

Rare earths will continue to feature

A year ago we released a comparative analysis table of rare earth companies, motivated by the belief that this sector was going to be more prominent in 2020. Well, along with gold, the rare earths sector has had a very good year. There are many more companies that have picked up projects and some of the share prices have performed spectacularly. Lynas Corporation has been a good performer at the institutional level while Pensana has outperformed at the speculative end, notwithstanding that its project in Angola.

It is an interesting sector and will continue to be so for an indefinite period of time. Very few of the hopeful companies will get to become producers, but that shouldn't stop traders from taking advantage of the thematic. Knowing which companies will be the best performers on stock market terms is a bit of a guessing game but the winners will likely have the best promotional machines winding up the punters. Companies with projects in the USA will be of more interest, especially to US investors, due to the strategic nature of rare earth oxides.

Picking the best performers in the real world i.e. those companies that go on to develop a profitable mine is going to be challenging. Precious few companies will make the grade, but if all you want to do is make money out of shares, don't worry too much about operations that will take many years to develop.

For those who want a good understanding of the rare earths sector, you can read the book by Guillaume Pitron, "The Rare Metals War", published by Scribe in 2020.

Oil in the 20th century, rare earths in the 21st century

We should be thinking of rare earths as the key suite of commodities to the digital and alternative energy society into which we are progressing, just like oil was to the industrial sector 100 years ago. Then the British were securing oil interests and supply lines in the Middle East to support their shipping fleets as the coal-fired transport vessels were starting to become obsolete.

The greater the tensions between China and the rest of the World as that superpower increasingly flexes its muscles, the more important rare earths will become. China has positioned itself to become the Saudi of the rare earths business and you can be certain it will use its strengths in the sector to achieve its political aims. Increasing awareness of the vulnerability of the rest of the World to Chinese domination will increase anxiety levels with potentially serious geopolitical ramifications.

You can be certain that rare earths prices will be manipulated by the Chinese in a fashion that will disrupt normal supply and demand market signals, as we saw earlier in this decade. "The Chinese do absolutely whatever they want on the rare earths market" said Christopher Ecclestone, a London-based analyst in 2016. *ibid*, p.170. China's tactics include causing volatility in prices that make it difficult to forecast and finance new mines, causing

development to stagnate. It then seeks to acquire these apparently "failed" projects for a song, thereby strengthening its grip on competition.

Green tech is not so green after all

As we are swept along the path from hydrocarbon energy sources to alternative, renewable energy, we should be aware of some facts not often quoted;

- Solar and wind power requires up to 15 times more concrete, 90 times more aluminium and 50 times more iron, copper and glass than fossil fuels or nuclear power with the same power generation capability. Thus, for investors in the mining industry, they can be looking forward to very strong demand for these commodities over the next generation. *ibid*, p159.
- Staggering amounts of water will be needed for the mining and downstream processing facilities. Yes, there is abundant, inexhaustible energy that can be captured, but not without a high corresponding cost. *ibid* p160.
- production of one standard panel generates 70 kg of carbon dioxide.
- industrialising electric vehicles is 3-4x more energy-intensive than industrialising conventional cars
- the energy consumption of an electric vehicle over its entire lifecycle is ... similar to that of a diesel vehicle *ibid* p.38.

The digital society that is all about the future has its own environmental cost. "Every hour, some ten billion emails are sent around the world. That's 50 gigawatts or the equivalent output of 15 nuclear power stations in one hour". Back in 2013, a US study estimated that the information and communication technology sector consumes as much as 10% of the world's electricity, and produces 50% more greenhouse gases than air transport annually. Mark P Mills, *The Cloud Begins with Coal: big data, big networks, big infrastructure, and big power - an overview of the electricity used by digital ecosystem*, August 2013.

Gold stocks doing placements in a falling market

We have recently seen a number of gold companies whose share prices are in well-entrenched downtrends, doing placements. This is a hard ask because from a charting point of view, subscribers to these placements are almost certainly going to lose money - at least on paper, in the short term. The company wins because it has the cash. The broker wins because it earns a fee, but what about the investors? The best they can say is that they got a chance to get set, and now they can hope for a turnaround because the placement is out of the way. That would be an optimists view.

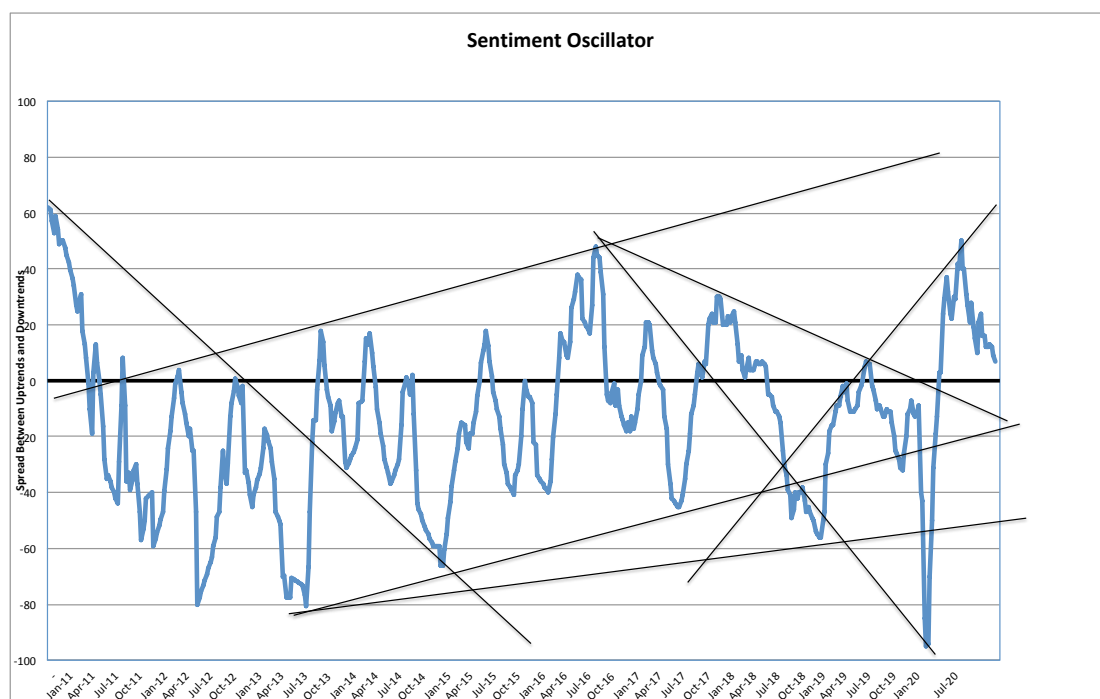
However, what about the inverse scenario, where the share price has been ramped up strongly and there is a demonstrable uptrend? Are the places any more likely to make money than in the previous scenario? Probably not, particularly if the share price has been ramped up prior to

the placement. Unless there is spectacular news about to come out that will take the share price higher, the probability is the investors will have to wait a time to see if the uptrend continues.

Both examples show the risks in taking a placement that satiates short term demand for a stock. Maybe the discount to the last sale price is a motivating factor, but the bigger the discount the more incentive there is to sell out quickly. Sometimes it is a case of the quick and the dead. The more loyal placees have to wear a paper loss while the quick traders take the money and run. Who is the best person, the profitable trader or the long term holder? Who would you rather be? It is somewhat of a moral dilemma for the investor.

The Chinese Communist Party is not so good for the Chinese people

It is difficult to find logic in the apparent ban on importation of Australia coal into China if yesterday's article in The Australian is accurate. Electricity shortages are causing all sorts of problems in China. People are freezing in their homes and are having to walk up stairs in high rises due to elevators not having power. But then, when has the Chinese Communist Party ever exercised what we would call logic. The spite being demonstrated by China towards Australia is clearly causing hardship for China's domestic residents.



Sentiment Oscillator: Sentiment has softened further. There were 42% (42%) of the charts in uptrend and 35% (33%) 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	new high
Metals and Mining	XMM	new high
Energy	XEJ	consolidating around recent highs

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Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Alpha HPA	A4N	rallying	HPA
Adriatic Resources	ADT	strong rally	zinc, polymetallic
Aeon Metals	AML	sideways to lower	copper + cobalt
Alkane Resources	ALK	breached uptrend, heading down	gold, zirconia
Alicanto Minerals	AQI	down	base metals, silver, gold
Allegiance Coal	AHQ	down	coking coal
Alliance Resources	AGS	down	gold predevelopment
Alto Metals	AME	down	gold exploration
American Rare Earths (was BPL)	ARR	off its highs	rare earths
Apollo Consolidated	AOP	down	gold exploration
Arafura Resources	ARU	rising again	rare earths
Aurelia Metals	AMI	down	gold + base metals
Australian Potash	APC	testing downtrend	potash
Auteco Minerals	AUT	down	gold exploration
BHP	BHP	new high	diversified, iron ore
Base Resources	BSE	new high	mineral sands
BBX Minerals	BBX	down	gold exploration
Beach Energy	BPT	surged higher	oil and gas
Beacon Mining	BCN	sideways	gold production
Bellevue Gold	BGL	new high	gold exploration
Blackstone Minerals	BSX	breached downtrend	nickel
Blue Star Helium	BNL	down	gas, helium
Breaker Resources	BRB	still in LT downtrend	gold exploration
Buru Energy	BRU	sideways	oil
Calidus Resources	CAI	testing support	gold
Capricorn Metals	CMM	testing downtrend	gold
Caravel Minerals	CVV	steeply higher	copper
Celsius Resources	CLA	rising	uptrend
Central Petroleum	CTP	rising	oil/gas
Chalice Gold	CHN	new high	nickel, copper, PGMs, gold exploration
Chase Mining	CML	collapse on negative drill result	nickel/copper/PGE
Chesser Resources	CHZ	breached support	gold exploration
Cobalt Blue	COB	off its lows	cobalt
Cyprium Metals	CYM	fallen back to support line	copper
Dacian Gold	DCN	rallying	gold
Danakali	DNK	down	potash
Davenport Resources	DAV	rising	potash
De Grey	DEG	down	gold
E2 Metals	E2M	surge on drill result	gold exploration
Ecograf (was Kibaran)	EGR	pullback	graphite
Element 25	E25	new high	manganese
Emerald Resources	EMR	sideways	gold
Euro Manganese	EMN	heavy pullback	manganese

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Evolution Mining	EVN	■	down	gold
Firefinch	FFX	■	down	gold
First Graphene	FGR	■	steeply higher	graphene
Fortescue Metals	FMG	■	rising again	iron ore
Galaxy Resources	GXY	■	rising strongly	lithium
Galena Mining	G1A	■	rising	lead
Galilee Energy	GLL	■	breaching uptrend	oil and gas, CBM
Genesis Minerals	GMD	■	breaching uptrend	gold
Gold Road	GOR	■	down	gold
Highfield Resources	HFR	■	rising	potash
Hillgrove Resources	HGO	■	fallen to support line	copper
Iluka Resources	ILU	■	strong rise	mineral sands
Image Resources	IMA	■	falling back to support line	mineral sands
Independence Group	IGO	■	surge through resistance line	gold
ioneer (was Global Geoscience)	INR	■	steeply higher	lithium
Ionic Rare Earths (Oro Verde)	IXR	■	gentle uptrend	rare earths
Jervois Mining	JVR	■	gently lower	nickel/cobalt
Jindalee Resources	JRL	■	new high	lithium
Kin Mining	KIN	■	testing uptrend	gold
Kingston Resources	KSN	■	testing downtrend	gold
Kingwest Resources	KWR	■	spike higher	gold
Legend Mining	LEG	■	down	nickel exploration
Lepidico	LPD	■	sideways	lithium
Lindian Resources	LIN	■	hitting resistance line	bauxite
Lithium Australia	LIT	■	rising	lithium
Los Cerros	LCL	■	breached uptrend	gold exploration
Lotus Resources	LOT	■	firmer	uranium
Lucapa Diamond	LOM	■	at lows	diamonds
Lynas Corp.	LYC	■	new high	rare earths
Mako Gold	MKG	■	testing downtrend	gold exploration
Manhattan Corp	MHC	■	testing uptrend	gold exploration
Marmota	MEU	■	drifting lower	gold exploration
Marvel Gold (was Graphex)	MVL	■	down	gold exploration
MetalTech	MTC	■	testing downtrend	gold
MetalsX	MLX	■	new uptrend starting	tin, nickel
Metro Mining	MMI	■	rallying	bauxite
Mincor Resources	MCR	■	rising	gold/nickel
Musgrave Minerals	MGV	■	down	gold exploration
Myanmar Minerals	MYL	■	down	lead, zinc, silver
Nelson Resources	NES	■	rising again	gold exploration
Neometals	NMT	■	rising	lithium
Northern Minerals	NTU	■	back to support line	REE
Northern Star Res.	NST	■	testing downtrend	gold
NTM Gold	NTM	■	takeover bid	gold exploration

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Oceana Gold	OGC		surge through downtrend	gold
Oklo Resources	OKU		down	gold expl.
Orecorp	ORR		breaching uptrend	gold development
Orocobre	ORE		rising	lithium
Oz Minerals	OZL		breached downtrend	copper
Pacific American Holdings	PAK		down	coal
Pacifico Minerals	PMY		testing downtrend	silver/lead
Pantoro	PNR		testing downtrend	gold
Panoramic Res	PAN		on support line	nickel
Peak Resources	PEK		uptrend	rare earths
Peel Mining	PEX		testing downtrend	copper
Peninsula Energy	PEN		surge out of downtrend	uranium
Poseidon Nickel	POS		rising	nickel
Pensana Metals	PM8		breached uptrend	rare earths
Perseus Mining	PRU		down	gold
Pilbara Minerals	PLS		rising	lithium
Polarex	PXX		down	polymetallic exploration
Queensland Pacific Metals	QPM		correcting lower (was Pure Minerals)	nickel/cobalt/HPA
Ramelius Resources	RMS		down again	gold production
Red5	RED		continuing down	gold
Red River Resources	RVR		new high	zinc
Regis Resources	RRL		down	gold
Regergen	RLT		rising	gas, helium
Resolution Minerals	RML		down	gold exploration
Resolute Mining	RSG		down	gold
RIO	RIO		new high	diversified, iron ore
Rumble Resources	RTR		testing downtrend	gold exploration
Salt Lake Potash	SO4		down again	potash
Saracen Minerals	SAR		weaker	gold
St Barbara	SBM		secondary downtrend	gold
Sandfire Resources	SFR		Downtrend	copper
Santos	STO		breached downtrend	oil/gas
Saturn Metals	STN		secondary downtrend	gold exploration
Sheffield Resources	SFX		rising	mineral sands
Sky Metals	SKY		back in downtrend	gold exploration
St George Mining	SGQ		fallen to support line	nickel
Silex Systems	SLX		surge through downtrend	uranium enrichment technology
Silver Mines	SVL		on support line	silver
Sipa Resources	SRI		down	general exploration - Ni,Cu, Co, Au
Stanmore Coal	SMR		breached steepest downtrend	coal
Strandline Resources	STA		breaching downtrend	mineral sands
Sunstone Metals	STM		uptrend breached	
Talga Resources	TLG		fallen back to support line	graphite
Technology Metals	TMT		testing uptrend	vanadium

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Tesoro Resources	TSO	■	down	gold exploration
Theta Gold Mines	TGM	■	uptrend	gold
Thor Mining	THR	■	breaching support line	gold exploration
Tietto Minerals	TIE	■	down	gold
Titan Minerals	TTM	■	gently lower	gold
Vango Mining	VAN	■	down	gold
Venturex	VXR	■	rising	zinc
Vimy Resources	VMY	■	steeply higher	uranium
West African Resources	WAF	■	testing downtrend	gold
Westgold Resources	WGX	■	strong rally	gold
West Wits Mining	WWI	■	off its highs	gold
Western Areas	WSA	■	strong rally to mart resistance line	nickel
Whitehaven Coal	WHC	■	rising	coal
Wiluna Mining	WMX	■	down	gold
Yandal Resources	YRL	■	down	gold exploration
Zinc Mines of Ireland	ZMI	■	testing downtrend	zinc
Totals	42%	62	Uptrend	
	35%	52	Downtrend	
		147	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	37	25.2%
Gold Exploration	25	17.0%
Nickel	12	8.2%

Oil/Gas	7	4.8%	
Lithium	8	5.4%	
Zinc/Lead	7	4.8%	
Rare Earths	7	4.8%	
Copper	9	6.1%	
Mineral Sands	5	3.4%	
Iron Ore/Manganese	5	3.4%	
Potash/Phosphate	5	3.4%	
Coal	4	2.7%	
Uranium	4	2.7%	
Graphite	2	1.4%	
Bauxite	2	1.4%	
Silver	2	1.4%	
Cobalt	1	0.7%	
Tin	1	0.7%	
Diamonds	1	0.7%	
Other	3		
Total	147		

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