

## Bull market in full flight with gold enthusiasm flowing into other sectors as well, but with less discipline

### *Healthy Correction in the Gold Price*

The gold price was down over US\$150/oz at one point on Friday, but it had regained 50% of that loss before the close of trading. Nervous nellies might think that signalled the top, but it was actually healthy.

I worry when prices just go vertical because it makes a savage correction more probable. A healthy market is one of pushing and pulling, action and reaction. There is nothing wrong with the gold price doing some work in the range of US\$4,000 to US\$4,400 oz.

### *Placing this in perspective*

Notwithstanding Friday's correction, the gold price keeps rising in the greatest structural change in the bullion market we have ever seen. It is almost surreal that the gold producers are reacting sensibly but not ridiculously. It is almost as if the market doesn't totally believe (or understand) what is really happening. Being sensibly, and not excessively enthusiastic, is good though. It means that this trend will continue for longer.

The gold producers are the immediate beneficiaries of the rising gold price. At the same time we can expect to see a continuation of the strong interest in the gold explorers from grass roots companies to more advanced companies who actually have the beginning of a tangible resource. They may even evolve into producers, given time. Right now they have an opportunity to raise capital and ensure their exploration programs are fully funded. That will itself lead to increasing expenditure in the field and expanding news flow may assist share prices. Operationally, there will also be the bottlenecks of shortages of drilling rigs and laboratory services. Exploration will become more costly. All this fits within normal expectations.

### *If you are looking for crazy, look at rare earths*

In contrast to the sensible movement of gold stocks, rare earth share prices on the other hand have been in gaga land. The share price rises have been ridiculous and they are unsustainable. If they have gone up because of the spat between Trump and China, and speculators believe rare earth prices will rise higher, any resolution of the issue will lead to lower prices. If China relaxes its constraints and releases more product to the international market the heat will come out of the market quickly and share prices will fall.

In the longer term you should be mindful of the fundamentals. It is not that rare earths are rare. They are everywhere. The bottleneck in the industry is the processing and the refining capacity. There are very few facilities available. Governments are encouraging the construction of new processing plants but this takes time. Eventually, you are likely to see a list of new mining projects coming on stream that will produce the lower value concentrate form. There will be a glut of them and selling

prices will be lower in reflecting the oversupply. So, if you are punting the rare earths market today, remember that the market tomorrow will be very different.

### *Taking Stock of the Mining Sector Generally*

The market is surging higher as new buyers are coming into the fray looking for stock, any stock, but those who are already set are reluctant to sell too early. They want to run with the trend to maximise profits. Thus there is a shortage of scrip for the time being. The equation could quickly reverse at any point, but when?

### *Fundamental analysis can stand in the way of trading profits*

The weaknesses of analytical and fundamental analysis are exposed in dynamic markets like what we are experiencing now. Good analysis involves conservatism that tries to take into account unforeseen and negative possibilities in a defensive approach. It tries to be somewhat realistic with a medium to longer term focus that is more sobering than the "what if" scenarios that try to inspire optimism and speculation. There is a contrast between these approaches that are driven by fear on the one hand, and by greed on the other. So, where are we now?

Fundamental analysis looking at real earning power of projects is somewhat superfluous now. It is not necessary in the casino we are experiencing. If the objective of investing is to make money out of rising share prices, the most relevant tool is comparative analysis and reading the sentiment. It involves taking a quick look to see if one stock is cheaper than another based on imperfect information and asking whether it looks better value than others in a similar field.

When comparing stocks in a wildly dynamic market the assessments can change on a daily basis. They are made on the fly. A good decision on one day can be seen to incorrect only a few days later, but go forward another week and you may have been correct in the first instance.

### *Bull market psychology is driving markets*

The real driver of this type of market is psychology and human nature. We are experiencing herd mentality when actual stock picking on fundamentals becomes irrelevant. The time for fundamental decisions was earlier when it was a buyers market in which you had time to deliberate and chip away at building positions without FOMO driving your decisions. If you had done so, you would be in a better position now to selectively take profits, to take advantage of unsustainable enthusiasm. Just remember, once the market peaks, you could be waiting a long time before you see these prices again, but when is that?

## Expect a Land Rush in South Africa

South Africa has been the largest source of gold production over history. I think the figure is about 25% of all gold ever produced. Gold production in that country fell off a cliff a few decades ago, coinciding with the end of apartheid and low gold prices generally.

So far the revival of the gold sector in South Africa, on the back of using gold prices, is yet to happen. Last week West Wits announced the commencement of mining at its Qala Shallows Project on the Witwatersrand location. This is the first gold mine to open in South Africa for 15 years. There are many reasons for this. The rising gold price is the main one that could quickly stimulate a broader revival of the gold sector from here.

There has definitely been a strong prejudice against South Africa for a long time. Maybe the BEE rule, requiring 30% carried ownership by locals, is a turn off. However, most African countries require government equity participation of 10-35%. This has't stopped investment in these countries.

What if BEE requirements are relaxed? We hear that this is a possibility, though there is no timing being suggested and no details. Will this encourage a more favourable attitude from industry and investors? You would expect so.

A combination of seeing the first new mine starting up, the rising gold price and a more favourable BEE scenario could be all it takes to create a land rush in South Africa. Corporates take note. Investors, follow the money.

*Disclosure: Interests associated with the author own shares in West Wits and the author is a NED.*

## Agua Resources (AGR) Entitlement Issue

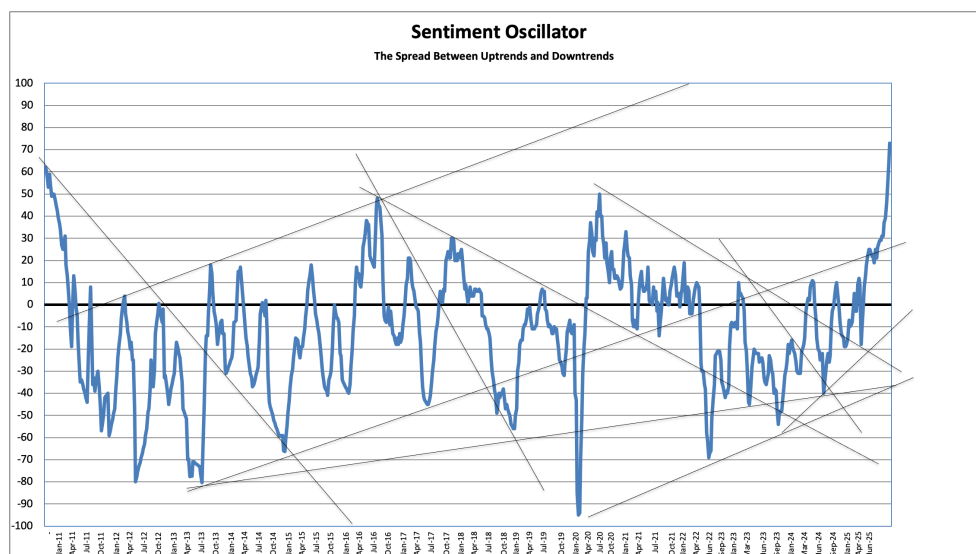
There has never been a better time to raise money for gold companies. The appetite for stock is intense. Many companies have run hard but the performance of Agua Resource's price has been more constrained. This can be attributed to the 1 for 10 entitlement issue in progress, that closes next week. It is normal for a company going through an entitlement issue to have its share price subdued as arbitrageurs seek to maximise their leverage. Once the issue is out of the way, it would be normal for the share price to recover and join the rest of the gold party.

There is usually a shortfall in any entitlement issue, but maybe not if shareholders can apply for more than their entitlement, as they can here. We will find out next week.

So, if you are a s708 investor, and not already a shareholder, you can bid for shares in the shortfall. You would need to email me on [wgrigor@fareastcapital.com.au](mailto:wgrigor@fareastcapital.com.au) if you are interested. AFSL holders may also be eligible for a fee.

The terms are a share and an option for a subscription price of 2.7¢. The options have a two year life and are exercisable at 3.5¢. The issue closes next Tuesday, the 23rd.

*Disclosure: Interests associated with the author own shares in Agua and the author is Executive Chairman. He will be taking up his full entitlement*



**Sentiment Oscillator:** Another record high! There were 81% of shares under coverage in uptrend, and only 8% in downtrend. These are real boom times.

## 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		rising again	
Metals and Mining	XMM		new high, then a pullback	
Energy	XEJ		down	
Stocks	Code		Trend Comment (updated comments in bold)	Main Interest
Agua Resources	AGR		rallying	phosphate, gold
Alkane Resources	ALK		new high	gold
Alicanto Minerals	AQI		spiked higher	base metals, silver, gold
Alligator Energy	AGE		recovering	uranium
Almonty Industries	AIL		surge to new high	tungsten
Alpha HPA	A4N		down	HPA
American Rare Earths	ARR		spiked higher	rare earths
Anax Metals	ANX		rising again	copper
Andean Silver	ASL		rising again	silver
Arafura Resources	ARU		surge to new high	rare earths
Ardea Resources	ARL		rising	nickel
Ark Mines	AHK		new high	rare earths
Astral Resources	AAR		new high	gold
Aureka	AKA		spiked higher	gold exploration
Auric Mining	AWJ		rising	gold
Aurora Energy Metals	1AE		spiked higher	uranium
Aurelia Metals	AMI		recovering	copper + base metals
Aurum Resources	AUE		rising	gold
Australian Gold and Copper	AGC		rising	base metals, silver, gold
Australian Rare Earths	AR3		spiked to new high	rare earths
Australian Strategic Materials	ASM		weaker	rare earths
BHP	BHP		breached downtrend	diversified, iron ore
Ballard Mining	BM1		rising	gold
Ballymore Resources	BMR		rising	gold exploration
Barton Gold	BGD		rising again	gold exploration
Beach Energy	BPT		at resistance line	oil and gas
Beetaloo Energy	BTL		strongly higher	breached down trend
Bellevue Gold	BGL		higher	gold
Besra Gold	BEZ		spiked higher	gold
Black Cat Syndicate	BC8		spiked higher	gold
Boab Metals	BML		spike then a placement	silver/lead
Brazilian Rare Earths	BRE		new high	rare earths
Brightstar Resources	BTR		rising	gold
Caravel Minerals	CVV		rising	copper
Carnaby Resources	CNB		rising	copper











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Castile Resources	CST		rising	gold/copper/cobalt
Catalyst Metals	CYL		surge higher	gold
Cazaly Resources	CAZ		gentle uptrend	rare earths
Centaurus Metals	CTM		rising	nickel/cobalt/HPA
Challenger Gold	CEL		surge higher	gold
Cobalt Blue	COB		spiked higher	cobalt
Cyprium Metals	CYM		higher	copper
Emerald Resources	EMR		back to highs	gold
Emmerson Resources	ERM		new high	gold
EQ Resources	EQR		spiked higher	tungsten
Estrella Resources	ESR		down	manganese
Evolution Mining	EVN		new high	gold
Felix Gold	FXG		steep rise	gold exploration, antimony
Finder Energy	FDR		spiked to new high	oil/gas
First Graphene	FGR		new high	graphene
Flagship Minerals	FLG		spiked higher	gold
Genesis Minerals	GMD		surge to new high	gold
Globe Metals and Mining	GBE		off its highs	niobium
Gold 50	G50		surge higher	gold exploration + gallium
Golden Horse	GHM		rising	gold exploration
Great Boulder Resources	GBR		steeply higher	gold exploration
Green360 Tech	GT3		rallying	kaolin
Hamelin Gold	HMG		down	gold exploration
Heavy Minerals	HVY		new high	garnet
Hillgrove Resources	HGO		weaker	copper
Iltani Resources	ILT		spiked higher	antimony
Iluka Resources	ILU		strongly higher	mineral sands
Jupiter Mines	JSM		improving	manganese
Kairos Minerals	KAI		rising	gold
Kaiser Reef	KAU		new high	gold
Kalamazoo Resources	KRZ		rising	gold
Kalina Power	KPO		good rise	carbon sequestration
Koba Resources	KOB		steep rise	uranium
Larvotto Resources	LRV		return to highs	gold, antimony
Lindian Resources	LIN		rising	rare earths + bauxite
Lotus Resources	LOT		rising again	uranium
Lynas Corp.	LYC		rising again	rare earths
Many Peaks	MPK		breached uptrend	gold exploration
Marmota	MEU		higher	gold/uranium exploration
Matsa Resources	MAT		strongly higher	gold
Mayur Resources	MRL		sideways	renewables, cement
Meeka Gold	MEK		at highs	gold
MetalsX	MLX		new high	tin, nickel
Meteoric Resources	MEI		new high	rare earths

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Metro Mining	MMI		rising again	bauxite
Midas Minerals	MM1		new high	lithium
Native Mineral Resources	NMR		down	gold
New Murchison	NMG		rising	gold
New World Resources	NWC		rising	copper
Nexgen Energy	NXG		rising again	uranium
Northern Star Res.	NST		rising again	gold
Nova Minerals	NVA		spiked higher	gold exploration
Novo Resources	NVO		spike higher	gold exploration
Omega Oil	OMA		rising	oil
Pacific Gold	PGO		spiked higher on gold acquisition	gold exploration
Paladin Energy	PDN		breached downtrend	uranium
Pantoro Gold	PNR		higher	gold
Patriot Battery Metals	PMT		pullback	lithium
Peninsula Energy	PEN		steep rise	uranium
Perseus Mining	PRU		new high	gold
Prairie Lithium	PL9		new low	lithium
QMiners	QML		rising	copper
Queensland Pacific Metals	QPM		rising	nickel/cobalt/HPA
Regis Resources	RRL		rising	gold
Regergen	RLT		pullback	gas, helium
Revolver Resources	RRR		rising	copper
Richmond Vanadium	RVT		down	vanadium
RIO	RIO		rising	diversified, iron ore
RTG Mining	RTG		improving	copper
Rumble Resources	RTR		rising	zinc exploration
S2 Resources	S2R		sideways	gold exploration
Santana Minerals	SMI		rising	gold
Santos	STO		slump	oil/gas
Sarytogan Graphite	SGA		sideways	graphite
Scorpion Minerals	SCN		spiked higher	gold exploration
Siren Gold	SNG		spiked higher	gold exploration
Southern Palladium	SPD		spiked higher	PGMs
Stanmore Coal	SMR		improving	coal
St George Mining	SGQ		rising again	rare earths, niobium
Stellar Resources	SRZ		strongly higher	tin
Sun Silver	SS1		higher	silver
Talga Resources	TLG		down	graphite
Tamboran Resources	TBN		rising	gas
Terra Uranium	T92		higher	uranium
Theta Gold Mines	TGM		rising again	gold
Toro Energy	TOE		spiked higher	uranium
Torque Metals	TOR		sideways at highs	gold exploration + lithium
Toubani Resources	TRE		new high	gold

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Trigg Minerals	TMG		spiked higher	antimony
Verity Resources	VRL		sideways	gold
Vertex Minerals	VTX		breached downtrend	gold
Waratah Minerals	WTM		off its highs	gold exploration + gallium
Westgold Resources	WGX		new high	gold
West Wits Mining	WWI		rising	gold
Whitehaven Coal	WHC		breached uptrend	coal
White Cliff Minerals	WCN		down	copper exploration
WIN Metals	WIN		spiked higher	gold
Yandal Resources	YRL		new high	
Totals	81%	108	Uptrend	
	8%	11	Downtrend	
		133	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	36	27.1%	
Gold Exploration	18	13.5%	
Copper	14	10.5%	
Rare Earths	10	7.5%	
Uranium	10	7.5%	
Oil/Gas/Hydrogen	7	5.3%	
Iron Ore/Manganese	4	3.0%	
Lithium	2	1.5%	
Graphite/graphene	3	2.3%	
Nickel	3	2.3%	
Silver	3	2.3%	
HPA/Kaolin	2	1.5%	
Tungsten	2	1.5%	

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Tin	2	1.5%	
Antimony	3	2.3%	
Coal	2	1.5%	
Niobium	2	1.5%	
Potash/Phosphate	1	0.8%	
Vanadium	1	0.8%	
Zinc/Lead	1	0.8%	
PGMs	1	0.8%	
Mineral Sands	1	0.8%	
Bauxite	1	0.8%	
Cobalt	1	0.8%	
Other	3	2.3%	
Total	133		

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