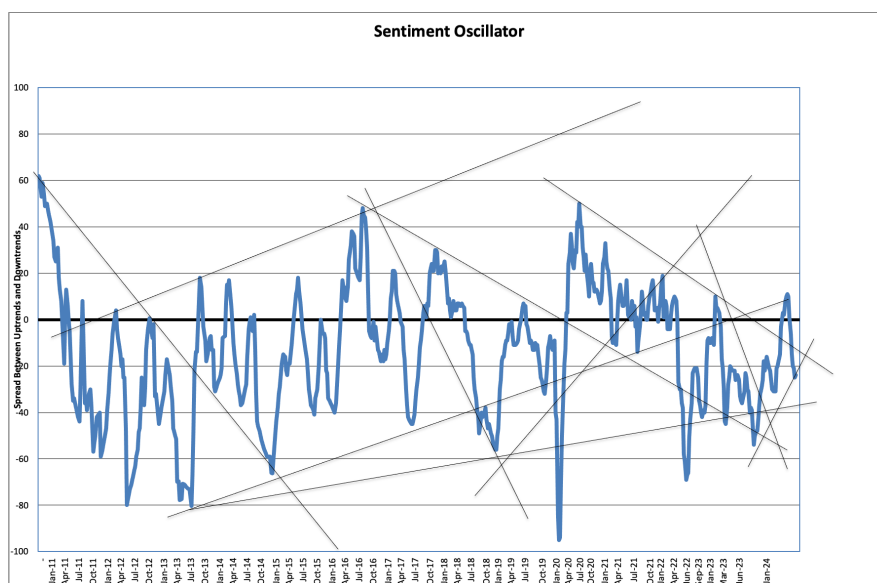
We are regularly told that there is an impending shortage of copper. Historical trends show that the more sophisticated an economy becomes, the more it needs copper. That is particularly relevant where we rely more on electricity than carbon fuels. Stock promoters say we should buy copper stocks, but there is another view worth considering

There is no shortage of large copper porphyry development projects in the pipeline. These are mostly low grade but they could be profitable on strong copper prices. However, bringing them on stream is a slow process. Two to three year development timeframes would not be uncommon. Before they get to this point there is a sphincter that they have to squeeze through. It is called bank finance.

The very large projects require banking consortiums as the risk is spread around. Bankers never move quickly. There is strong resistance to accelerating new projects that may impact the copper price, because the banks have to consider their existing exposure. If they allowed the market to become oversupplied, it would lead to large write-downs of their loan valuations. So, they ration funds and therefore new projects.

Any spike we see in copper prices will be exactly that. There is no long term trend in copper prices that gets better and better. Stability is a description that best suits the financiers, not volatility.

We have deleted Calidus from our chart coverage.



Sentiment Oscillator: Sentiment weakened. There were 25% (30%) of stocks in uptrend and 49% (47%) in downtrend at the close of the week

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	new high then a pullback	
Metals and Mining	XMM	falling	
Energy	XEJ	still under long term downtrend line	
Information Technology	XIJ	off its highs	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
5EA Advanced Materials	5EA	new low	boron
Advance Metals (was Pacific American)	AVM	back to lows	coal, gold exploration
Agua Resources	AGR	new high	phosphate, gold
Alkane Resources	ALK	still down	gold
Alicanto Minerals	AQI	new low	base metals, silver, gold
Alligator Energy	AGE	down	uranium
Almonty Industries	All	testing uptrend	tungsten
Alpha HPA	A4N	testing longer term uptrend	HPA
Altech Chemical	ATC	back in downtrend	HPA, anodes
Alto Metals	AME	down	gold
American Rare Earths	ARR	consolidating	rare earths
Anax Metals	ANX	heavy slump	copper
Andean Silver	ASL	correcting lower	silver
Anteotech	ADO	sideways at lows	silicon anodes, biotech
Arafura Resources	ARU	pullback	rare earths
Ardea Resources	ARL	down	nickel
Arizona Lithium	AZL	strong rally	lithium
Astral Resources	AAR	new uptrend	gold
Averina	AEV	spike through downtrend, then suspension	phosphate
Aurora Energy Metals	1AE	down	uranium
Aurelia Metals	AMI	rising	copper + base metals
Australian Gold and Copper	AGC	still down	base metals, silver, gold
Australian Rare Earths	AR3	new low	rare earths
Australian Strategic Materials	ASM	heavy fall to new low	rare earths
BHP	BHP	heavy fall	diversified, iron ore
Barton Gold	BGD	falling	gold exploration
Beach Energy	BPT	down	oil and gas
Bellevue Gold	BGL	breached uptrend	gold
Besra Gold	BEZ	collapse on lifting of suspension	gold
Black Cat Syndicate	BC8	stronger	gold
Boab Metals	BML	down	silver/lead
Brazil Critical Minerals	BCM	down on placement	rare earths
Brazilian Rare Earths	BRE	down	rare earths
Brightstar Resources	BTR	uptrend	gold











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Caravel Minerals	CVV		correcting lower	copper
Carnaby Resources	CNB		collapse on Scoping Study, testing support	copper
Castile Resources	CST		trying to hold support line	gold/copper/cobalt
Catalyst Metals	CYL		surge to new high	gold
Cazaly Resources	CAZ		forming a base	rare earths
Celsius Resources	CLA		stronger	copper
Cobalt Blue	COB		new low	cobalt
Cyprium Metals	CYM		heavy pullback	copper
Emerald Resources	EMR		rising, new high	gold
Empire Energy	EEG		new high	gas
EQ Resources	EQR		breaching downtrend	tungsten
Evolution Energy	EV1		collapse to a new low	graphite
Evolution Mining	EVN		rising	gold
First Graphene	FGR		down	graphene
Fortescue Metals	FMG		down	iron ore
Genesis Minerals	GMD		rising	gold
Globe Metals and Mining	GBE		steeply higher	niobium
Gold 50	G50		testing downtrend	gold exploration + gallium
Great Boulder Resources	GBR		new low	gold exploration
Group 6 Metals	G6M		rising again	tungsten
Hamelin Gold	HMG		stronger	gold exploration
Hastings Technology Metals	HAS		surge on placement to Chinese	rare earths
Heavy Minerals	HVY		bounced to test resistance line	garnet
Hillgrove Resources	HGO		lower	copper
Iluka Resources	ILU		down	mineral sands
ioneer (was Global Geoscience)	INR		breached uptrend	lithium
Ionic Rare Earths	IXR		down	rare earths
Jervois Mining	JVR		back to lows	nickel/cobalt
Jindalee Lithium	JLL		new low	lithium
Jupiter Mines	JSM		down	manganese
Kaiser Reef	KAU		improving	gold
Krakatoa Resources	KTA		back to lows	rare earths
Larvotto Resources	LRV		rising	gold, antimony
Lindian Resources	LIN		new low	rare earths + bauxite
Li-S Energy	LIS		sideways	Lithium sulphur battery technology
LCL Resources	LCL		new low	gold/nickel exploration
Lotus Resources	LOT		breached uptrend	uranium
Lucapa Diamond	LOM		new low	diamonds
Lunnon Metals	LM8		down	nickel
Lynas Corp.	LYC		rallied to meet resistance	rare earths
Marmota	MEU		rising	gold/uranium exploration
Mayur Resources	MRL		breached uptrend	renewables, cement
Meeka Gold	MEK		at lows	gold
MetalsX	MLX		rising	tin, nickel

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Meteoric Resources	MEI	■	down	rare earths
Metro Mining	MMI	■	new high	bauxite
Midas Minerals	MM1	■	testing downtrend	lithium
Nagambie Resources	NAG	■	another new low	gold, antimony
Neometals	NMT	■	new low	lithium
Newfield Resources	NWF	■	down again	diamonds
Nexgen Energy	NXG	■	breached uptrend	uranium
Northern Star Res.	NST	■	testing downtrend	gold
Nova Minerals	NVA	■	down	gold exploration
Novo Resources	NVO	■	down	gold exploration
Pacific Gold	PGO	■	breached downtrend	gold exploration
Paladin Energy	PDN	■	down heavily on takeover bid	uranium
Pantoro	PNR	■	rising again	gold
Patriot Battery Metals	PMT	■	collapse to a new low	lithium
Peninsula Energy	PEN	■	gently lower	uranium
Perseus Mining	PRU	■	new high	gold
Provaris Energy	PV1	■	down	hydrogen
QMines	QML	■	new low	copper
Queensland Pacific Metals	QPM	■	new low	nickel/cobalt/HPA
RareX	REE	■	new low	phosphate, rare earths
Regis Resources	RRL	■	testing uptrend	gold
Regergen	RLT	■	down	gas, helium
Richmond Vanadium	RVT	■	heavy fall	vanadium
RIO	RIO	■	heavy slump	diversified, iron ore
RTG Mining	RTG	■	rising again	copper
Rumble Resources	RTR	■	new low	zinc exploration
S2 Resources	S2R	■	downtrend accelerating	gold exploration
Sandfire Resources	SFR	■	down	copper
Santos	STO	■	weaker	oil/gas
Sarytogan Graphite	SGA	■	down	graphite
Siren Gold	SNG	■	pullback	gold exploration
South Harz Potash	SHP	■	new low	potash
Southern Cross Gold	SXG	■	heavy slump breaching uptrend	gold exploration
Southern Palladium	SPD	■	rising again	PGMs
Stanmore Coal	SMR	■	testing downtrend	coal
Stellar Resources	SRZ	■	testing uptrend	tin
Summit Resources	SUM	■	heavy correction	niobium, rare earths
Suvo Strategic Minerals	SUV	■	sideways through uptrend	kaolin
Talga Resources	TLG	■	slump	graphite
Tamboran Resources	TBN	■	rising again	gas
Theta Gold Mines	TGM	■	rising again	gold
Thor Energy	THR	■	down	uranium
Torque Metals	TOR	■	back to lows	gold exploration + lithium
Vanadium Resources	VR8	■	new uptrend breached	vanadium

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Venture Minerals	VMS		back to recent high	tin, tungsten
Vintage Energy	VEN		new low	gas
Voltaic Strategic Resources	VSR		at lows	REO + lithium
Vertex Minerals	VTX		breached downtrend	gold
Walkabout Resources	WKT		sideways	graphite
Warriedar Resources	WA8		uptrend	gold exploration
West Cobar	WC1		new low	rare earth + lithium
Westgold Resources	WGX		rising	gold
West Wits Mining	WWI		rising again	gold
Whitehaven Coal	WHC		testing uptrend	coal
Totals	25%	33	Uptrend	
	49%	65	Downtrend	
		134	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	26	19.4%	
Gold Exploration	15	11.2%	
Rare Earths	13	9.7%	
Copper	10	7.5%	
Uranium	7	5.2%	
Lithium	6	4.5%	
Oil/Gas	6	4.5%	
Nickel	5	3.7%	
Graphite/graphene	5	3.7%	
Iron Ore/Manganese	4	3.0%	
Potash/Phosphate	4	3.0%	
Coal	3	2.2%	

Tungsten	3	2.2%	
Tin	3	2.2%	
Silver	3	30.0%	
Diamonds	2	1.5%	
Niobium	2	1.5%	
Vanadium	2	20.0%	
Zinc/Lead	2	1.5%	
Mineral Sands	1	0.7%	
Bauxite	1	0.7%	
Cobalt	1	0.7%	
Other	10		
Total	134		

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