

Charting and fundamental views differ somewhat

A chartist's view of the US markets ...

Fundamental analysis is the tool of long term investors, but technical analysis (charting) is often relied upon by many investors. The theory is that the charts encompass everything that exists that could possibly affect share prices, from fundamentals to psychological and social views. They provide diagrammatical analysis that gives levels of predictability, with varying accuracy. Charting individual stock prices is relatively simple while charting the overall market indices, such as the S&P or the Dow, is more complex.

Chartists will look to patterns from the past in order to draw predictions about what will happen next. Sometimes it works and sometimes it doesn't. The latest commentary out of the US is that the recovery of the S&P in recent months, since the low on December 26th, is an outlier in historical terms. What started out as a bear market rally has been so strong that the pendulum is swinging in favour of viewing it as a resumption of the bull market. The chartists advice is to avoid short positions, as there has never been such a strong bear market rally in history - so stop viewing it as a rally.

What is the correct interpretation? Is this a return to fantasy land or just a dangerous trap? No-one really knows. Maybe it is a continuation of a long-winded topping formation, as I am inclined to interpret it. That view would allow for new highs along the way without giving convincing argument that it is "game on" again and a resumption of the bull market.

The fundamentals outlook for the US economy is better than it was late in December, owing to the Fed taking a less hawkish approach to interest rates. It seems like it was listening to the early warnings given by lead indicators and it has backed off, meaning the argument for a lower stock market has less merit. Though, does that automatically mean that things are great again, or is it that they won't be as bad as what was earlier feared? Remember that whatever is said today, by economists or chartists, is subject to constant review owing to changes that occur tomorrow in response to reactions to what is forecast today. It is the ultimate moving feast that is forever subject to change.

... but the fundamental view differs

The global economy has entered a synchronised slowdown, according to the Brookings Institution think tank and the Financial Times. The IMF is cutting its growth forecasts and the WTO continues to express caution to the trade skirmishes. Italy has fallen into recession, Germany has just managed to avoid one by the skin on its teeth and the stimulatory influence of Trump's tax cuts are starting to fade. China is tickling the throttle as it tries to prevent further softening.

No-one is predicting a dire collapse, but do the observations above look as if they are supportive of a resumption of a bull market? Though, in somewhat of a contrast to the rest of the world, Australia's leading stock market indices have been showing great strength - notwithstanding the prospects of a Federal Labor victory. See if you can make sense of it all.

Yandal - a new entrant to gold exploration in WA

Yandal Resources (YRL) commenced trading on 14/12/18, after raising \$5m in an IPO. That was no mean feat, given the tough markets at the time. Having Northern Star Resources as a 15% cornerstone investor would have certainly helped, backing up the primary promoter, Mick Ruane, with his 22% holding. A Chinese group, Au Xingao Investments, holds 10.6%. The gender jihadists would be pleased with the three person board; one man and two women.

True to its name, Yandal is focusing on the prolific greenstone belt to the east of Wiluna in WA, recently made more notable with Echo Resources' 0.8 Moz at 1.7 gpt reserve at Julius and Orelai (Proved and Probable), and Northern Star's Ramone discovery. Yandal is working a 20 km long strike of the Barwidgie Shear, within 55 km of contiguous mining tenements.

The starting point is the Flushing Meadows project at which there is an historical low grade resource of 80-100,000 oz at 1-1.5 gpt of gold (non-JORC). This has deep levels of oxidation, to 120m vertical depth. A depletion zone has been identified at 20-60m depths. It is believed that this zone may have negatively affected the perception of earlier explorers, masking deeper mineralisation, and therein lies some of the opportunity.

So far there has been 2 km of continuous mineralisation identified, with another 4-5 km along strike to the NW offering more upside. Some of this has been confirmed by air core drilling. It is scheduled to be tested with RC drilling over the next couple of months, to depths of 100m.

Moving 6 km along the shear zone to the SE, Yandal has found the Flinders Park discovery using RC and air core drilling, reporting a hit of 15m at 2.03 gpt from 77m down holes. The anomaly to be tested measures 700m in length. Next, the Rosewall anomaly, another 500m further SE has also returned some interesting results at surface that will soon be followed up.

The historical Flushing Meadows mineralisation was over a 1km strike length and has been confirmed with RC drilling up to March 2019. Over the next few months 6,000m of RC drilling will be completed over an additional 1km and an initial resource statement of around 100,000-200,000 oz is anticipated. Drilling will also commence to expand the strike length of the deposit beyond 2km. Mining approval processes will also commence. The Company is confident that it will come up with a multiple of the initial resource

figure in a short space of time, targeting the untested ground for 4km immediately to the north, depending on drill programs that are about to commence.

As far as processing options are concerned, it may be possible to truck ore 70 km to the Bronzewing mill, currently owned by Echo and earmarked to treat its Julius deposit. However, the plant probably needs \$50m spent on it before it is operational again, with capacity of 2-3 Mtpa depending upon the hardness of the mill feed. There is a corporate angle to consider with Northern Star owning 22,5% of Echo and 15% of Yandal. Eventually there could be a corporate consolidation.

A further source of ore potential for Yandal is the Mt McClure project that is only 20 km from Bronzewing. Arimco and others previously recovered about 100,000 oz from this project in oxide pits where the ore zones averaged 10m in width. The mineralisation has been demonstrated to extend deeper, but in order to achieve grades of 3-6 gpt the mining widths will be constrained to perhaps 3-5m for mechanised underground mining methods. This will take longer to evaluate.

So, Yandal is located in areas of known gold mineralisation that would allow some of its exploration to be labelled as brownfields. It has \$4m in the bank now and is about to embark upon drilling to test for extensions. Maybe it could be targeting 200-500,000 oz, within trucking distance of a mill. We will monitor its progress with interest.

Whitebark Energy - money in Canadian oil discovery

A stock that was completely off my radar, until a presentation last week, was Whitebark Energy (ASX:WBE). At a market capitalisation of \$6.9m it is amazingly cheap given the potential earnings profile.

Late last year it drilled Rex-1, its first well in the Wizard Lake licence in Alberta, Canada. This was a commercial success, yielding 250-300 boepd of 80% oil at 16-17° API. Encouraged by the success, WBE then lifted its working interest from 20% to 30%. In February, it announced a 55% improvement in oil flow over a 16 day flow test.

The official Proved and Probable Reserve was only 225,000 bbl as at 31 December, but could quickly change with many more wells that will be drilled in 2019, and beyond. The current thinking is that there will be at least two more wells drilled this year, with WBE having a 100% working interest. If the JV partner, Lomar Resource Ltd, can secure additional funding the additional number of wells for 2019 could be five (on 30:70 equity split), but that remains to be seen. Either way if these wells were equally successful, WBE could be in the position to produce 800-1,000 bbl/d by year end, generating a gross margin of \$8-10m p.a. (You need to bear in mind that there will be a steep 30% decline curve in the first 12 months, but this can be compensated for by drilling additional wells).

The economics of small oil fields like this one are quite attractive for a junior. At the current price of C\$65/bbl, less the C\$10/bbl discount due to the heavy crude aspects, the net revenue per barrel could be in the order of \$30/bbl. That includes \$20/bbl lifting costs, \$1/bbl to truck to Edmonton and other incidentals. The well could be on stream and producing revenue some time in May, 2019. The wells cost C\$2.3-2.8m to drill, complete and frac. Tie-in installations above ground will cost about A\$630,000 and are already underway.

The Wizard Lake oil field has been mapped, showing up to 40-60 Mmbls in place (WBE 8-12 Mmbls, at 30% ownership levels). It is likely that we will see 15 wells drilled in a relatively short space of time.

WBE has its finances under control with a \$1.95m placement scheduled at 0.5¢ to a corporate, Grand Gulf, upon receipt of shareholder approval. This should be sufficient to see it out until the end of the year, by which time the positive revenue will be flowing. Then it will be a matter of determining how to fund further drilling; out of cash flow, debt or further equity.

What is a company like this worth to Australian investors, given the observation that they often trade at a discount to fundamental value? A similar but more advanced Canadian listed company, Altura (TSX:ATU) has a market capitalisation of \$50m on 2018 production of 1,412 boe/d. It is located 15 km from Wizard Lake. Thus the WBE share price seems destined to move to much higher levels over the next six months (subject to the comment below).

However, there is a negative to consider. There are just too many shares on issue, trapping the share price in the 0.4-0.6¢ price range. As I have frequently commented about similar capital structures, the sooner the shares are consolidated the sooner the volatility will return and the more attractive it will be to investors. We all know a consolidation is on the cards, so it is best to get it out of the way as soon as possible. Otherwise, the share price will remain a victim of the day traders.

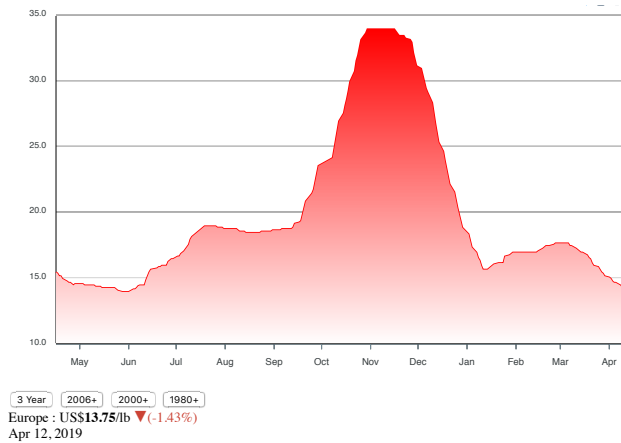
There is one more wildcard to consider with this company - the 4.4 to 11.6 Tcf Warro gas field in WA. This is a deep, tight gas field that has been around for donkey's years, having been tested by four wells already. Alcoa spent \$95m on it. Nothing has happened recently due to a moratorium on fracking, but a report has recommended that fracking is environmentally acceptable. This could be a serious company maker, but WBE will need to close a farm-in deal with one of the larger gas companies if it is going to have any chance of success. It is just too expensive for a junior to manage on its own.

Vanadium price has "done a cobalt"

This time last year the markets were abuzz with vanadium, but just like we saw with cobalt, the vanadium price has collapsed. See the 12 month chart below of the V₂O₅ vanadium pentoxide flake, 98%, in US\$/lb. It ran from US\$15/lb to almost hit US\$35/lb, before collapsing. Speculators would have had a field day if they managed to get out, but there will be quite a few punters who are long and wrong vanadium explorers.

Commentary from industry is that vanadium loses competitiveness in the battery space when priced at levels seen late in 2018. Another consideration is that prices at these levels would lead to a strong supply response.

While speculators are sniffing around to see where they can make trading profits on battery input materials, there are real world considerations that need to be considered. There is a myriad of different battery types using a range of materials. It is not just a matter of whether or not a battery works. Economics and costs of production will have the final say as to whether innovations are adopted. Any company that thinks it has the next best anode, for example, will have to contend with many issues before it can start to claim commerciality.



Too much tolerance of the intolerant minorities

The disruption caused in the Melbourne CBD last Monday by vegans and animal rights activists was estimated by the media to have cost \$500m. I don't know how this figure can be calculated, but it does raise questions and highlight an important observation.

What right does this minority interest group have to disrupt and bully the rest of society? Sure, they are entitled to their views, but where is there any right to enforce their views on others using physical, disruptive action? Where are the privacy laws working to prevent internet disclosure of farmers' home addresses? Here is an example of the hypocrisy of the "liberal" movements that are trying to force changes on our society to make us conform with their myopic views, employing modern versions of terrorism.

The problem with our advanced society is the hijacking of the goodwill in the widening tolerance of the silent majority. The concept of freedom of speech is being hijacked. We are guilty of being too tolerant of minority interest groups that are intolerant of views of the majority, when they differ from their own. These groups think that they have a God given right to redirect society to match their extreme views. They are extremist radicals in our society and it is time to say enough is enough. Stop your bullying, stop disrespecting us and stop wasting our time. The authorities need to have the courage to quash this type of behaviour so that we can get on with our lives in an orderly fashion.

These groups remind me of spoilt children that scream and keep screaming until they get their way. It is one thing to behave like this in ones own home, but it is another thing to

continue with this type of behaviour when you are an adult, invading other people's homes like spoilt brats.

Continuous disclosure is an ill-thought out concept

In times gone by companies would make a release when they thought they had something worthwhile saying. Then came continuous disclosure and so they had to ask themselves, "Is this something that should be disclosed, right now?" Rather than risk the ire of the regulators in what is still a grey area, most companies just opted to release the news anyway. They erred on the side of caution and they disclosed whatever they could, to avoid being accused of withholding information. Why risk being queried by the ASX?

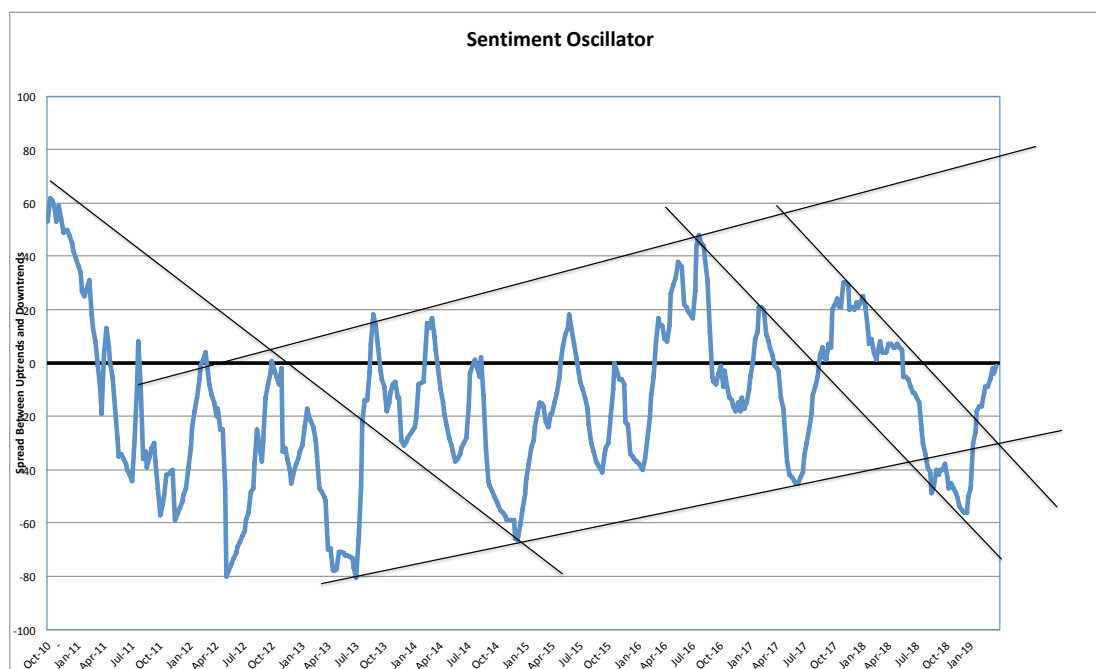
We have seen continuous disclosure evolve somewhat with companies now saying "Is there anything that we can announce?" in a effort to attract more attention in the market. They have sought to take advantage of the situation and make it a promotional event, but the ASX is now pushing back on this development. It is starting to say "release it on your website and social media, but it is not worthy of an ASX platform release."

The problem comes about because of the subjectivity of what should and shouldn't be released. The subject is too grey. Perhaps there needs to be better, more objective guidance from the ASX. It can't be as simple as saying anything that could influence the share price should be released, because one company's share price is always affected by what is happening elsewhere in markets on any given day.

Another point to consider is how the release is worded. Some companies have no idea of how get a positive message across while others are better at enthusing the market with well-worded announcements. The former won't move the share price at all, but the latter could do so very effectively. Perhaps that is why the ASX is cracking down on what it calls rambunctious hyperbole. Is it better to have boring announcements and a suppression of volatility, even when that volatility is sought after by punters in the market? The debate will continue until such time as there is more objective, published guidance.

We have deleted Doray Minerals following its merger with Silver Lake, and Tanami, from chart coverage. We added Ramelius, Whitebark and Yandal.

Disclosure: Nothing specific this week.














Sentiment Oscillator: Sentiment improved slightly. There were 30% (30%) of the charts in uptrend and 31% (34%) 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	consolidated after good rise	
Metals and Mining	XMM	at highs	
Energy	XEJ	correcting lower	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Adriatic Resources	ADT	new high	zinc
Aeon Metals	AML	back in downtrend	copper + cobalt
Alacer Gold	AQG	new high	gold – production
Alkane Resources	ALK	breached downtrend	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Alchemy Resources	ALY	breached downtrend	nickel, cobalt
Alicanto Minerals	AQI	back to lows	gold exploration
Allegiance Coal	AHQ	back into uptrend	coal
Alliance Resources	AGS	new low - 1 for 2 issue at 9.5¢	gold exploration
Altech Chemicals	ATC	new uptrend forming	industrial minerals - synthetic sapphire
Apollo Consolidated	AOP	breached downtrend	gold exploration
Argent Minerals	ARD	breached downtrend	silver
Aurelia Metals	AMI	breached uptrend	gold + base metals































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AusTin	ANW		new low after placement	tin, cobalt
Australian Bauxite	ABX		sideways	bauxite
Australian Potash	APC		pullback to support line	potash
Australian Mines	AUZ		hitting resistance	cobalt/nickel
Australian Vanadium	AVL		rallying, but hitting resistance	vanadium
Bounty Coal	B2Y		back to lows	coal
BHP	BHP		new high	diversified, iron ore
Base Resources	BSE		risen to long term resistance	mineral sands
Bathurst Resources	BRL		testing resistance line	coal
Battery Minerals	BAT		breached new uptrend	graphite
BBX Minerals	BBX		steep rise	gold exploration
Beach Energy	BPT		surged higher	oil and gas
Bellevue Gold	BGL		new high	gold exploration
Berkeley Energia	BKY		in secondary downtrend	uranium
Blackstone Minerals	BSX		back to lows	gold, cobalt
Breaker Resources	BRB		up again	gold exploration
Broken Hill Prospecting	BPL		new low	minerals sands
Buru Energy	BRU		breaching downtrend	oil
Cardinal Resources	CDV		rallying	gold exploration
Cassini Resources	CZI		consolidating	nickel/Cu expl.
Celsius Resources	CLA		back to lows	copper/cobalt
Chalice Gold	CHN		sideways, but pushing higher	gold exploration
Cobalt Blue	COB		new low	cobalt
Comet Resources	CRL		back to lows	graphite
Dacian Gold	DCN		breached uptrend	gold
Danakali	DNK		sideways	potash
Davenport Resources	DAV		down	potash
Eden Innovations	EDE		down	carbon nanotubes in concrete
Egan Street Resources	EGA		risen to meet resistance line	gold
Emerald Resource	EMR		uptrend	gold
Evolution Mining	EVN		breaching uptrend	gold
Exore Resources	ERX		testing uptrend	gold exploration
FAR	FAR		crunched down on dud oil well	oil/gas
First Graphene	FGR		risen to meet resistance line	graphene
Fortescue Metals	FMG		new high	iron ore
Galaxy Resources	GXY		back into downtrend	lithium
Galena Mining	G1A		steep rise	lead
Galilee Energy	GLL		sideways after breaching downtrend	oil and gas, CBM
Gascoyne Resources	GCY		collapse on raising at 5¢, being 50% discount	gold
Gold Road	GOR		rising	gold
Golden Rim	GMR		new low	gold exploration
Graphex Mining	GPX		surge, testing downtrend	graphite
Heron Resources	HRR		breaching downtrend	zinc
Highfield Resources	HFR		rallied to meet resistance line	potash

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Hillgrove Resources	HGO	sideways	copper
Hipo Resources	HIP	rallied to meet resistance line	battery metals
Iluka Resources	ILU	heavy correction	mineral sands
Image Resources	IMA	higher	mineral sands
Independence Group	IGO	new uptrend forming	gold, nickel
ioneer (was Global Geoscience)	INR	testing downtrend	lithium
Jervois Mining	JVR	testing uptrend	nickel/cobalt
Jindalee Resources	JRL	recovering uptrend	lithium
Karoo Gas	KAR	breached downtrend	gas
Kasbah Resources	KAS	testing new uptrend	tin
Kibaran Resources	KNL	testing downtrend	graphite
Kin Mining	KIN	testing downtrend	gold
Legend Mining	LEG	new uptrend	nickel exploration
Lepidico	LPD	rising	lithium
Lithium Australia	LIT	continuing downtrend	lithium
Lucapa Diamond	LOM	continuing downtrend	diamonds
Lynas Corp.	LYC	spike on conditional bid	rare earths
Macphersons Res.	MRP	down	gold/silver
Mako Gold	MKG	higher in new ST uptrend	gold exploration
Marmota	MEU	sideways	gold exploration
MetalsX	MLX	down heavily	tin, nickel
Metro Mining	MMI	testing downtrend	bauxite
Mincor Resources	MCR	breached resistance	gold
Musgrave Minerals	MGV	down	gold exploration
Myanmar Minerals	MYL	uptrend	zinc
Nelson Resources	NES	slump to new low	gold exploration
Neometals	NMT	down	lithium
Northern Cobalt	N27	down again	cobalt
Northern Minerals	NTU	still under secondary downtrend	REE
Northern Star Res.	NST	struggling with uptrend	gold
NTM Gold	NTM	sideways	gold exploration
Oceana Gold	OGC	breached uptrend	gold
Oklo Resources	OKU	down	gold expl.
Orecorp	ORR	rising	gold development
Orocobre	ORE	testing downtrend	lithium
Oz Minerals	OZL	resumed uptrend	copper
Pacific American Coal	PAK	at lows	coal
Pantoro	PNR	breached downtrend, moving higher	gold
Panoramic Res	PAN	breached downtrend, at secondary resistance point	gold , nickel
Peak Resources	PEK	uptrend	rare earths
Peel Mining	PEX	testing downtrend	copper
Peninsula Energy	PEN	new uptrend	uranium
Pensana Metals	PM8	higher	rare earths
Perseus Mining	PRU	rising	gold

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Pilbara Minerals	PLS		testing downtrend	lithium
PNX Metals	PNX		lower	gold, silver, zinc
Polarex	PXX		new low	polymetallic exploration
Prodigy Gold	PRX		testing downtrend	gold exploration
Ramelius Resources	RMS		strong uptrend	gold production
Real Energy	RLE		short term down	gas
Red5	RED		new high	gold
Red River Resources	RVR		breaching downtrend	zinc
Regis Resources	RRL		moving higher	gold
Resolute Mining	RSG		sideways through uptrend line	gold
RIO	RIO		new high	diversified, iron ore
Salt Lake Potash	SO4		re-entering downtrend	potash
Saracen Minerals	SAR		testing downtrend	gold
St Barbara	SBM		collapse	gold
Sandfire Resources	SFR		rising	copper
Santos	STO		into uptrend	oil/gas
Sheffield Resources	SFX		testing downtrend	mineral sands
St George Mining	SGQ		new, gentle uptrend forming	nickel
Sipa Resources	SRI		recovered, to sideways pattern	general exploration - Ni,Cu, Co, Au
Stanmore Coal	SMR		new high	coal
Strandline Resources	STA		testing downtrend	mineral sands
Sundance Energy	SEA		testing downtrend	oil/gas
Syrah Resources	SYR		rallying	graphite
Talga Resources	TLG		steep rise	graphite
Technology Metals	TMT		short term down	vanadium
Tiger Realm	TIG		down	coal
Triton Minerals	TON		breached steepest downtrend	graphite
Troy Resources	TRY		sideways	gold
Vango Mining	VAN		down	gold
Vector Resources	VEC		down	gold
Venturex	VXR		stronger	zinc
Vimy Resources	VMY		new uptrend forming	uranium
Volt Resources	VRC		sideways	graphite
West African Resources	WAF		breached downtrend	gold
Westwits	WWI		down	gold
Western Areas	WSA		ST uptrend breached	nickel
Whitebark Energy	WBE		sideways	oil and gas
Whitehaven Coal	WHC		breached ST downtrend, resistance at \$5-\$5.20	coal
Yandal Resources	YDL		sideways	gold exploration
Totals	30%	42	Uptrend	
	31%	43	Downtrend	
		140	Total	

Guides to Chart Interpretations

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- 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	22.9%	
Gold Exploration	18	12.9%	
Oil/Gas	9	6.4%	
Graphite	8	5.7%	
Nickel	8	5.7%	
Coal	8	5.7%	
Lithium	8	5.7%	
Mineral Sands	6	4.3%	
Zinc/Lead	6	4.3%	
Potash/Phosphate	5	3.6%	
Copper	5	3.6%	
Cobalt	4	2.9%	
Rare Earths	4	2.9%	
Tin	3	2.1%	
Iron Ore	3	2.1%	
Uranium	3	2.1%	
Bauxite	2	1.4%	
Vanadium	2	1.4%	
Silver	1	0.7%	
Diamonds	1	0.7%	
Other	4		
Total	140		

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