

Clear sailing in our equities market

We continue to see a healthy market with plenty of companies raising funds. The Dow is setting the pace with every other market falling into line. Our Sentiment Index continues to rise. The percentage of stocks in uptrend is a healthy 50%, but a long way short of looking topky just yet. That would happen if the figure rose to 60-65% in uptrend.

Differences of opinion regarding the lithium outlook

Money continues to pour into lithium stocks as if there is no tomorrow, but there is at least one institution that is preaching caution. Colonial First State was reported to be staying away from lithium even though it is bullish on electric vehicles. It believes that the lithium supply response will limit the upside, preferring copper and nickel as commodities that will benefit more due to supply constraints.

It is not unusual for 50-100 junior companies to focus on the latest hot commodity. We saw it with uranium a decade ago, and we saw it recently with graphite. There were only two new uranium producers and the only real new graphite producers are First Graphene and Syrah, that are both commissioning projects (very different scales and grades). Lithium might be different though, with quite a few companies making progress towards production. The 240% increase in the lithium price since 2015, has been a major impetus, but will the price stay up there? How much of this has been due to speculation?

The other battery input commodity, cobalt, looks an even better bet for tightness of supply.

Disclosure: The author is chairman of First Graphene Ltd and interests associated with the author hold a sizeable number of shares in FGR. FEC has received capital raising fees from FGR.

New batteries are needed for EVs to be genuinely environmentally friendly

At some point in our lives, usually as children, we are taught we should tell the truth. Yet the further we travel in life the more we see how society is dominated by untruths almost to the point now, with modern communication and media, that the first thing we should be doing is questioning the veracity of what is said to us. Truth is a concept and as such, can be very flexible in the hands of marketers, promoters, governments and those promoting social change. These people start with what they think is a good idea, in their opinion, and they proceed to distort the facts to support their views.

Take electric cars as an example. There is a mighty boom in battery input stocks such as lithium and cobalt, and to a lesser extent graphite, on the understanding that electric vehicles are going to take over the world in the near future. Governments are legislating to phase out the internal combustion engine and companies such as Volvo have

said they will stop producing them, but how green are EVs really?

The Norwegian University of Science and Technology recently published a study that says larger electric vehicles have higher lifecycle greenhouse gas emissions than smaller conventional vehicles. It makes the point that this socially green move towards EVs has not been properly assessed for economic or scientific merit. A proper study would look at not only what comes out of the exhaust pipe, but also the supply chain of raw materials for manufacturing of EVs. Government policy dictating the future of vehicles is being made on incomplete information. As an example, there is no consideration of the energy consumed, and the pollution created, in manufacturing lithium-ion batteries and their subsequent disposal when they have expired. It is easy to achieve the desired (biased) conclusion if you only look at the part of the story that supports your case. See the following link for the report.

https://www.ntnu.edu/documents/140152/622066862/Skonhofs_2014.pdf/f3e76873-f739-42ae-9fff-dee25ed0f6cd

Who is it that benefits and loses? Clearly the consumers will be the losers as they are forced into products that are costing more. It has been estimated that the average power bill per household in Australia has risen by \$300 p.a. because of the subsidies being offered to "green" power in Australia. Companies that are supplying this green power are the winners with their businesses being underwritten by government regulations. It is another example of wealth transfer promoted by the affluent greens, but the man in the street is the loser. I suppose that if you are an investor you can balance this out by buying shares in companies that benefit from this social engineering. That is why we can make money out of lithium and cobalt stocks just now.

Looking a little further into the future, the BEST Battery could rectify some of the issues. It won't use the metals needed for lithium-ion batteries and it won't present environmental disposal problems. Its greater efficiency and longer life, combined with reduced weight would make it the first truly environmentally friendly battery - power without pollutants. The science works, now they have to be scaled up.

MacPhersons good drill results continue

Last year we commented on MRP a few times, inspired by some very good intercepts (including 163m at 4.29 gpt, uncut) and the perception that the market didn't understand what was happening at Boorara. The shares went for a run from about 10¢ to 29¢, but they have been drifting ever since. Still, the good drill results keep coming.

On Thursday, MRP released the latest round of drill results including 99m at 2.09 gpt, 38m at 1.44 gpt, 14m at 3.77 gpt and 85m at 1.33 gpt. These are part of a 37,000m RC drill program.

Individual drill holes should never be viewed in isolation as they have to be considered in the context of a complete

program. Nevertheless, most deposits need some sexy intercepts to balance out the lesser hits. Boorara has been a challenging project to drill due to three differently orientated vein geometries, but there is no doubting that there is a significant gold resource, easily in the range of 0.5-1.0 mill. oz. The official JORC resource is 232,000 oz, but a trial mining exercise has shown that to be conservatively stated with respect to grade. The next update, scheduled for March 2018, will incorporate the current drilling program and include extensions at depth and along strike. It will also be influenced by a very deep diamond drill hole currently being drilled. This is expected to hit mineralisation at 770m downhole. If this is successful it will further add to the belief that this could be another Mt Charlotte-style deposit, which had a gold endowment of six million ounces. The geology already looks very similar. We are still looking for a re-rating of this stock once the analysts start to give it some coverage.

Marmota making good progress & another placement

A little gold exploration stock that we helped out a few months ago in a placement at 1.7¢ was Marmota (MEU). Since then it has received excellent metallurgical test results and it has executed a strategic alliance with WPG Resources (WPG), the owner of the Challenger gold mine and treatment plant. This is conveniently located 50 km SW of Aurora Tank, Marmota’s leading project.

Challenger is a mine that was originally developed by Dominion, then taken over by Kingsgate. WPG picked it up after the plant had been shut down due to dwindling reserves. WPG is under the pump to find additional mill feed near the plant. It has its own exploration program and a minority stake in a JV with Tyranna (TYX), which has been finding some good gold, but relations between the partners have been somewhat testy in the past. It works for WPG to have alternative sources of mill feed, and MEU might be able to quickly convert exploration success to

cash flow, if a suitable deal can be negotiated. It is a convenient position to be in, for a junior company.

Marmota is currently in a trading halt while it puts away another small placement of \$1m at 2¢ per share.

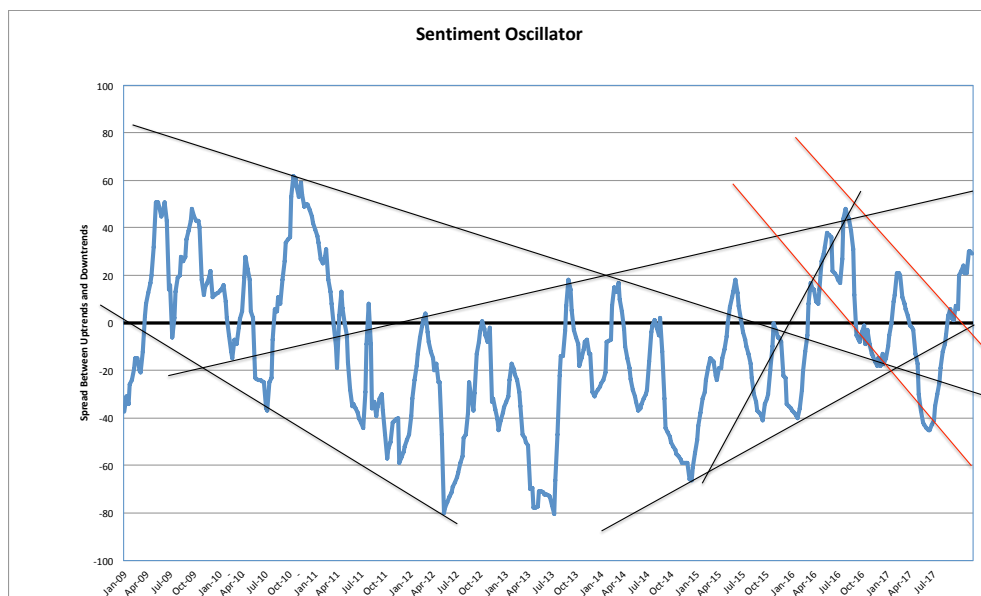
Draig intercept and placement

Another exploration stock that FEC helped in a placement recently was Draig Resources, the new vehicle being run by Steve Parsons. Everything seems to be going very well with this company. Those who took the placement at 5¢, in August, will be happy with the price now trading above 20¢. The shares received a boost recently with a 5m intercept at 37.5 gpt gold near the Bellevue gold mine. The significance of this intercept is that it wasn’t the faulted extension of the previously mined orebody. It was on the adjacent Tribune Lode structure. The story is becoming more expansive.

With the wind in its sails Draig knocked out another quick placement, this time raising \$5m at 20¢ per share. Interestingly the ASX release said there was no underwriting, but the fee was \$350,000. That works out at 7% of the funds raised; not a bad commission if you can get it!

There has been a negative though. An article in The Australian a week ago quoted a sizeable shareholder in Draig saying some rather imprudent things about “getting even” with Western Areas, because that company decided not to do a lithium deal with him. It is one thing to think these things, but it is a whole different level when you have those vengeful thoughts published in the newspaper. Whether that amounted to bullying, standover tactics or just a public venting, it was most inappropriate. I was quite shocked when I read the article.

Disclosure: FEC received fees for capital raising in Marmota and Draig Resources. It does not hold shares in these companies.



Sentiment Indicator: Sentiment has not changed much over two weeks. There were 50% (49%) of the charts in uptrend and 21% (19%) in downtrend on Friday’s close.







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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		back to recent highs	
Metals and Mining	XMM		into a steeper uptrend now	
Energy	XEJ		at high	
Stocks	Code		Trend Comment (updated comments in bold)	Main Interest
ABM Resources	ABU		breached trend line	gold
Aeon Metals	AML		back to highs	copper + cobalt
Alacer Gold	AQG		holding uptrend	gold – production
Alkane Resources	ALK		breached steepest downtrend	gold, zirconia
Acacia Resources	AJC		Sideways at the bottom	coal
Agua Resources	AGR		back in downtrend	phosphate
Alicanto Minerals	AQI		sideways	gold exploration
Allegiance Coal	AHQ		support at 3¢	coal
Alliance Resources	AGS		sideways	gold exploration
Alltech Chemicals	ATC		stronger	industrial minerals
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		back to lows	polymetallic
Artemis Resources	ARV		slump	gold, nickel
Aspire Mining	AKM		new low	coal
Aurelia Metals	AMI		on support line	gold + base metals
Auroch Minerals	AOU		testing uptrend	exploration
Aus Tin	ANW		edging higher	tin, cobalt
Australian Bauxite	ABX		down	bauxite
Australian Potash	APC		breached downtrend	potash
Australian Mines	AUZ		working around highs	cobalt/nickel
Australian Vanadium	AVL		off its high	vanadium
Avanco Resources	AVB		sideways	copper
AWE	AWE		stronger on takeover approach at 71¢	oil and gas
Azure Minerals	AZS		strong rise and share consolidation	silver
BHP	BHP		stronger	diversified
Base Resources	BSE		rallying	mineral sands
Bathurst Resources	BRL		breaching downtrend	coal
Battery Minerals	BAT		back to recent lows after placement	graphite
BBX Minerals	BBX		suspended	gold
Beach Energy	BPT		rising	oil and gas
Beadell Resources	BDR		around lows again	gold
Berkeley Resources	BKY		more gentle uptrend	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		testing uptrend	gold exploration
Cassini Resources	CZI		rising	nickel/Cu expl.
Chalice Gold	CHN		surge	gold
Cobalt One	CO1		back in downtrend	cobalt
Cobalt Blue	COB		spiked higher	cobalt

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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
Energia Minerals	EMX		weak	zinc
Evolution Mining	EVN		gently stronger	gold
Excelsior Gold	EXG		slump, testing uptrend	gold
Finders Resources	FND		stronger	copper
First Australian	FAR		testing uptrend	oil/gas
First Graphite	FGR		strong rise	graphite
Fortescue Metals	FMG		downtrend forming	iron ore
Galaxy Resources	GXY		steeply higher	lithium
Galilee Energy	GLL		surge out of downtrend	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
Iluka Resources	ILU		surged higher	mineral sands
Image Resources	IMA		spiked higher	mineral sands
Independence	IGO		pullback	gold, nickel
Intrepid Mines	IAU		sideways	copper
Karoo Gas	KAR		spiked higher	gas
Kibaran Resources	KNL		breached downtrend	graphite
Kin Mining	KIN		rallying	gold
Legend Mining	LEG		rising	exploration
Lepidico	LPD		another steep rise	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		spiked higher	tin, nickel
Metro Mining	MMI		stronger	bauxite
Mincor Resources	MCR		spiked higher	nickel
Mineral Deposits	MDL		on support line	mineral sands
Mustang Resources	MUS		collapse	diamonds, rubies
Myanmar Minerals	MYL		rising on re-listing	zinc
MZI Resources	MZI		testing downtrend	mineral sands
Northern Cobalt	N27		strong rise	cobalt
Northern Minerals	NTU		down again	REE
Northern Star Res.	NST		rising again	gold
NTM Gold	NTM		uptrend forming	gold
Oceana Gold	OGC		down after steep fall	gold
Oklo Resources	OKU		back to highs	gold expl.
Orecorp	ORR		strong rally	gold development

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Orinoco Gold	OGX	■	collapse on 1 for 2 issue	gold development
Orocobre	ORE	■	stronger	lithium
Oz Minerals	OZL	■	bounced off support line	copper
Pacific American Coal	PAK	■	good bounce to meet resistance line	coal, graphene
Pantoro	PNR	■	breached uptrend	gold
Panoramic Res	PAN	■	surge through downtrend	nickel
Peel Mining	PEX	■	another spike on big zinc hit	copper
Peninsula Energy	PEN	■	testing downtrend	uranium
Perseus Mining	PRU	■	breaching uptrend	gold
Pilbara Minerals	PLS	■	steeply higher	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	■	sideways	gold
RIO	RIO	■	rising	diversified
Salt Lake Potash	SO4	■	testing short term uptrend	potash
Saracen Minerals	SAR	■	holding long term uptrend	gold
St Barbara	SBM	■	new high	gold
Sandfire Resources	SFR	■	breaching downtrend	copper
Santana Minerals	SMI	■	short term down	silver
Santos	STO	■	steeply higher	oil/gas
Sheffield Resources	SFX	■	correcting after issue	mineral sands
Silver Lake Resources	SLR	■	heavy fall	gold
Silver Mines	SVL	■	down again	silver
Sino Gas & Energy	SEH	■	breached steepest downtrend	gas
Southern Gold	SAU	■	gentle LT uptrend	gold
Stanmore Coal	SMR	■	rising	coal
Sundance Energy	SEA	■	new uptrend started	oil/gas
Syrah Resources	SYR	■	stronger	graphite
Talga Resources	TLG	■	downtrend	graphene
Tanami Gold	TAM	■	down	gold
Tempo Australia	TPP	■	sideways to higher	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	■	down	gold
Vimy Resources	VMY	■	testing downtrend	uranium
West African Resources	WAF	■	uptrend	gold
Westwits	WWI	■	new uptrend on Pilbara deal, but pullback	gold exploration/development
Western Areas	WSA	■	new uptrend	nickel
White Rock Minerals	WRM	■	sideways	silver
Whitehaven Coal	WHC	■	gently higher	coal
WPG Resources	WPG	■	rallying from lows	gold
Wolf Minerals	WLF	■	testing downtrend	tungsten
Totals	50%	73	Uptrend	
	21%	31	Downtrend	
		145	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.

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- 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	22.1%
Gold Exploration	16	11.0%
Copper	11	7.6%
Coal	9	6.2%
Oil/Gas	9	6.2%
Mineral Sands	7	4.8%
Graphite	8	5.5%
Zinc	7	4.8%
Silver	6	4.1%
Lithium	6	4.1%
Nickel	4	2.8%
Potash/Phosphate	5	3.4%
Cobalt	6	4.1%
Uranium	3	2.1%
Bauxite	3	2.1%
Tin	2	1.4%
Diamonds	2	1.4%
Iron Ore	1	0.7%
Other	8	
Total	145	

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