

Alicanto and Pacific American should be on your radars

Even though there has been talk about an economic slowdown in Australia in the past week, the All Ordinaries has broken the short term downtrend that has seen it give back some of its gains. It has been a continuation of the same themes that have dominated the market for some weeks now. Still, it still looks like we have seen the high point of the market for 2019.

Where it will go, or even where it should go from here, is less than clear. We are still seeing volatility in the Dow based on the frequency of Trump's tweeting and the implications for the trade war, with the gold price usually moving in the opposite direction to the Dow. Hong Kong is still a worry as the world watches to see what China does. The UK, the home of Westminster-style democracy, is a complete shambles. Democracy is on the decline as autocrats and mercantilism are on the ascendency. It is a world of chaos right now.

Pacific American - waiting for news from the US

On the 22 May 2019, Pacific American Holdings (PAK) announced that it had appointed the US investment bank, B.Riley FBR Inc, to advise on fund raising and investment options in relation to the Elko coking coal project in British Columbia. Since then the analysts and bankers at B. Riley have been busily working away doing due diligence and comparative analysis in preparation for what could be a transformational transaction for Pacific American. We are getting to the pointy end of the process and hoping for news on the dealings over the coming weeks.

It was 12 months ago that FEC commissioned experienced mining analyst, Mike Harrowell, to complete a detailed research paper on PAK. He came up with a risked valuation of 30¢ a share for PAK based on 2 Mtpa coking coal operation costing US\$235m, with cash operating costs of US\$65-90 pt and a coal price of US\$140 pt. At the time the market capitalisation was only \$7.8m whilst the company had a cash balance of \$4m. Yet, the market chose to overlook the glaring disparity between the perceived value and the market capitalisation.

Since then the resource has increased from 257 Mt to 303 Mt of hard coking to PCI coal (JORC compliant) with a strengthening of the categories; 117 Mt is Measured. A 1.75 to 2 Mtpa development is being considered, with a 20 year mine life, with cash costs of US\$80-\$100 pt.

Perhaps Australian investors don't appreciate the quality, and mineability of coking coal in BC. Elko is surrounded by mines operated by Teck, to the West, North and East. It is only 20 km from a rail head that would transport the coal to ports near Vancouver that have plenty of capacity. The distance to Asian markets is either less, or the same, as shipping coal from Australia. Canadian producers may even be at an advantage over Australian companies going forward, given that China seems prepared to penalise

Australian exporters (see recent news flow on thermal coal ships awaiting to offload into Chinese ports).

If investing in the stock market is all about relative value amongst peers, then consider the following table. Of course, when determining where the best value is, one has to look at many other factors such as the mining method, operating and capital costs, time to development, mine life, dilution due to financing etc etc., so this table should be seen as superficial. Nevertheless, the discount on Pacific American based on market capitalisation per tonne of resources must be seen as extraordinary. We will see just how extraordinary when the Company releases more details about what is happening over there with the USA initiative.

In my opinion, as a substantial shareholder in PAK, I can see room for a 5-10x uplift in the share price. It is not often that you are presented with this sort of risk/reward equation.

Company	Resource Mt	Equity	Mkt Cap	Mkt Cap/tonne
Pacific American	303	100%	A\$6.2m	\$0.02
Allegiance (i)	125	70%	A\$68m	\$0.78
Allegiance (ii)	230	100%	A\$68m	\$0.30
Allegiance Total	318		A\$68m	\$0.21
Atrum Coal	298	100%	A\$147m	\$0.49
Jameson Res.	98	50%	A\$47m	\$0.96

Allegiance (i) and (ii): In addition to the 125 Mt Telkwa project in BC, AHQ is acquiring a 100% equity in the New Elko coal mine in Colorado (currently on care and maintenance), with mineable resources of approximately 230 Mt. NB: Cash balances are low for all companies so cash balances have been ignored.

Disclosure: Interests associated with the author amount to a substantial shareholding in PAK. Corporate fees have been received over the last two years

Alicanto starting to drill two projects

The trading in Alicanto picked up during the last two weeks following a couple of announcements, and a small \$930,000 placement at 5.2¢. The first release detailed the commencement of a 12,000m diamond drilling program at the Arakaka Gold Project in Guyana, funded by Nord Gold. This will test four stacked, sub-parallel, low dipping mineralised gold zones along 3,300m of strike. This project

has been hard work for AQI to date, but the company is optimistic that this new JV could be more rewarding.

Rather more exiting in the near term are high grade copper/zinc/gold/silver projects in the Bergslagen mining district in Sweden. When the company saw that the Guyana properties were struggling it decided to open up a new frontier. After looking long and hard it decided that Sweden was the place to go (much cooler, no piranhas or vampire bats, and much much better roads). The project is in Boliden's backyard, where a number of world class orebodies have been mined over the decades.

At **Naverberg**, where there is a 30km long VMS mineralised trend, rock chip sampling has returned zinc grades of 11%, 7.2% and 4.4%, with copper and lead grades of 4.4% and 2.9%, and lead and silver. This means that there is strong mineralisation in the system but we already knew that. The real focus will be the drilling that will start soon. One target is the extensions of the Skyttgruvan zinc ore body which historically returned amazing grades up to 38% Zn. **Oxberg** has similarly returned recent rock chip samples of 4.4% and 3.7% copper, with even higher historical grades from targets that will soon be drilled.

With a market capitalisation of \$11.7m the company is modestly priced at 6.8¢. As usual, the future share price movements will depend upon how it goes with the drilling, but the company seems confident that it will deliver some very good results. It has undertaken a detailed study of the geology and it believes it has a better handle on it than the previous owners. We shall soon see.

Disclosure: Interests associated with the author own shares in Alicanto and is in receipt of capital raising fees.

Tin - sometimes I ask, "why bother?"

Tin is one of those commodities that always seems to "under-deliver", at least for investors. It is a small physical market and there are not many listed tin companies. We cover AusTin, Kasbah and Metals X, more so that we can keep an eye on the sector rather than anything else. All three of these look sick on the charts, which is understandable given the tin price and the outlook.

The tin price recent hit a three year low at US\$16,255 pt due to a weakness in demand. The largest end-use of tin is the soldering in semiconductors, accounting for 47% of demand. Global semiconductor sales fell 14.5% in the six months to June YoY.

I have lost count of how many times a tin company has told me that there is a supply squeeze coming, only to find that there is another source - usually from SE Asia - to put a lid on any rise in the tin price. A geologist once told me that there will never be a shortage of tin in the world owing to the extensive alluvial sources of tin in that part of the world. The numbers will never appear in official global estimates, but artisanal workers know where to get tin whenever the market shows any strength in demand.

Invariably these companies have also failed to deliver for shareholders over the years. So, one could be forgiven for ignoring them, but every now and then a in company does the rounds to try and stimulate some interest.

Greenies ... you need to get rid of your big dogs!

A revealing article in the Sun-Herald last weekend disclosed that if you owned a large dog you actually have a larger carbon footprint than owning two Toyota Landcruisers. What about a carbon tax on the dogs?

Why aren't the Pacific island countries calling for an end to all large dogs as they are contributing to the bleak outlook due to climate change. Actually, why don't they put more pressure on China, the world's worst offender, to reduce carbon emissions, rather than just accepting bribes from China.

But seriously folks, to what extremes do you want to go to in the McCarthyism-style prosecution of the climate change debate?

Australia - the land of over-regulation

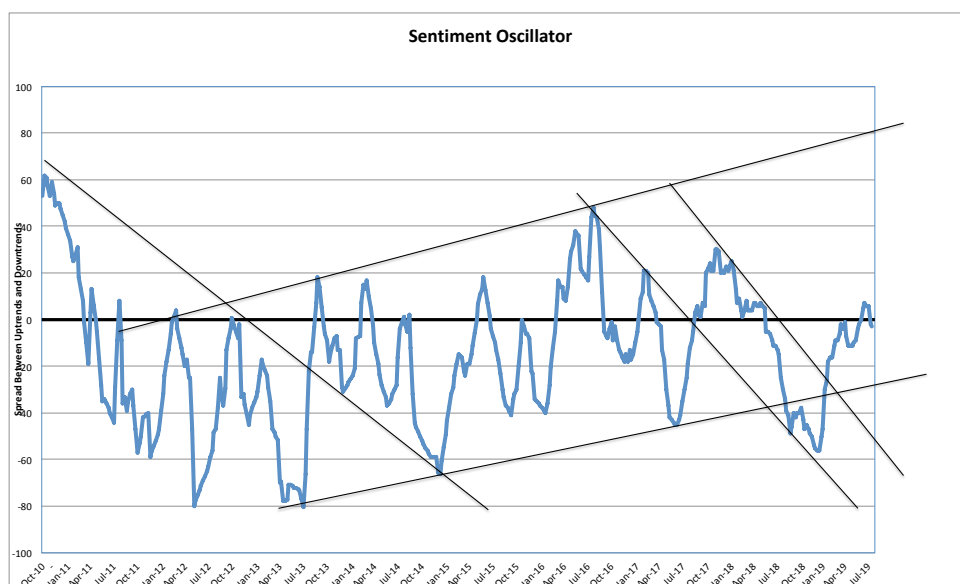
Today, in my position as a company director, I was presented with a resolution to sign that bound me to agree to anti-slavery and whistleblowing resolutions. The supporting documentation comprised 16 pages. WTF!

Australia was recently quoted as the most over-regulated Westminster-style governed country in the world owing to its obsession with laws. Every time someone isn't happy with the way the system works there is an outcry in favour of a new law or regulation to prevent the offending event happening again, rather than introducing counselling or education. The obsession with the rigid codification of rules governing everyday conduct, in preference to the evolution of precedent and case law, means that we are increasingly being subjected to inflexible and ill-thought out rules that are strangling our society. We may have a democracy, in theory, but every day it is increasingly resembling a police state that leaves no room for personal judgement as it replaces ethics with rules. We are having our moral compasses being superseded by dictatorial directives.

It is not that I'm in favour of slavery. Of course I am not. It is not that I don't think whistleblowers shouldn't have protection, but one man's whistleblower could easily be another man's viscous and vindictive "failed" employee. Apart from that, it is very anti-Australian to "grass someone up". It is part of our culture to despise laggards, though there are examples where we do need more courageous people to stand up to stamp out injustice. It should be part of every person's moral compass.

What sort of left wing rocket scientist came up with the idea that companies should make directors sign such resolutions? What effect will they have anyway? Good people should know how to behave without such regulation. Bad people will sign the resolutions just to get on with life, and then act as if they don't exist. Many people will waste time and effort in complying when they should be getting on with managing a business, according to well established principles and ethics, rather than kowtowing to trendy political correctness. This world is indeed becoming increasingly and pathetically illogical. Personally, I believe the Ten Commandments cover just about everything, even today.

NB: Charts will not be updated for several weeks due to overseas travel that will include investors briefings for First Graphene in the USA and Dubai, and a field trip to see Alicanto's Swedish drilling programme. There may be comments that I write while travelling but I can't do the charts.






Sentiment Oscillator: Sentiment is still slightly negative. There were 36% (37%) of the charts in uptrend and 39% (39%) 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	breached short term downtrend	
Metals and Mining	XMM	breached uptrend	
Energy	XEJ	breached uptrend	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Alpha HPA		new uptrend forming	HPA
Adriatic Resources	ADT	broad, shallower uptrend	zinc
Aeon Metals	AML	new low	copper + cobalt
Alacer Gold	AQG	new high	gold – production
Alkane Resources	ALK	sideways at its highs	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Alchemy Resources	ALY	breached uptrend - rights issue	nickel, cobalt
Alicanto Minerals	AQI	at recent highs - placement being done	gold exploration
Allegiance Coal	AHQ	resistance ar 15¢	coal
Alliance Resources	AGS	could be a new uptrend starting	gold exploration
Altech Chemicals	ATC	sideways	industrial minerals - synthetic sapphire
Apollo Consolidated	AOP	rising	gold exploration
Arafura Resources	ARU	down	rare earths
Argent Minerals	ARD	new uptrend	silver
Aurelia Metals	AMI	breaching downtrend	gold + base metals

AusTin	ANW		new low	tin, cobalt
Australian Bauxite	ABX		breached uptrend	bauxite
Australian Potash	APC		continuing with uptrend	potash
Australian Mines	AUZ		breaching downtrend	cobalt/nickel
Australian Vanadium	AVL		new low	vanadium
BHP	BHP		heavy slump	diversified, iron ore
Base Resources	BSE		sideways	mineral sands
Bathurst Resources	BRL		down	coal
BBX Minerals	BBX		down	gold exploration
Beach Energy	BPT		risen through resistance line	oil and gas
Beacon Mining	BCN		pullback	gold production
Bellevue Gold	BGL		correcting lower after placement	gold exploration
Berkeley Energia	BKY		in secondary downtrend	uranium
Blackstone Minerals	BSX		steeply higher	gold, cobalt
Bounty Coal	B2Y		still in downtrend	coal
Breaker Resources	BRB		drifting	gold exploration
Broken Hill Prospecting	BPL		steeply higher, then all the way back down	minerals sands
Buru Energy	BRU		testing uptrend	oil
Buxton Resources	BUX		continuing down	nickel exploration
Capricorn Metals	CMM		strong uptrend	gold
Cardinal Resources	CDV		breached downtrend	gold exploration
Cassini Resources	CZI		softer	nickel/Cu expl.
Celsius Resources	CLA		falling back to lows	copper/cobalt
Chalice Gold	CHN		new uptrend	gold exploration
Chase Mining	CML		uptrend breached	nickel/copper/PGE
Chesser Resources	CHZ		breached downtrend	gold exploration
Cobalt Blue	COB		breaching downtrend	cobalt
Dacian Gold	DCN		strong rise	gold
Danakali	DNK		sideways to lower	potash
Davenport Resources	DAV		down	potash
Egan Street Resources	EGA		under takeover offer, but weaker	gold
Emerald Resource	EMR		gentle downtrend	gold
Evolution Mining	EVN		new high	gold
Exore Resources	ERX		sideways	gold exploration
FAR	FAR		sideways at lows	oil/gas
First Graphene	FGR		short term down	graphene
Fortescue Metals	FMG		rallying	iron ore
Galaxy Resources	GXY		new low	lithium
Galena Mining	G1A		sideways movement	lead
Galilee Energy	GLL		new high	oil and gas, CBM
Gold Road	GOR		new high	gold
Graphex Mining	GPX		drifting lower	graphite
Heron Resources	HRR		new low	zinc
Highfield Resources	HFR		surge to new high then heavy pullback	potash

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Hillgrove Resources	HGO	sideways	copper
Iluka Resources	ILU	down heavily	mineral sands
Image Resources	IMA	testing uptrend	mineral sands
Independence Group	IGO	new high	gold, nickel
ioneer (was Global Geoscience)	INR	testing downtrend	lithium
Jervois Mining	JVR	sideways at lows	nickel/cobalt
Jindalee Resources	JRL	slump, testing support line	lithium
Karoon Gas	KAR	heavy retracement	gas
Kasbah Resources	KAS	new low	tin
Kibaran Resources	KNL	down	graphite
Kin Mining	KIN	slump out of uptrend	gold
Legend Mining	LEG	stronger	nickel exploration
Lepidico	LPD	down	lithium
Lithium Australia	LIT	new low	lithium
Lucapa Diamond	LOM	continuing downtrend	diamonds
Lynas Corp.	LYC	breached uptrend	rare earths
Mako Gold	MKG	rising off lows	gold exploration
Marmota	MEU	rising	gold exploration
MetalsX	MLX	rallying	tin, nickel
Metro Mining	MMI	back to downtrend	bauxite
Mincor Resources	MCR	continuing higher	gold
Musgrave Minerals	MGV	breached downtrend	gold exploration
Myanmar Minerals	MYL	down	zinc
Nelson Resources	NES	new low	gold exploration
Neometals	NMT	continuing down	lithium
Northern Cobalt	N27	breaching downtrend	cobalt
Northern Minerals	NTU	down	REE
Northern Star Res.	NST	breached uptrend	gold
NTM Gold	NTM	rising again	gold exploration
Oceana Gold	OGC	back into downtrend	gold
Oklo Resources	OKU	bounced off lows	gold expl.
OreCorp	ORR	rising again	gold development
Oro Verde	OVL	rising	rare earths
Orocobre	ORE	strong bounce	lithium
Oz Minerals	OZL	down	copper
Pacific American Holdings	PAK	sideways	coal
Pacifico Minerals	PMY	rising	silver/lead
Pantoro	PNR	down	gold
Panoramic Res	PAN	down	gold , nickel
Peak Resources	PEK	down	rare earths
Peel Mining	PEX	still down	copper
Peninsula Energy	PEN	down	uranium
Pensana Metals	PM8	down	rare earths
Perseus Mining	PRU	surge to new high	gold

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Pilbara Minerals	PLS	■	down	lithium
PNX Metals	PNX	■	new uptrend forming	gold, silver, zinc
Polarex	PXX	■	breached uptrend	polymetallic exploration
Prodigy Gold	PRX	■	correcting	gold exploration
Ramelius Resources	RMS	■	new high	gold production
Real Energy	RLE	■	new low	gas
Red5	RED	■	new high	gold
Red River Resources	RVR	■	now in secondary downtrend	zinc
Regis Resources	RRL	■	pullback	gold
Resolute Mining	RSG	■	surge higher	gold
RIO	RIO	■	short term down	diversified, iron ore
Salt Lake Potash	SO4	■	new high	potash
Saracen Minerals	SAR	■	breached uptrend	gold
St Barbara	SBM	■	breached uptrend	gold
Sandfire Resources	SFR	■	down	copper
Santos	STO	■	into uptrend	oil/gas
Saturn Metals	STN	■	uptrend	gold exploration
Sheffield Resources	SFX	■	rising again	mineral sands
St George Mining	SGQ	■	testing downtrend	nickel
Sipa Resources	SRI	■	recovered, to sideways pattern	general exploration - Ni,Cu, Co, Au
Stanmore Coal	SMR	■	new high	coal
Strandline Resources	STA	■	slump	mineral sands
Sundance Energy	SEA	■	heading lower	oil/gas
Syrah Resources	SYR	■	free fall on capital raising	graphite
Talga Resources	TLG	■	down	graphite
Technology Metals	TMT	■	sideways	vanadium
Tiger Realm	TIG	■	heavy slump on \$12m loss	coal
Troy Resources	TRY	■	testing downtrend	gold
Vango Mining	VAN	■	moving higher	gold
Vector Resources	VEC	■	suspended	gold
Venturex	VXR	■	down	zinc
Vimy Resources	VMY	■	sideways under LT downtrend	uranium
West African Resources	WAF	■	improving	gold
Westgold Resources	WGX	■	uptrend	gold
Westwits	WWI	■	down	gold
Western Areas	WSA	■	surge out of downtrend	nickel
Whitebark Energy	WBE	■	rising	oil and gas
Whitehaven Coal	WHC	■	down	coal
Yandal Resources	YRL	■	stronger	gold exploration
Zinc Mines of Ireland	ZMI	■	breached downtrend	zinc
Totals	36%	51	Uptrend	
	39%	56	Downtrend	
		143	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	33	23.1%	
Gold Exploration	19	13.3%	
Nickel	10	7.0%	
Oil/Gas	9	6.3%	
Coal	8	5.6%	
Lithium	8	5.6%	
Mineral Sands	6	4.2%	
Zinc/Lead	7	4.9%	
Rare Earths	6	4.2%	
Potash/Phosphate	5	3.5%	
Copper	5	3.5%	
Cobalt	4	2.8%	
Graphite	4	2.8%	
Tin	3	2.1%	
Iron Ore	3	2.1%	
Uranium	3	2.1%	
Bauxite	2	1.4%	
Vanadium	2	1.4%	
Silver	2	1.4%	
Diamonds	1	0.7%	
Other	3		
Total	143		

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