

Westfarmer's bid for Lynas points to a future in neodymium (Nd) and praseodymium (Pr)

The testing of the uptrend in the All Ords we noted at the end of the previous week turned into the beginning of a correcting pattern last Monday, in a predictable response to the slump in the Dow on the previous Friday. This shouldn't have been surprising as it has been an extraordinarily good run upwards, given what is happening in the world. The Energy index likewise is turning down but the Mining Index seems wants to go higher.

The strength on the Dow on Friday night suggests that we should have good opening to the week, though the weaker gold price at the end of last week will dampen enthusiasm for that sector.

Media commentary is often "off-the-cuff"

The media commentary on Tuesday said the fall in the markets was due to concerns regarding the slowing economic growth around the world, but what is new here? The slowdown has been obvious and in the markets for months. Maybe the media isn't qualified to give commentary on why markets move, as it usually clutches at the closest straw.

With the increasing regulation of the securities industry, at what point should media comments require an AFS Licence or at least a qualified person, given the impact that they could have on investors and markets? Perhaps we just supposed to be smart enough to realise that the media has no idea what it is saying, and therefore we should know to ignore it?

Takeover bid proposal for Lynas

In a move that surprised most analysts and shareholders, Westfarmers (ASX:WES) has made a conditional, non-binding indicative proposal to acquire Lynas for \$2.25 a share, payable in cash, pursuant to a scheme of arrangement. The proposal is a premium of 44.7% to the last closing price and a premium of 36.4% to the 60-day weighted average price of Lynas to 25 March 2019. There are many bridges to cross before a deal like this is finalised so there is no certainty of closure, but let's look at the strategic significance and its implications for other stocks.

Battery material shares have been in the spotlight for a few years now with speculation on commodities such as lithium, cobalt and graphite causing wild fluctuations in both the prices of the commodities and the share prices of the players. It has been just as easy to lose money as it has been to make it. Much of the debate has been about supply responses and the development of new technology, but there are so many different stories and devices being promoted that it is very hard to tell (or guess) which will be the dominant ones. Any junior company suggesting that it has the key to the future, be it in cathodes, anodes, battery design or any other related product is facing stiff competition.

How is this relevant to the Westfarmers move? Well, that company is obviously trying to position itself to benefit from the alternative energy and EV revolution. It doesn't want to grow organically. It doesn't want to become involved with the uncertainty regarding the supply chain or developing new mines, which would make it a commodities company. It wants to think more strategically. It wants a position in the supply of neodymium (Nd) and praseodymium (Pr) oxides which are essential in the manufacturing of magnets for electric vehicles and wind turbines. So, it goes on the acquisition trail.

While China accounts for 80-90% of global NdPr supply, observers are saying that it will become an importer before 2020, and its domestic resources of NdPr will be exhausted by 2025. A report by Michael Prassas in February 2018, commissioned by Peak Resources, referred to neodymium and praseodymium as being "the biggest blind spot in the global commodity market". Virtually all electric vehicles will use a NdFeB permanent magnet motor. Wind turbines are also switching to this technology. It is unavoidable.

So, if you are confident that Westfarmers has done its homework and it can see over the horizon, shouldn't we be looking at ways to benefit from this signal? You should read our Weekly of 8th December 2019 (on the FEC website), when we first mentioned this specialist sector and provided an introduction to Peak Resources. Since then another NdPr stock has come to our attention; Pensana Metals (ASX:PM8). Pensana aims to produce concentrates for sale to China, preferring to accept lower operating margins per tonne in exchange for lower capital costs. When the big end of town moves into a sector then it is usual for the interest to trickle down to the juniors, so watch these companies.

Disclosure: Interests associated with the author own shares in Peak Resources and Pensana Metals.

Synthetic graphene preferred for anodes

JF reported in his weekly publication that Chinese graphite downstream players prefer synthetic graphite over natural graphite when using it for anode production, even though it probably costs twice as much. The reason is that they can have much better control over quality and they are prepared to pay a huge premium for that quality.

Where does this leave all of the emerging graphite producers? Can they provide some other advantage of incentive to make their products more acceptable? It is a high risk strategy to develop a mine and hope that you can find buyers, especially when buyers aren't going to commit

until they see a track record of high quality supply. All of the off-take agreements that have been announced will all have release clauses if the quality doesn't meet specification, so don't assume they are risk free.

Exore is a gold explorer to watch

Perhaps the most promising new gold explorer that I saw at the Capetown 121 Conference in February, was Exore Resources (ERX) with its high grade Bagoé Project in Côte d'Ivoire. On 12 March, it released some good RC intercepts from the Antoinette prospect. Rather than quote individual intercepts, which can often be misleading, it is better to refer to the conclusion that there are multiple lodes open in all directions. Phase One of the program comprised 62 drill holes for approximately 8,500m, infilling on 40-50m spacings. The high grade gold mineralisation dips between vertical and -50 degrees. The cross section suggests a small open pit followed by underground development, but it is still early in the exploration phase of the project.

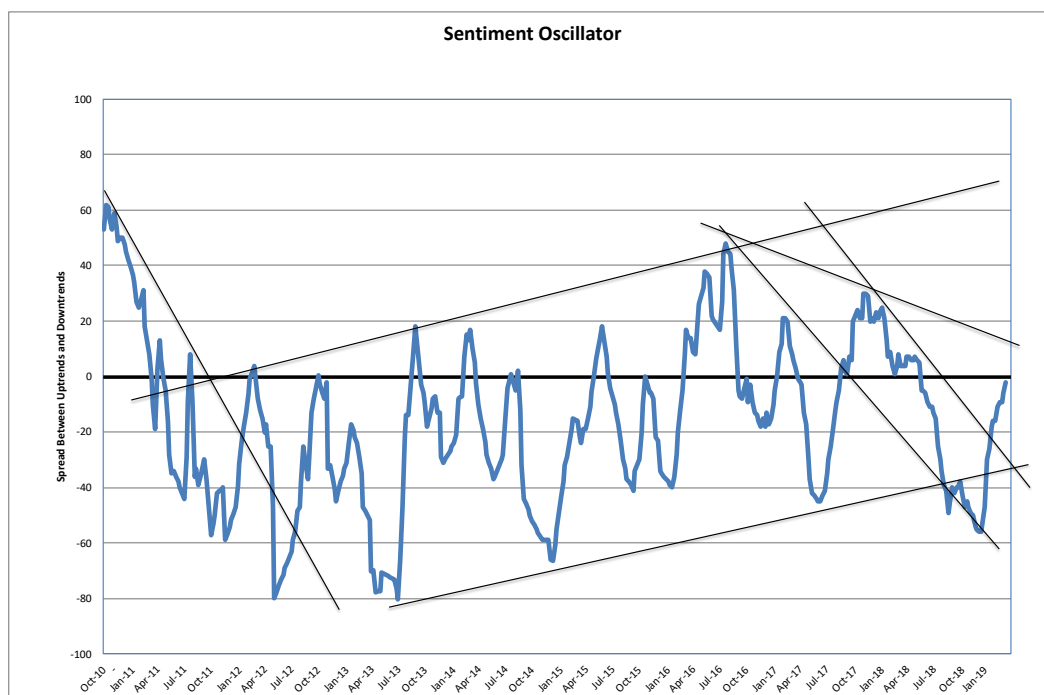
Subsequently, on the 18th of March, air core drilling results were announced for the Veronique target. Declaring it to be

a "new discovery", there were five widely-spaced (400m apart) traverses testing 1.6 km of strike of the 8 km long anomaly. This was approximately 12m south of the Antoinette Central discovery.

ERX is acquired an 80% interest in the project from Apollo Consolidated (AOP), by issuing Apollo 90 million shares, being 19.4% of the issued capital of Exore at the time. Apollo will be free carried with 20% of the project until the "decision to mine".

As at 31/12/18, ERX had a cash balance of \$14.2m. Its market capitalisation on Friday's close was \$37m, having doubled in price since October.

Disclosure: Interests associated with the author own shares in Exore Resources











































Sentiment Oscillator: Sentiment continued to improve. There were 33% (32%) of the charts in uptrend and 35% (37%) in downtrend on Friday's close. Thus it is close to equilibrium, having had a very good run over the last couple of months. Still, you have to have been in the right stocks to have benefited.

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	breached uptrend	
Metals and Mining	XMM	new high	
Energy	XEJ	turning down	
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
Anova Metals	AWV	new low on poor production report	gold
Apollo Consolidated	AOP	breached downtrend	gold exploration
Argent Minerals	ARD	still in downtrend	silver
Aurelia Metals	AMI	new high	gold + base metals
AusTin	ANW	holding support line	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	correcting near highs	diversified
Base Resources	BSE	risen to long term resistance	mineral sands
Bathurst Resources	BRL	testing resistance line	coal
Battery Minerals	BAT	new uptrend forming	graphite
BBX Minerals	BBX	rising again	gold
Beach Energy	BPT	surged higher	oil and gas
Bellevue Gold	BGL	new high	gold
Berkeley Energia	BKY	consolidating pattern after steep rise	uranium
Blackstone Minerals	BSX	back to lows	gold, cobalt
Breaker Resources	BRB	up again	gold
Broken Hill Prospecting	BPL	new low	minerals sands
Buru Energy	BRU	breaching downtrend	oil
Cardinal Resources	CDV	new low	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
Cobalt Blue	COB		new low	cobalt
Comet Resources	CRL		heavy correction	graphite
Dacian Gold	DCN		breached uptrend	gold
Danakali	DNK		sideways	potash
Davenport Resources	DAV		down	potash
Doray Minerals	DRM		rising	gold
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		surged higher	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		suspended	gold
Gold Road	GOR		rising	gold exploration
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
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
Jervis Mining	JVR		testing uptrend	nickel/cobalt
Jindalee Resources	JRL		down	lithium
Karoo Gas	KAR		breached downtrend	gas
Kasbah Resources	KAS		holding new uptrend	tin
Kibaran Resources	KNL		downtrend	graphite
Kin Mining	KIN		heavy fall	gold
Legend Mining	LEG		stronger	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
Marmota	MEU		sideways	gold exploration

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MetalsX	MLX		down heavily	tin, nickel
Metro Mining	MMI		new low	bauxite
Mincor Resources	MCR		breached resistance	gold
Musgrave Minerals	MGV		down	gold exploration
Myanmar Minerals	MYL		uptrend	zinc
Nelson Resources	NES		still struggling in downtrend	gold exploration
Neometals	NMT		down	lithium
Northern Cobalt	N27		down again	cobalt
Northern Minerals	NTU		spike out of downtrend	REE
Northern Star Res.	NST		struggling with uptrend	gold
NTM Gold	NTM		sideways	gold
Oceana Gold	OGC		bounce off support line	gold
Oklo Resources	OKU		down	gold expl.
Orecorp	ORR		rising	gold development
Orinoco Gold	OGX		down	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		in wedge	rare earths
Peel Mining	PEX		testing downtrend	copper
Peninsula Energy	PEN		new uptrend	uranium
Pensana Metals	PM8		sideways	rare earths
Perseus Mining	PRU		rising	gold
Pilbara Minerals	PLS		testing downtrend	lithium/tantalum
PNX Metals	PNX		lower	gold, silver, zinc
Polarex	PXX		new low	polymetallic exploration
Prodigy Gold	PRX		testing downtrend	gold exploration
Real Energy	RLE		slump after placement	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
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		down	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

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Strandline Resources	STA		down	mineral sands
Sundance Energy	SEA		testing downtrend	oil/gas
Syrah Resources	SYR		new low	graphite
Talga Resources	TLG		steep rise	graphite
Tanami Gold	TAM		breached downtrend	gold
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
Whitehaven Coal	WHC		breached ST downtrend, resistance at \$5-\$5.20	coal
Totals	33%	46	Uptrend	
	35%	48	Downtrend	
		139	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	35	25.2%	
Gold Exploration	14	10.1%	
Graphite	8	5.8%	
Nickel	8	5.8%	
Coal	8	5.8%	

Oil/Gas	8	5.8%	
Lithium	8	5.8%	
Copper	6	4.3%	
Mineral Sands	6	4.3%	
Zinc/Lead	6	4.3%	
Potash/Phosphate	5	3.6%	
Cobalt	4	2.9%	
Tin	3	2.2%	
Uranium	3	2.2%	
Rare Earths	4	2.9%	
Silver	1	0.7%	
Bauxite	2	1.4%	
Diamonds	1	0.7%	
Vanadium	2	1.4%	
Iron Ore	1	0.7%	
Other	6		
Total	139		

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