

## How not to create value for shareholders

The softness in the gold price continued to deflate the gold sector last week, but not in a dramatic fashion. Globally, markets generally took a breather after what has been a good, though short lived period of improvement. No new themes have surfaced.

### *China Slowdown*

China has come out and said what all have known for a long time; its economy is slowing further. Its first attempt at fessing up as to what is really happening was to say that GDP growth is not 6.5%, but will be in the range of 6-6.5%. Whatever the official numbers are, you can assume that they are largely fabricated. It is better to look at a range of other indicators to see if business activity is deteriorating or improving. At the moment it is a bit of a mixed bag.

### *How not to create shareholder value*

A question I often pose to CEOs when they are presenting their companies to me is, "What is your most important task?". The naive ones (most of them) say "Finding orebodies". Wrong!

The most important task is to ensure that their company is properly funded, for if it is not, its days are numbered. Junior companies have to be focused on survival first, and then achievement second. You can't do anything without money.

However, it should not be money at any cost. It is no good finding gold if you keep going back to the market to raise money at ever lower prices. That is just a sure fire way of destroying shareholder value.

It is not enough to judge a company on its geological merit. It has to have smart corporate management as well, if it is going to be worth investing in.

One of the best recent examples of shareholders' investments being butchered can be found in Golden Rim Resources (GRM). That company has just completed its fourth capital raising in 18 months. The timeline reads thus;

- Sept '17 - 2 for 5 rights issue at 3¢ (\$2.5m)
- Feb '18 - placement at 4¢ (\$3.5m)
- July '18 - placement at 2.6¢ & 1 for 2 options (\$3m)
- March '19 - placement at 1.3¢ (\$2.25m).

It also issued shares to the drilling company, effectively raising more than \$11.25m over the period under review.

Back in August 2017, the market capitalisation of GMR was \$10.7m. Today, after issuing shares in the latest placement, the market capitalisation will be \$8.4m. Who has made money out of this exercise? Anyone who has been there for the longer terms has not only been aggressively diluted, but the value of their holding has been significantly reduced. This has been an epic fail!

The fact that the company has announced 1.4 Moz in Burkina Faso during this period is of little comfort. If these trends continue, shareholders will only get poorer the more gold that is found. They should be asking why the CEO was paid \$400,443 in salary and option benefits in the year to 30 June 2018, up from \$339,835 in the prior 12 months.

*Disclosure: Interests associated with the author own shares in Golden Rim (but they wish they didn't).*

### *When is an agreement not an agreement? When it is an MoU.*

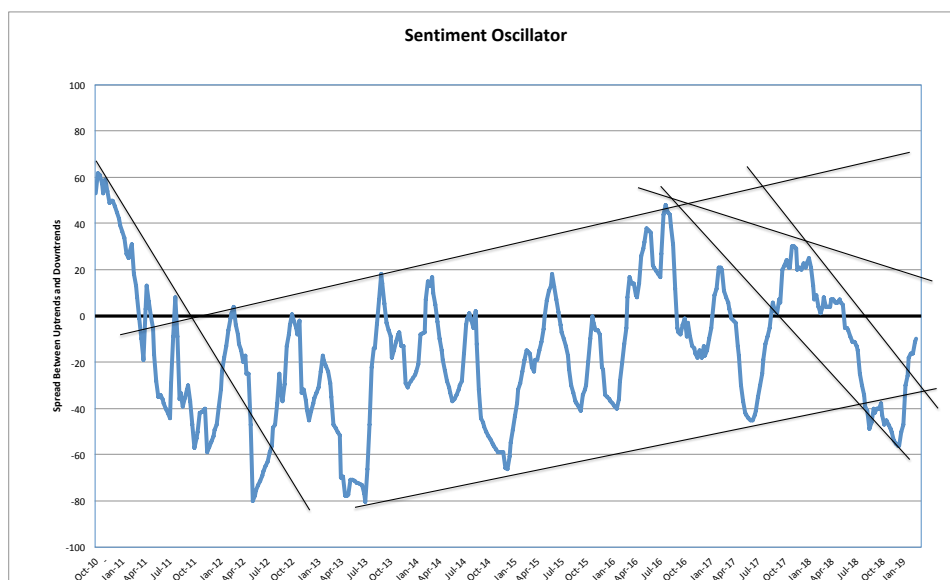
A client recently told me that there were companies out there that regarded the number of MoUs they were signing as a relevant key performance indicator (KPI). Really! A memorandum of understanding is easy to sign because it has no legal implication and there doesn't need to be any money involved. It is almost as significant as saying "let's do lunch". It has no legal implications and it is not binding in any way. It is the corporate way of name dropping, letting people know that a company has touched base with another. Don't assume it is worth anything tangible.

Investors should be wary of companies that bring out a succession of MoUs especially when there is no follow through. Instead, look for letters of intent (LOI) where they are binding and provide some detail of what parties will do and what silver will be crossing palms. A LOI often precedes a binding contract, being useful in bringing parties closer to a mutually acceptable, but probably incomplete agreement that requires more detailed documentation. However, remember that even at this advanced stage of negotiations, lawyers have a great propensity to throw a spanner in the works. Many deals have collapsed when lawyers decide to "act in the best interests of their clients".

Shareholders might appreciate announcements of an MoU or a LOI because they suggest that something is happening, but they need to be cognisant of whether or not the announcing company has any history of follow through, or whether it is just hype.

### *Additions to the list*

We have added Galena Mining (lead), Pensana Metals (rare earths) and Strandline Resources to our chart coverage.















































**Sentiment Oscillator:** There were 30% (31%) of the charts in uptrend and 38% (40%) in downtrend on Friday's close. No material change.

### 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	another high	
Metals and Mining	XMM	small pullback	
Energy	XEJ	surged higher	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Adriatic Resources	ADT	rising wedge	zinc
Aeon Metals	AML	testing downtrend	copper + cobalt
Alacer Gold	AQG	surged higher	gold – production
Alkane Resources	ALK	gently down	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	heavy fall, then strong recovery	coal
Alliance Resources	AGS	still down	gold exploration
Altech Chemicals	ATC	breached resistance line	industrial minerals - synthetic sapphire
Anova Metals	AWV	new low on poor production report	gold
Apollo Consolidated	AOP	breached support	gold exploration
Argent Minerals	ARD	still in downtrend	silver
Aurelia Metals	AMI	new high	gold + base metals
AusTin	ANW	holding support line	tin, cobalt






















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Australian Bauxite	ABX		breached uptrend	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		surged to multi-year high	diversified
Base Resources	BSE		breaching downtrend	mineral sands
Bathurst Resources	BRL		risen to meet resistance line	coal
Battery Minerals	BAT		surge out of downtrend, then a pullback	graphite
BBX Minerals	BBX		surged higher, but stopped at resistance line	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		surge higher	graphite
Dacian Gold	DCN		new high	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		rising	gold exploration
FAR	FAR		crunched down on dud oil well	oil/gas
First Graphene	FGR		breached uptrend	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		collapse back to lows	gold
Gold Road	GOR		rising	gold exploration
Golden Rim	GMR		back to sideways movement	gold exploration
Graphex Mining	GPX		surge, testing downtrend	graphite
Heron Resources	HRR		sideways	zinc
Highfield Resources	HFR		rallied to meet resistance line	potash

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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	rising	nickel/cobalt
Jindalee Resources	JRL	surge higher, then a pullback	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	new low	nickel exploration
Lepidico	LPD	rising	lithium
Lithium Australia	LIT	continuing downtrend	lithium
Lucapa Diamond	LOM	continuing downtrend	diamonds
Lynas Corp.	LYC	improving off the lows	rare earths
Macphersons Res.	MRP	down	gold/silver
Mako Gold	MKG	higher in new ST uptrend	gold
Marmota	MEU	sideways	gold exploration
MetalsX	MLX	down	tin, nickel
Metro Mining	MMI	new low	bauxite
Mincor Resources	MCR	sideways	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	downtrend again	uranium
Pensana Metals	PM8	sideways	rare earths

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Perseus Mining	PRU		testing downtrend	gold
Pilbara Minerals	PLS		down heavily	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		new high	gas
Red5	RED		breached step uptrend	gold
Red River Resources	RVR		breaching downtrend	zinc
Regis Resources	RRL		moving higher	gold
Resolute Mining	RSG		rallying	gold
RIO	RIO		pullback	diversified
Salt Lake Potash	SO4		re-entering downtrend	potash
Saracen Minerals	SAR		testing uptrend	gold
St Barbara	SBM		testing uptrend	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
Strandline Resources	STA		down	mineral sands
Sundance Energy	SEA		down again	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		down	gold
Vango Mining	VAN		down	gold
Vector Resources	VEC		weaker	gold
Venturex	VXR		stronger	zinc
Vimy Resources	VMY		testing downtrend	uranium
Volt Resources	VRC		sideways	graphite
West African Resources	WAF		down	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	30%	42	Uptrend	
	38%	53	Downtrend	
		139	Total	

## Guides to Chart Interpretations

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- 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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