

1 January 2018

On Pre-Xmas Closing Prices

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Now, for an interesting 2018

I could start off by wishing all a happy or prosperous New Year, but I'd rather you had a fulfilling or meaningful 2018. After all, with the increasingly dominant social agendas being thrust upon us, and the changing priorities they impose, it seems like we need to be more versatile and less single minded in what we are pursuing. Maybe then we can counter the frustrations that seem to come from all sides.

Where we are coming from ...

Reflecting on the last six months, which have been mostly good, I see a pattern developing. From February 2016, we had one of the best six month periods I have ever experienced. Then followed a softening market as profits were taken and fresh capital was raised. The weakness continued into 2017, with the mining market being unexpectedly weak right through until July. Since then we have had a steadily improving market, but nothing as prosperous as the first six months in 2016.

... augers well for where we are headed.

We go into 2018 on a positive note. Most negative factors that have played on the markets in recent years seem to have either self-corrected or markets have learnt how to take them in their stride. It seems that the fear of market failure is being pushed aside by the fear of missing out.

Money is being made, capital is being raised and apart from lithium battery input stocks, most share prices don't look overheated. We are part-way through a bull leg of an extended cycle. Many glasses are either half full or half empty, but there is a feeling that markets will go higher before they fall again. Political and social trends leave a lot to be desired, but they haven't been a drag on recent markets.

The dominant theme continues to be batteries ...

We have just seen lithium stocks surge to yet another new high. Money is still pouring into this sector because it feels good, but not necessarily because fundamentals support it. It is questionable how much higher lithium can go on sentiment alone as analysis points to surging supply, but maybe corporate activity will add to the interest as established producers seek to protect their dominance.

On the other hand, cobalt stocks are only half way into the journey. They have been running for a much shorter length of time, and cobalt fundamentals actually look much better due to the lack of supply response. Cobalt should outperform other sectors in 2018.

... but artificial intelligence could be the new toy

The other sector that people are starting to talk about is artificial intelligence (AI). What is it really, in terms of stock market companies? Will the Perth juniors again lead the charge in a new area about which people know almost nothing, and certainly don't know how to assess? Watch this embryonic sector to see what emerges.

... as graphene keeps growing

Our perennial favourite, graphene, will continue to advance in 2018. Graphene is a very legitimate battery input material, both for enhancing current battery efficiency and for new breakthroughs in design and performance, such as the BEST battery. The diversity of uses of graphene that are being developed provides an extending frontier, whether it be for protective coatings, cement, conductive textiles, electronics and sensors or a new generation of non-toxic, low cost fire retardants. We are still in the early stages of an extended growth curve that will accelerate from here, with some experts predicting a 60% p.a. increase in demand from 2016 levels.

Updates on a few stocks that we follow;

1) Orinoco - spectacular gold recoveries

Having successfully completed the \$1.8m placement in December, Orinoco shares resumed trading on Monday the 18th. The Company provided the market with a very interesting update on grades at the same time.

OGX has been conducting test work with a small hammer mill to see if this unit could overcome the problems experienced with the Geko unit and the vertical spindal impactor, whilst starting to treat some of the high grade ore from the newly developed stopes. The results were spectacular, prompting a decision to install a 20 tph hammer mill that is scheduled to be operational within a few weeks.

Eleven one tonne samples were put through the small hammer mill. Better than 90% recovery was achieved, giving gold recoveries of 30 to 149 gpt. The average was 54 gpt. This is dramatically better than the 1.6-2.1 gpt recoveries experienced in the previous four months. It is more in keeping with the expectations of a couple of years ago, before mining started.

The market liked the release with the shares trading up 25% on the placement price, but the real market action didn't happen until the 28th, when another release was made that gave grades for another four one tonne samples. The turnover was 80 million shares in 894 trades on the ASX, with the shares trading up 104% on an intra-day high, but closing at 4¢, up 73% on the day.

The recovered grades from these additional samples were 38.8, 41.8, 26.6 and 40.4 gpt, giving an average grade of 48.6 gpt from the 15 samples, all taken from different locations in the mine. While it is difficult to understand how these can be so much better than the grades achieved under the previous management, they are more consistent with what I saw on an early site visit a few years ago.

Whether or not the long-term grade is 15, 25 or 50 gpt remains to be seen, but the suggestion is that it will be many times the recent low grades that included marginal development ore. As we said in the previous Weekly,

Orinoco promises to be a dramatic turnaround story early in 2018.

Disclosure: FEC assisted in the recent placement and received capital raising fees. Interests associated with the author own shares and options in Orinoco Gold.

2) Cobalt Blue outrunning Broken Hill Prospecting

Cobalt Blue has been a brilliant performer in recent weeks. After completing a placement at 22¢ the shares have run up to 89¢, on its peak, giving subscribers to the IPO undertaken a year ago (with FEC as the Lead Manager) an excellent return on their money.

Up until a week ago, Broken Hill Prospecting (BPL), the company from which COB is earning its interest in the Thackaringa Cobalt Project, and which also spun-out Cobalt Blue, had been ignored by the market. That started to change with the shares running from 5.5¢ to close at 10¢, having reached 14.5¢ on intra-day trading. There has been some speculation that it may be a smarter move for COB to acquire BPL, so as to move to 100% of the project more quickly, without the earn-in costs and royalties. The market prefers certainty of title in situations like these, so the suggestion is not without merit.

Disclosure: FEC was Lead Manager in the IPO of Cobalt Blue and received fees for services. Interests associated with the author owns shares and options in Cobalt Blue and Broken Hill Prospecting.

3) Westwits resource upgrade - now 3.26 mill oz.

WWI announced an updated Mineral Resource Estimate of 3.26 Moz, an increase of 1.88 Moz or 73%. This gold is located on the Witswatersrand Basin Project, in South Africa. Within the resource is 1.55 Moz in the higher Measured and Indicated categories (WWI owns 66%). The grade is 3.5 gpt.

WWI is pursuing the strategy of converting the licences into mining rights, and has already commenced open pit mining through arrangements with contractors, treating the ore in nearby mills. Recently cash operating costs have dropped from around US\$1,000/oz to US\$800/oz, allowing the company to report positive cash flow in the order of \$250,000 per month. Current mineable resources are sufficient to allow the open pit mining of 12-15,000 tonnes per month for the next 12-14 months. Thereafter it will be all about underground mining.

The big picture involves WWI securing mining licences over the larger resource, such that they will be readily saleable to one of the nearby mills that are hungry for feed. In our previous research we have suggested that WWI could achieve a trade sale price of US\$50-US\$70m, which

compares very favourably with the market capitalisation of A\$15m today. Thus shareholders could receive capital returns more than twice the current market value in an asset sale and distribution exercise. This continues to offer sound fundamental value.

Recent ground acquisition in the Pilbara conglomerate game has added to speculative interest and volatility in the share price earlier in December, but South Africa is where the real value lies. The recent change in the leadership of the ANC should be seen as a positive for companies like WWI.

Disclosure: FEC has received capital raising fees from WWI in the past, and interests associated with the author owns shares and options in WWI

Is global warming science really just quackery?

We may well ask this question with the revelation that the impact of changes in solar activity on the Earth's climate is up to seven times greater than what climate models suggest.

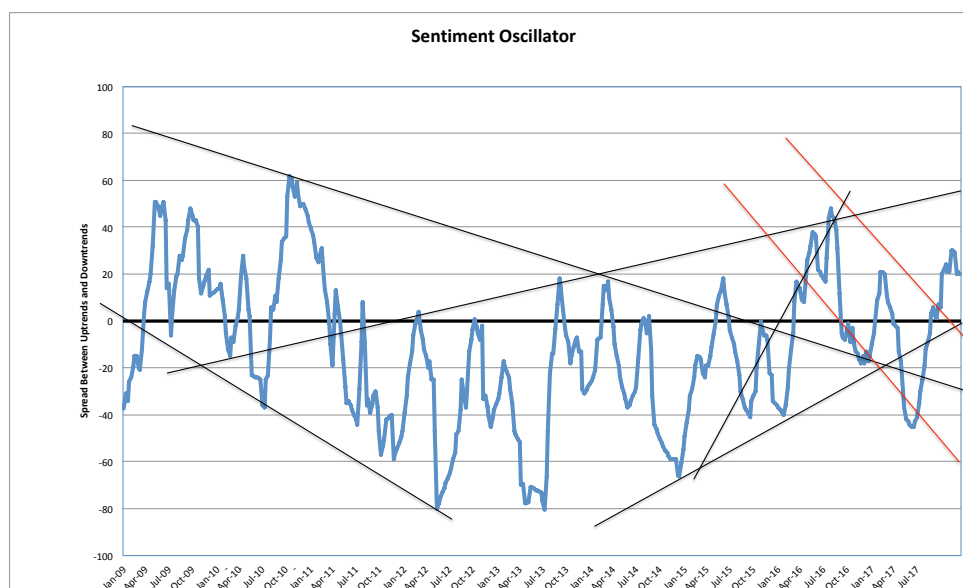
It is well known that models are only as good as what goes into them. Garbage in and garbage out. Whenever an analyst says "my model says ..." we should always start with an audit of how well the model was put together.

It reminds me of an episode in the 1980s, when an analyst came to the morning meeting and said that he had just run the model on Renison and he valued the shares at \$9.00. Given the shares were between \$5 and \$6, the dealers ran out and generated an army of buying. The shares jumped by almost \$2 on the day and the analyst was congratulated in the meeting the next day for doing such a commercial piece of research. Great commission was written on the day.

It was then that the analyst said "Well, yes, but I have a confession to make. I put a wrong entry in the model. The shares are actually worth only \$5 a share". Rather than tear strips off him, the dealers raced out and sold the bottom out of Renison, driving down the share to a much lower close. Again, there were congratulations given on the amount of commission written. Go figure. It's not the truth that counts in broking, but how much money you can make, by whatever method.

So, back to climate change models. Consider the massive wealth transfers taking place because governments around the world have decided to swallow the climate change story. It is more about wealth transfer than saving the planet. The planet can look after itself, as it has done for 4.5 billion years. Vested interests also look after themselves.

Sentiment Indicator: Steady as she goes was the message for the week, to Wednesday's close. The market activity is thinning out as people prepare for Christmas. There were 48% (47%) of the charts in uptrend and 28% (27%) 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.

Indices	Code	Trend Comment	
All Ordinaries	XAO	new high	
Metals and Mining	XMM	rallying to re-approach recent high	
Energy	XEJ	at highs	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
ABM Resources	ABU	new low	gold
Aeon Metals	AML	new high	copper + cobalt
Alacer Gold	AQG	holding uptrend	gold – production
Alkane Resources	ALK	down after hitting LT resistance	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Agua Resources	AGR	rallied back to resistance	phosphate
Alicanto Minerals	AQI	sideways	gold exploration
Allegiance Coal	AHQ	support at 3¢	coal
Alliance Resources	AGS	sideways	gold exploration
Altech Chemicals	ATC	surge to new high	industrial minerals - synthetic sapphire
Anova Metals	AWV	falling again	gold
Antipa Minerals	AZY	sideways	gold
Apollo Consolidated	AOP	new high	gold exploration
Archer Exploration	AXE	fallen back to support line	magnesite, graphite
Argent Minerals	ARD	hitting resistance line	polymetallic
Artemis Resources	ARV	rallying	gold, nickel
Aspire Mining	AKM	new low	coal
Alta Zinc	AZI	weak - name change from Energia	zinc
Aurelia Metals	AMI	on support line	gold + base metals
Aus Tin	ANW	new high	tin, cobalt
Australian Bauxite	ABX	down	bauxite
Australian Potash	APC	breached downtrend	potash






















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Australian Mines	AUZ		sideways pattern	cobalt/nickel
Australian Vanadium	AVL		off its high	vanadium
Avanco Resources	AVB		sideways	copper
AWE	AWE		new high	oil and gas
Azure Minerals	AZS		down	silver
BHP	BHP		back to recent highs	diversified
Base Resources	BSE		rallying	mineral sands
Bathurst Resources	BRL		breaching downtrend	coal
Battery Minerals	BAT		rallying	graphite
BBX Minerals	BBX		suspended	gold
Beach Energy	BPT		hitting resistance	oil and gas
Beadell Resources	BDR		around lows again	gold
Berkeley Energia	BKY		stronger	uranium
Berkut Minerals	BMT		spiked to new high, then heavy fall	cobalt
Blackham Resources	BLK		new low	gold
Blackstone Minerals	BSX		steep rise	gold, cobalt
Broken Hill Prospect.	BPL		strongly higher	minerals sands, cobalt
Buru Energy	BRU		strongly higher	oil
Canyon Resources	CAY		new high	bauxite
Cardinal Resources	CDV		breached uptrend	gold exploration
Cassini Resources	CZI		rising	nickel/Cu expl.
Chalice Gold	CHN		surge	gold
Cobalt Blue	COB		new high	cobalt
Comet Resources	CRL		pushing higher	graphite/graphene
Consolidated Zinc	CZL		downtrend being tested	zinc
Corizon Mining	CZN		down	cobalt
Crusader Resources	CAS		new low	gold/iron ore
Dacian Gold	DCN		rising again	gold exploration
Danakali	DNK		bounced off support line	potash
Doray Minerals	DRM		back in downtrend	gold
Draig Resources	DRG		new high	gold
Eden Innovations	EDE		new low	carbon nanotubes in concrete
Emerald Resource	EMR		sideways	gold
Evolution Mining	EVN		gently stronger	gold
Excelsior Gold	EXG		slump, testing uptrend	gold
Finders Resources	FND		stronger	copper
FAR	FAR		testing uptrend	oil/gas
First Cobalt	FCC		sideways	cobalt
First Graphene	FGR		strong rise	graphite
Fortescue Metals	FMG		downtrend forming	iron ore
Galaxy Resources	GXY		steeply higher	lithium
Galilee Energy	GLL		testing uptrend	oil and gas, CBM
Gascoyne Resources	GCY		testing steeper downtrend	gold
Global Geoscience	GSC		new high	lithium
Gold Road	GOR		uptrend continuing	gold exploration
Graphex Mining	GPX		new uptrend	graphite
Heron Resources	HRR		still down	zinc
Highfield Resources	HFR		back into downtrend	potash
Highlands Pacific	HIG		correcting from recent high	copper, nickel
Hillgrove Resources	HGO		sideways	copper

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Iluka Resources	ILU		surged higher	mineral sands
Image Resources	IMA		spiked higher	mineral sands
Independence Group	IGO		breached uptrend	gold, nickel
Intrepid Mines	IAU		sideways	copper
Karoo Gas	KAR		spiked higher	gas
Kasbah Resources	KAS		in secondary downtrend	tin
Kibaran Resources	KNL		breached downtrend	graphite
Kin Mining	KIN		testing ST uptrend	gold
Legend Mining	LEG		spiked on promising intercept	exploration
Lepidico	LPD		heavy correction	lithium
Lithium Australia	LIT		rising again	lithium
Lucapa Diamond	LOM		back to lows	diamonds
Macphersons Res.	MRP		downtrend	silver
Marmota	MEU		rising	gold exploration
MetalsX	MLX		pullback	tin, nickel
Metro Mining	MMI		stronger	bauxite
Mincor Resources	MCR		spiked higher	nickel
Mineral Deposits	MDL		on support line	mineral sands
Myanmar Minerals	MYL		testing uptrend	zinc
MZI Resources	MZI		falling again	mineral sands
Northern Cobalt	N27		strong rise, then heavy retracement	cobalt
Northern Minerals	NTU		down again	REE
Northern Star Res.	NST		rising again	gold
NTM Gold	NTM		longer term downtrend forming	gold
Oceana Gold	OGC		down after steep fall	gold
Oklo Resources	OKU		new high	gold expl.
OreCorp	ORR		strong rally	gold development
Orinoco Gold	OGX		collapse on 1 for 2 issue	gold development
Orocobre	ORE		new high	lithium
Oz Minerals	OZL		at apex of wedge	copper
Pacific American Coal	PAK		good bounce to meet resistance line	coal, graphene
Pantoro	PNR		breached uptrend	gold
Panoramic Res	PAN		on support line	nickel
Peel Mining	PEX		new high	copper
Peninsula Energy	PEN		new uptrend forming	uranium
Perseus Mining	PRU		moving down	gold
Pilbara Minerals	PLS		correcting lower	lithium/tantalum
PNX Metals	PNX		sideways	gold, silver, zinc
Red River Resources	RVR		holding longer term uptrend	zinc
Regis Resources	RRL		near highs again	gold
Resolute Mining	RSG		breached support	gold
RIO	RIO		rising	diversified
Salt Lake Potash	SO4		testing short term uptrend	potash
Saracen Minerals	SAR		new high	gold
St Barbara	SBM		new high	gold
Sandfire Resources	SFR		rising	copper
Santana Minerals	SMI		short term down	silver
Santos	STO		steeply higher	oil/gas
Sheffield Resources	SFX		down	mineral sands
Silver Lake Resources	SLR		heavy fall	gold

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Sino Gas & Energy	SEH		breached final resistance	gas
Southern Gold	SAU		drifting lower	gold
Stanmore Coal	SMR		rising	coal
Sundance Energy	SEA		new uptrend started	oil/gas
Syrah Resources	SYR		new high	graphite
Talga Resources	TLG		downtrend	graphene
Tanami Gold	TAM		down	gold
Tempo Australia	TPP		testing downtrend	mining services
Tiger Realm	TIG		sideways	coal
Torian Resources	TNR		new low	gold expl'n
Triton Minerals	TON		uptrend being tested	graphite
Troy Resources	TRY		back in downtrend	gold
Tyranna Resources	TYX		spiked higher, then heavy fall	gold exploration
Vango Mining	VAN		testing downtrend	gold
Vimy Resources	VMY		new uptrend confirmed	uranium
West African Resources	WAF		uptrend	gold
Westwits	WWI		new uptrend on Pilbara deal, but pullback	gold exploration/development
Western Areas	WSA		rallying	nickel
White Rock Minerals	WRM		new low	silver
Whitehaven Coal	WHC		gently higher	coal
WPG Resources	WPG		back to lows	gold
Wolf Minerals	WLF		testing downtrend	tungsten
Totals	48%	69	Uptrend	
	28%	40	Downtrend	
		144	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	32	22.2%	
Gold Exploration	15	10.4%	
Copper	11	7.6%	
Coal	9	6.3%	
Oil/Gas	9	6.3%	

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Weightings of Sectors Represented in the Company Charts			
Mineral Sands	7	4.9%	
Graphite	8	5.6%	
Zinc	7	4.9%	
Silver	6	4.2%	
Lithium	6	4.2%	
Nickel	4	2.8%	
Potash/Phosphate	5	3.5%	
Cobalt	6	4.2%	
Uranium	3	2.1%	
Bauxite	3	2.1%	
Tin	3	2.1%	
Diamonds	2	1.4%	
Iron Ore	1	0.7%	
Other	7		
Total	144		

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