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Charts not updated

Analyst : Warwick

Riva's cobalt initiative falls flat

My decision to take a month's vacation in June seems well founded given the weakness in markets. Normally we can expect softness due to the closing of the financial year but this year has been compounded by international events.

As each week passes the practical reality of having Trump in the chair is turning less inspirational and more problematic. Optimism is swinging back to doubt and that uncertainty will eventually lead to pessimism - unless the showman brings out something tangible.

No-one can adequately explain Brexit

On the other side of the Atlantic the British election result is another slap in the face for the political norm in our democratic style of government. Basically people are getting fed up with the politicians and how they are performing as the debate is not so much about which party is best qualified to govern as which party is the lesser bunch of fools. A UK hung parliament will inevitably undermine the Brexit initiative. No-one can now claim a clear mandate so don't be surprised if the debate swings back to a restructured EU that keeps the U.K. on the inside, as that may be a more workable compromise.

The problem with the UK leaving the EU is that no-one seems to know how to do it. They talk of payments of £50-£80bn, but when I ask how this is to be calculated, no-one can answer the question. Personally, I can't see why you would pay money to leave a club. Paying to join is an accepted approach in our society, but paying to leave? It doesn't make sense.

What would happen if the UK just refused to pay? Would the EU come and take the funds by force? Would they freeze UK assets in Europe? It is hard to imagine that this would happen as it would be tantamount to a declaration of war.

The greatest complexity of Brexit is likely to be in the administration and bureaucracy that relates to customs duties and other such imposts. It is unrealistic to say that it will all change on one day. Rather, there will be a program of dates covering certain sectors. The planning and co-ordination will be challenging as you don't want trade to stop due to a lack of prescription of processes. You don't want any voids where companies don't do anything because they don't know what to do, or they are afraid to act for fear of penalties for doing the wrong thing.

The angst in the UK about the EU is not about trading of goods and services per se. It is also about movement of labour across national boundaries, subsidies and the relocation of industry in the UK to countries such as Poland. It is a reflection of the homogenisation of Europe in denial of cultural sensitivities. The biggest winners in the UK have been those in the financial sector and the losers have been the ordinary working class who are treated as being dispensable in the pursuit of globalisation. It is the same sort of issue that Trump goes on about in the USA.

While global efficiency is generally regarded as the optimum outcome by economists, it does so irrespective of cultural and social impacts. How this balances out in the coming years will be a recurring theme throughout global markets, making the waters very muddy.

Diagnosis of our market - suffering from anaemia

Back to the performance of our market, particularly the mining sector, and there is not much to be said. The buyers have gone away and anyone who wants to cash up has to chase the bids down. The disinterest and lethargy is rendering analysis and any valuation methodology as largely irrelevant for the time being.

Our market is very seasonal. When it is not in season there is not much point in being too vocal. There is no point in pushing stocks and their merits if 90% of the audience is turned off.

Riva Resources (RIR) didn't find any cobalt

Some months ago I cautioned investors about the claims being made by Riva with respect to its Tabac cobalt/gold exploration play near Wiluna, in WA. For some reason the company had decided to ignore the information that the original assays taken in 1982, were contaminated by cobalt from the blade used to cut the core. For a while the commentary that I published generated quite a bit of banter with much of it being disparaging of my advice. Well, that banter can be put to rest with the announcement on 2 June, by Riva, that there were no significant assays in the two holes drilled. The project has turned out to be a dud.

The Company tried to save a bit of grace by saying that the original cobalt assays probably resulted from laboratory error back in the 1980s. However, it is just wrong to say this. There was definitely cobalt in the material assayed by the laboratory. That cobalt came from the blade used in the cutting of the core. Riva was made aware of this before it even closed the deal to acquire the project, so ignorance cannot be an excuse in this event. ASX releases show that the company elected to dispute the veracity of the historical information rather than to heed it. Understandably, the Managing Director has subsequently resigned to pursue other interests.

The question to ask now is "what happens to the shares and options that Dragon Energy (DLE) (as it was named previously) paid for the deal?" It paid 150 million Consideration Shares and 62.5 million Performance Shares to the shareholders of Westview Resources Pty Ltd, worth \$3.3m as at early December 2016, when they were allotted. Who are the shareholders of Westview anyway? This could be another trail worth investigating. They seem to have been the only winners out of this debacle.

Sentiment Oscillator still going down

We haven't updated this as the hand drawn charts cannot be carried around the globe, but it would be safe to say that it has fallen further - as we predicted earlier. We expect that it will soon be back near historical lows that will confirm that it is time to be buying again. Until then try not to be too depressed.

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