

## Business is back to normal (almost)

The markets were still convalescing for much of the week, after digesting the heavy correction earlier this month. While it was almost business as usual, there is still heightened caution out there even though the week ended on a strong note with good gains in the All Ords and the Metals and Mining Index. The gold price started to recover from a mid-week crunch down, the oil price had a good day on Friday, as did the Dow, so it all points to a reasonable week ahead.

With no major themes surfacing last week, it is back to looking at a few companies doing the rounds. For those of you who are new to the Weekly, I often write a few paragraphs following presentations received during the week. I will only do so if they are interesting or topical, but you should not assume that it means they are automatically worth buying. Often it is just placing them on the radar because they might be worth buying at some point, but further observation and consideration may be required. No company ever tells 100% of the story in their first outing.

There is a high correlation between companies doing roadshows and placements, so this has to be considered. Sometimes I will be able to get allocations to offer readers, but not always. I rarely make overt recommendations of whether companies covered are buys or sells, so you often have to read between the lines. However, if I have a strong view it will be communicated.

### *Apple is going straight to the cobalt source*

Apple has always been a company that does its own thing. In an interesting development, Apple has been reported to be approaching mines for supplies of cobalt rather than buying through conventional market channels.

As we know, cobalt is an essential metal in the cathodes of lithium-ion batteries, where concentration levels of 20% are essential to maximise the stability of nickel. Nickel ions compete with lithium ions for space in the cathode in a process known as "cation mixing" that can cause structural distortion in cathodes. Cobalt can prevent this from happening.

The price of cobalt has tripled in recent times but so far there has been very little supply response. It says something when Apple is sufficiently concerned about cobalt supplies that it is taking matters into its own hands. The message is clear - keeping buying cobalt stocks.

### *Nexus Minerals (NXM) - not much downside*

NXM is a junior gold exploration stock that is closely associated with Paul Boyatzis, a stock broker who I first met many years ago when he worked for Kirke Securities, in Perth. He is currently Chairman.

While NXM has been an interesting exploration company in WA, so far it is yet to hit the big time, notwithstanding being in the business since 2007, when it IPO'd as Hemisphere Resources and raised \$4m. It currently has about \$4.5m in

the bank and a market capitalisation of around \$8.5m. The future is all about gold exploration in and around Saracen's projects at Pinnacles and Wallbrook.

There is a symbiotic relationship between Nexus and Saracen. The latter is a very successful gold producer, but it doesn't spend much time on exploration. In fact, it let most of its exploration team go last year. It seems more than happy to let Nexus conduct exploration on its licences, under the stewardship of Andy Tudor, knowing that it can purchase any economic ore in a mine gate style purchase agreement. Saracen has actually taken a 6% shareholding in NXM via a placement, so it must have a fair degree of confidence in the management.

At the Pinnacles project, Andy sees close analogies with the Karari gold mine, about 15 km to the north, that is currently supplying Saracen's mill feed. That mine is now underground at a depth of around 400m. Whereas it started out as a low grade, unexciting orebody in the oxide zone, at recent depths it seems to be opening up beautifully with good widths and grade. One recent intercept tossed around our discussions was 15m at 20 gpt. Saracen is even considering bulk underground mining methods such as block caving.

Named GT6, the prospect is showing exactly the same attributes as Karari did in the first 20m. It is in the same volcanoclastic sediments, it demonstrates a gravity low, it is on an offset structure to the Yilgarn Fault and geologists are seeing the same hematite albite alteration product. Recent intercepts have included 10m at 1.66 gpt and 14m at 1.02 gpt. Ordinarily you wouldn't get excited, but in this location, with similarities to Karari, there is reason to be optimistic.

The forthcoming work program includes a broad spaced geophysics program, further assessment of the 3 km strike length and then designing and executing a drill program.

A second exploration project is being acquired from Saracen, at Wallbrook, 30 km north of Karari. Gold mineralisation in the area is associated with porphyritic intrusions. A 25m deep open pit mine was previously developed on the Saracen ground, with a 400,000 oz resource at about 1 gpt, but there is no mining happening now. This is an earlier stage exploration project.

So, NXM is a well-funded, modestly priced gold exploration company with good ground and helpful corporate relationships with an established producer. Its aim is to find orebodies that it can sell to Saracen, turning its success into profits without having to bother with the cost and the anguish of financing and commissioning a treatment plant. There is nothing wrong with this business model.

### *Allegiance Coal making good progress*

We previously covered Allegiance back in July 2017, describing it as being very cheap. Back then the market capitalisation was only \$6-7m. Today it is \$24m, and the

share price has doubled from 3¢ to close at 6.4¢ on Friday, though it was 7.2¢ the day before. There was a \$3.5m raising at 3¢ in October.

To remind you, AHQ is a prospective semi-soft coking coal company operating in British Columbia, a geopolitically safe province known for quality coal projects. AHQ appears to have a genuine project with good fundamentals. In the first instance it is looking at a 250,000 tpa of open pittable coal for Stage 1, as the permitting requirements are less stringent than the ultimate size of Stage 2, which would be 1 mtpa of saleable coal.

The main focus are the Tenas coal deposits which comprise a measured resource of 58 Mt, converting to 21 Mt of saleable coal. Thus at the Stage 2 rate of 1 Mtpa, there is a 20 year life after factoring in a 68% mine and washing yield. The quality compares well with NSW seaborne semi-soft coking coal which is the international benchmark. Sulphur is a little high at 0.9% (0.7% is preferred) but the coal strength relativity (CSR) is a compensating factor at 37-43, compared to the standard at 25-30.

AHQ has a number of advantages over other BC coal hopefuls. The coal is open pittable with two seams, each 1.5m thick, with interburden of 15m thickness. The waste to ore ratio is 5.7:1, the equivalent of 8.4:1 on the washed product with a 75% wash recovery factored into the numbers. Mining is planned to start at the lowest level in the pit, from whence mining will progress uphill. Fifty percent of the overburden removal will be performed by dozers pushing the waste to the sides at \$1.50 pt, giving a significant saving over the \$3.50 pt price for loading and hauling. The technique will reduce waste removal handling costs by 30%.

AQH estimates cash costs to the rail siding at US\$36.60 pt. Rail and port charges of US\$12.70, and other costs give a ship loaded cost of US\$54.80 pt, qualifying it as a low cost operation. Capital costs for Stage 1 were earlier estimated at US\$51m, but these have been shaved to US\$35m. Stage 2 will eventually cost a lot more capex, perhaps US\$160m, but by that stage the operation will be significantly de-risked.

In December, AQH has lifted its stake in the project from 20% to 100% at the cost of 40 mill. shares. In late January it commenced a 16 holes, 6 inch drilling program for environmental and geotechnical information. This will supply 400 kg of samples that will be used by Japanese and Korean steel mills for coking oven tests.

Two Japanese entities have been conducting due diligence for the last six months, including a site visit earlier in February. AQH hopes that these parties may provide finance, offtake agreements and even become minority owners of a stake in the project.

The latest studies show an FOB cost of US\$54 pt on capex of US\$35m, for the 250,000 tpa capacity. This would give EBITDA of US\$14m p.a. with an IRR of 32%. The numbers get significantly better if capacity expands to 500,000 tpa. In that scenario, for an outlay of only another US\$2m, EBITDA would jump to US\$30m p.a. and the IRR to 54%.

Onto the corporate side of things, the cash balance is currently \$2.5m. We should expect additional equity raisings soon, as you cannot grow a company with only \$2.5m in the bank. The shares have been very tightly held

with limited trading in recent months, so maybe this will be an opportunity to improve market liquidity.

Allegiance continues to offer good fundamentals with this small but sweet coking coal project.

### *Alicanto drilling hasn't impressed the market*

A few clients have been asking me about an Alicanto Minerals (AQI) release the previous week that I missed. So, here are my thoughts on it.

The headline interval of 89m at 1.02 gpt is geologically very positive, though it doesn't seem to have impressed the market. This was the first drill program undertaken on the Ianna Gold Project. While it is always exciting to hit high grades and big intercepts in the first bout of drilling, shareholders shouldn't be too concerned that the tenor of the entire intercept was only 1.02 gpt. At least we do have confirmation that this is a big system. Geologically it is encouraging, confirming the potential for a multi-million ounce gold resource.

This was essentially a scout drilling program. Four targets were tested with 11 holes; D-Zone, Eastern Extension and C-Zone, with two holes, three holes and two holes respectively. These holes all came in with positive assays.

Perhaps the headline intercept sent people to the wrong conclusions, tagging it as low grade system. The Company would point to the first three holes ever drilled in the Eastern Extension that was recently added to the land position. These returned significant widths of 1.2-1.4 gpt in a large tonnage environment, that is effectively a 6 km step-out.

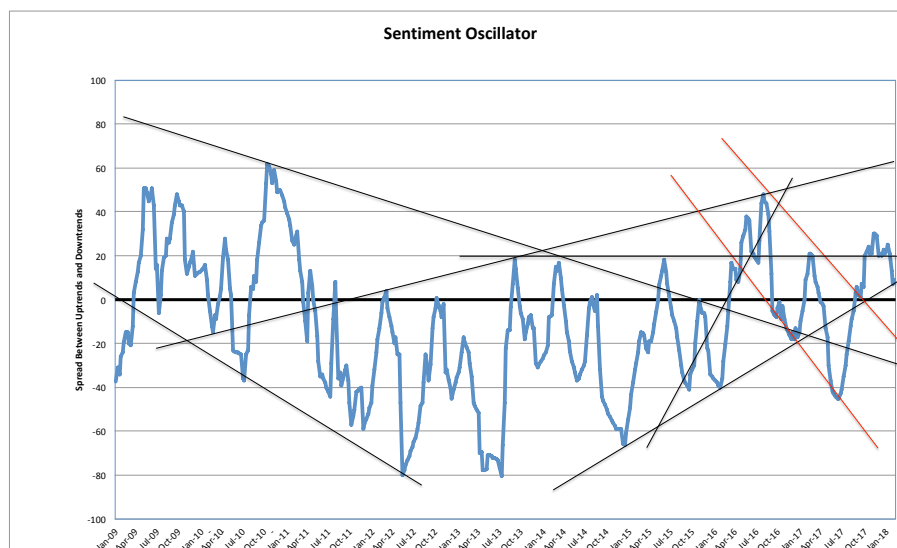
So, what it means is that the drilling confirmed that this is a big gold system. The gold is mostly disseminated, meaning it looks like a large tonnage, low grade environment. Further work is required, and so is patience.

*Disclosure: Interests associated with the author owns shares in Alicanto*

### *If women are equal, why don't have mixed gender sporting events?*

Senator Linda Reynolds, who was a brigadier in the Army Reserve before entering Federal Parliament, has called for a national debate on introducing mixed-gender competitions to professional sports. She says talent should be the criteria for selection, not gender, in sporting competitions.

She raises a very good point. Why have separate male and female competitions? Isn't that sexually discriminatory? I would automatically say that men are bigger and stronger and that women would be exposing themselves to injury, but am I allowed to make that point in this modern world? The different attributes of men and women are not just restricted to physical size. There are many differences that make each sex better suited to different tasks. Why do the gender jihadists refuse to accept the differences and let people play to their strengths? It should always be about talent, not quotas. While we are on the topic, why don't we do what France does - have unisex toilets. It would be a lot cheaper, and it would circumvent the issue of trying to decide what sex we are (at least for those of us who are confused).


















































**Sentiment Indicator:** There was a slight uptick in sentiment last week with 37% (34%) of the charts in uptrend and 28% (27%) in downtrend on Friday's close. The Sentiment Oscillator is still resting the support line, which is a good sign.

## 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	good bounce	
Metals and Mining	XMM	surged out of correcting pattern	
Energy	XEJ	back within long term uptrend after spiking above it	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
ABM Resources	ABU	testing steepest downtrend	gold
Aeon Metals	AML	correcting from 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	new low	phosphate
Alicanto Minerals	AQI	down	gold exploration
Allegiance Coal	AHQ	on support line	coal
Alliance Resources	AGS	resuming uptrend	gold exploration
Altech Chemicals	ATC	holding on support line	industrial minerals - synthetic sapphire
Anova Metals	AWV	falling again	gold
Antipa Minerals	AZY	sideways	gold
Apollo Consolidated	AOP	breached uptrend line	gold exploration
Archer Exploration	AXE	breached uptrend	magnesite, graphite
Argent Minerals	ARD	still in downtrend	polymetallic
Aurelia Metals	AMI	punched through resistance	gold + base metals
AusTin	ANW	recovered to new high	tin, cobalt
Australian Bauxite	ABX	continuing in downtrend	bauxite
Australian Potash	APC	wedge forming	potash
Australian Mines	AUZ	breached short term downtrend	cobalt/nickel
Australian Vanadium	AVL	breached steep uptrend	vanadium

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Avanco Resources	AVB		downtrend	copper
Azure Minerals	AZS		down	silver
BHP	BHP		strong bounce	diversified
Base Resources	BSE		weakening	mineral sands
Bathurst Resources	BRL		new high	coal
Battery Minerals	BAT		correcting lower	graphite
BBX Minerals	BBX		holding uptrend	gold
Beach Energy	BPT		new high	oil and gas
Beadell Resources	BDR		new low	gold
Berkeley Energia	BKY		uptrend breached	uranium
Berkut Minerals	BMT		spiked to new high, then heavy fall	cobalt
Blackham Resources	BLK		new low	gold
Blackstone Minerals	BSX		still down	gold, cobalt
Broken Hill Prospect.	BPL		testing uptrend	minerals sands, cobalt
Buru Energy	BRU		pullback	oil
Cardinal Resources	CDV		testing short term downtrend	gold exploration
Cassini Resources	CZI		rising	nickel/Cu expl.
Celsius Resources	CLA		downtrend	copper/cobalt
Chalice Gold	CHN		on support line	gold
Cobalt Blue	COB		pullback	cobalt
Comet Resources	CRL		testing uptrend	graphite/graphene
Consolidated Zinc	CZL		continuing weakness	zinc
Corizon Mining	CZN		testing downtrend	cobalt
Crusader Resources	CAS		new low	gold/iron ore
Dacian Gold	DCN		rallying	gold exploration
Danakali	DNK		sideways under resistance line	potash
Doray Minerals	DRM		beginnings of an uptrend	gold
Draig Resources	DRG		testing uptrend	gold
Eden Innovations	EDE		down	carbon nanotubes in concrete
Emerald Resource	EMR		gently down	gold
Evolution Mining	EVN		new high	gold
Excelsior Gold	EXG		slump, testing uptrend	gold
Finders Resources	FND		sideways through support line	copper
FAR	FAR		sideways	oil/gas
First Cobalt	FCC		down	cobalt
First Graphene	FGR		holding uptrend	graphite
Frontier Diamonds	FDX		down after IPO	diamonds
Fortescue Metals	FMG		wedge forming	iron ore
Galaxy Resources	GXY		new downtrend	lithium
Galilee Energy	GLL		breached downtrend	oil and gas, CBM
Gascoyne Resources	GCY		testing steeper downtrend	gold
Global Geoscience	GSC		new high	lithium
Gold Road	GOR		new high	gold exploration
Golden Rim	GMR		down	gold exploration
Graphex Mining	GPX		breaching downtrend	graphite
Heron Resources	HRR		testing downtrend	zinc
Highfield Resources	HFR		rallying	potash
Highlands Pacific	HIG		breached uptrend	copper, nickel
Hillgrove Resources	HGO		sideways	copper
Iluka Resources	ILU		surged higher	mineral sands
Image Resources	IMA		breaching uptrend	mineral sands
Independence Group	IGO		rallied to new high	gold, nickel
Jervois Mining	JVR		downtrend	nickel/cobalt
Karoo Gas	KAR		testing new uptrend	gas

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Kasbah Resources	KAS		still in LT downtrend	tin
Kibaran Resources	KNL		new low	graphite
Kin Mining	KIN		down heavily	gold
Legend Mining	LEG		falling to support line	exploration
Lepidico	LPD		back to near highs	lithium
Lithium Australia	LIT		testing uptrend	lithium
Lucapa Diamond	LOM		forming a base	diamonds
Macphersons Res.	MRP		downtrend being tested	silver
Marmota	MEU		down	gold exploration
MetalsX	MLX		breached uptrend, then a rally	tin, nickel
Metro Mining	MMI		at highs	bauxite
Mincor Resources	MCR		breached uptrend	nickel
Mineral Deposits	MDL		uptrend steepening	mineral sands
Myanmar Minerals	MYL		testing downtrend	zinc
MZI Resources	MZI		testing downtrend	mineral sands
Northern Cobalt	N27		breached uptrend	cobalt
Northern Minerals	NTU		down again	REE
Northern Star Res.	NST		new high	gold
NTM Gold	NTM		sideways	gold
Oceana Gold	OGC		testing downtrend	gold
Oklo Resources	OKU		in a rising wedge	gold expl.
Orecorp	ORR		breached recent uptrend	gold development
Orinoco Gold	OGX		steep uptrend	gold development
Orocobre	ORE		testing uptrend	lithium
Oz Minerals	OZL		continuing in uptrend	copper
Pacific American Coal	PAK		back in uptrend	coal, graphene
Pantoro	PNR		new high	gold
Panoramic Res	PAN		on support line	nickel
Peel Mining	PEX		surge to new high, then pullback	copper
Peninsula Energy	PEN		back in downtrend	uranium
Perseus Mining	PRU		breached downtrend	gold
Pilbara Minerals	PLS		breached uptrend	lithium/tantalum
PNX Metals	PNX		sideways	gold, silver, zinc
Red River Resources	RVR		holding longer term uptrend	zinc
Regis Resources	RRL		testing uptrend	gold
Resolute Mining	RSG		rallying off lows	gold
RIO	RIO		back to highs	diversified
Salt Lake Potash	SO4		less steep downtrend	potash
Saracen Minerals	SAR		testing uptrend	gold
St Barbara	SBM		strong	gold
Sandfire Resources	SFR		rising	copper
Santana Minerals	SMI		new low	silver
Santos	STO		correcting lower	oil/gas
Sheffield Resources	SFX		testing downtrend	mineral sands
Silver Lake Resources	SLR		breached downtrend	gold
Sino Gas & Energy	SEH		confirming uptrend	gas
Southern Gold	SAU		drifting lower	gold
Stanmore Coal	SMR		rising	coal
Sundance Energy	SEA		slump	oil/gas
Syrah Resources	SYR		rallying a little	graphite
Talga Resources	TLG		breaching resistance line	graphene
Tanami Gold	TAM		down	gold
Tempo Australia	TPP		testing downtrend	mining services
Tiger Realm	TIG		spiked higher, off lows	coal

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Torian Resources	TNR		testing downtrend	gold expl'n
Triton Minerals	TON		uptrend being tested	graphite
Troy Resources	TRY		back in downtrend	gold
Tyranna Resources	TYX		breached steepest downtrend	gold exploration
Vango Mining	VAN		but having a good rally	gold
Vector Resources	VEC		trend line holding	gold
Vimy Resources	VMY		sideways through uptrend	uranium
West African Resources	WAF		uptrend	gold
Westwits	WWI		sideways	gold exploration/development
Western Areas	WSA		rallying	nickel
White Rock Minerals	WRM		new low	silver
Whitehaven Coal	WHC		gently higher	coal
WPG Resources	WPG		breached downtrend on a spike	gold
Wolf Minerals	WLF		new low	tungsten
Totals	37%	52	Uptrend	
	28%	40	Downtrend	
		142	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	23.2%	
Gold Exploration	15	10.6%	
Copper	10	7.0%	
Coal	8	5.6%	
Oil/Gas	8	5.6%	
Graphite	8	5.6%	
Mineral Sands	7	4.9%	
Cobalt	7	4.9%	
Zinc	6	4.2%	
Lithium	6	4.2%	
Silver	5	3.5%	
Nickel	5	3.5%	

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Weightings of Sectors Represented in the Company Charts			
Potash/Phosphate	5	3.5%	
Uranium	3	2.1%	
Bauxite	2	1.4%	
Tin	3	2.1%	
Diamonds	3	2.1%	
Iron Ore	1	0.7%	
Other	7		
Total	142		

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