

27 January 2018

On Thursday's Close

Analyst : Warwick Grigor

Gold is looking well poised as profit taking was dominant elsewhere

The week opened with more selling of lithium stocks as the market digested the new flow, but then there was a good rally. That would have pleased the true believers, but unless the sector moves to new highs, we could be seeing the start of the downturn.

Overall the Australian market continued in a correction pattern, probably because the strength of the market in the holiday season was too good to not take advantage of. It is always healthy to take part profits. The next issue is whether this prudent approach conflicts with the concept of profit maximisation. We will soon know if the market wants to resume its upwards trajectory.

Gold wanting to go higher?

There is a feeling that gold may be preparing itself for an upside breakout - at least that is what technical analysts are telling us. Money is flowing into gold equities, evidenced in the institutional end with stocks like Evolution and Northern Star hitting new highs. If this breakout is confirmed over the next few days we could see a surge in all gold stocks.

Positive news on the international economic fronts

The economic news from rest of the world continues to inspire. Japan has just reported the strongest year for export values since the GFC, with improvements of 9.3%yoy in December and 11.8%yoy for the full year. Volumes were up 4.5%yoy and 5.2%yoy respectively. Thus, it suggests some inflation here ... which is what the government has been wanting.

The UK pound has been one of the strongest currencies over the last month. Employment unexpectedly jumped in the three months to November, reaching a record of 32.2m. What does this say about the Brexit concerns? Jobs are certainly not being lost - yet.

German business confidence is at its highest since 2012, with the strongest rise in the services sector business activity for seven years, though the manufacturing sector growth has eased a little. In France, new orders have been the strongest since 2011, with the output PMI figure the highest in 20 years. Both Germany and France are experiencing increasing rates of inflation with firms passing on higher inputs costs.

Reflecting back on the last decade, which saw the GFC and the extreme threats to the Euro, QE and then Brexit surfacing, are we to believe that all the problems are solved? Is the outlook really good? I'm happy for people to think so, at least for the time being anyway.

DRC troubles are escalating

Recently I read an article in the latest edition of Foreign Affairs, entitled "*Congo's Slide into Chaos: How a State Fails*"¹. As you can't properly assess the cobalt market without considering what is happening in the DRC as the

first point of enquiry due to that country's importance as the world's largest supplier of cobalt, it was essential reading.

It is a typical African story; one with which we are all too familiar. You have a president who has been in charge for an extended period and he doesn't want to give up control. Joseph Kabila has presided over a "profoundly decrepit state" where 77% of the population lives on US\$1.90 per day; "extreme poverty" is how the World Bank describes it. Corruption is rife. Police officers receive 92% of their income through bribes.

Democracy seems to have a different definition in many African countries. According to the DRC constitution, a presidential election was due in November 2016. As Kabila has already had two terms as president under the existing constitution, he is not eligible to stand in the next election - so has avoided calling one. Much of his time is spent scheming to circumvent the constitutional requirements, coming up with a raft of reasons why the election has been delayed, rather than saying it will not be held at all. Under the latest proposal, the so called "independent" electoral commission is saying it won't have the administrative aspects ready until April 2019, at the earliest.

In the meantime there is much civil unrest and protestation. This will only get worse the longer the election is delayed. We could wake up any day to hear that there has been a coup, or worse, we could find a war breaks out with no clear victors, so it just drags on and on. The DRC has to be about the worst country in the world in which to operate. It is impossible for any company to operate there if it adheres to best practice, Western world ethics and business standards.

This all amounts extreme instability in the the supply for cobalt, at the very time that industry is crying out for a supply of more product. Unlike lithium, where there is a clear supply response in train, there is no such a response with cobalt. It is a perfect speculators environment.

1. Stuart A. Reid, *Foreign Affairs*, vol. 97, no.1, 2018, p.97-117

AusTin Mining flying on cobalt hits

Any cobalt project in a stable geopolitical environment is going to attract a premium. That is why Cobalt Blue and Northern Cobalt have been such good performers in the market. Another recent, strong performer, has been AusTin.

ANW almost doubled in price over the last week with the release of exciting cobalt intercepts at its Mt Cobalt project, near Gympie in Queensland. The headline results from a four hole drill programme were 28.15m @ 0.29% Co and 0.73% Ni, including two higher grade intervals of 6.65m @ 0.45% Co and 0.89% Ni, and 2.7m @ 0.74% Co & 0.89% Ni.

However, there is a caveat on the results due to poor core recovery from the BQ size holes. A drill sludge sample was collected which for the entire hole assayed 0.62% Co and

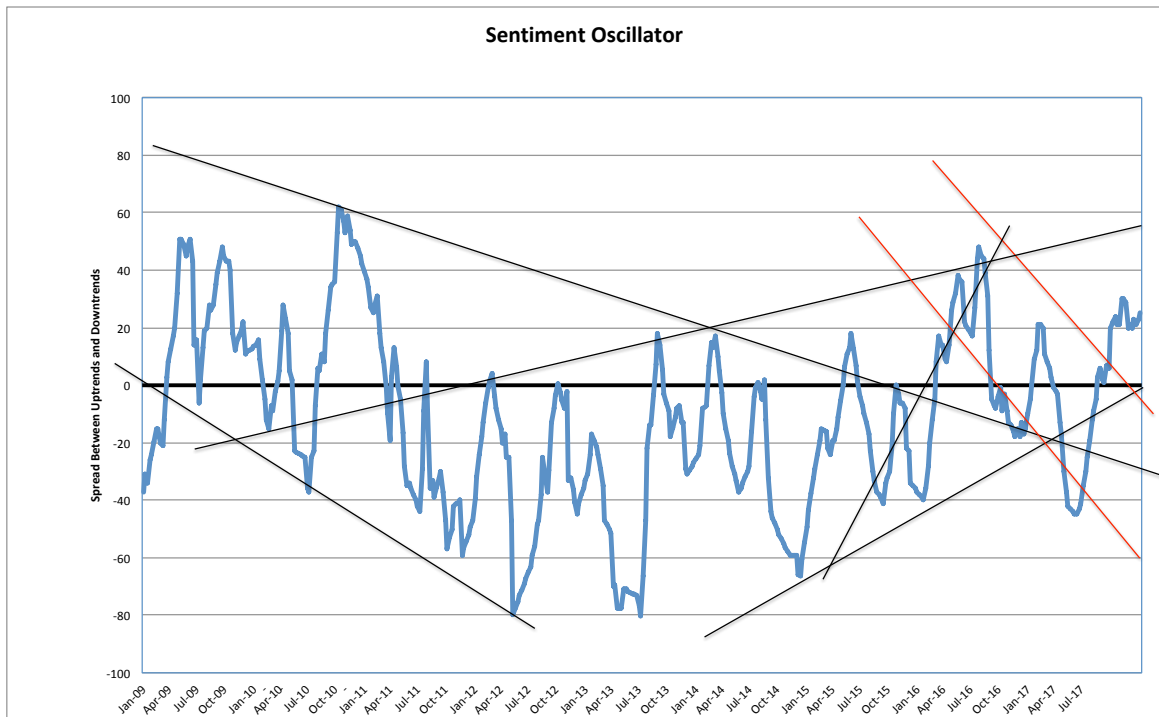
0.82% Ni. The high sludge sample grade may indicate that drill core is under-reporting. If so, then grades may actually improve.

In July 2016, ANW stated that the Smith mine, 200m south of Mt Cobalt, experienced a body with a true width of 7m grading 7.5% Co and 2.5% Ni. A chip sampling program around Mt Cobalt returned grades of 1.66% Co. This latest drilling is not as high grade, but you should never expect selective chip sampling to be repeatable in drill intercepts.

The performance of the ANW share price on the release of the latest news is instructive. It is not as if the market hadn't been informed as to the potential of the cobalt at Mt Cobalt. It would suggest that the market in cobalt companies is more influenced by speculators rather than serious

investors. These speculators have short attention spans and don't hang on for very long. That means that the more measured investors can take advantage of pauses in information flows, buying when things are quiet, knowing that they can sell into speculative flurries from time to time.

Disclosure: Interests associated with the author owns shares in cobalt stocks; Blackstone Minerals, Broken Hill Prospecting, Cobalt Blue, Highlands Pacific and Northern Cobalt.























Sentiment Indicator: Notwithstanding the profit taking, the sentiment actually improved with a slight fall in the numbers of charts in downtrends. There were 51% (51%) of the charts in uptrend and 26% (28%) 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.

Indices	Code	Trend Comment	
All Ordinaries	XAO	pullback from high	
Metals and Mining	XMM	pullback from high	
Energy	XEJ	pullback from high	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
ABM Resources	ABU	new low, then a bounce	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
Aguia Resources	AGR	downtrend, wedge forming	phosphate
Alicanto Minerals	AQI	spike then a pullback	gold exploration
Allegiance Coal	AHQ	spiked higher - resumed LT uptrend	coal
Alliance Resources	AGS	spiked higher, then heavy correction	gold exploration
Altech Chemicals	ATC	heavy correction	industrial minerals - synthetic sapphire
Anova Metals	AWV	falling again	gold
Antipa Minerals	AZY	sideways	gold
Apollo Consolidated	AOP	hugging uptrend line	gold exploration
Archer Exploration	AXE	breached uptrend	magnesite, graphite
Argent Minerals	ARD	still in downtrend	polymetallic
Artemis Resources	ARV	down	gold, nickel
Aspire Mining	AKM	off its low	coal
Alta Zinc	AZI	sideways at lows	zinc
Aurelia Metals	AMI	correcting from new high	gold + base metals
AusTin	ANW	spiked higher	tin, cobalt
Australian Bauxite	ABX	continuing in downtrend	bauxite
Australian Potash	APC	wedge forming	potash
Australian Mines	AUZ	breached uptrend	cobalt/nickel
Australian Vanadium	AVL	continuing with steep rise	vanadium
Avanco Resources	AVB	downtrend	copper
AWE	AWE	new high	oil and gas
Azure Minerals	AZS	down	silver
BHP	BHP	new high	diversified
Base Resources	BSE	weakening	mineral sands
Bathurst Resources	BRL	new high	coal
Battery Minerals	BAT	surged higher	graphite
BBX Minerals	BBX	testing uptrend	gold
Beach Energy	BPT	new high	oil and gas
Beadell Resources	BDR	around lows again	gold
Berkeley Energia	BKY	uptrend	uranium
Berkut Minerals	BMT	spiked to new high, then heavy fall	cobalt
Blackham Resources	BLK	new low	gold
Blackstone Minerals	BSX	consolidating near highs	gold, cobalt
Broken Hill Prospect.	BPL	strongly higher	minerals sands, cobalt
Buru Energy	BRU	strongly higher	oil
Canyon Resources	CAY	fallen back to support line	bauxite
Cardinal Resources	CDV	breached uptrend	gold exploration

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Cassini Resources	CZI		rising	nickel/Cu expl.
Chalice Gold	CHN		on support line	gold
Cobalt Blue	COB		near highs again	cobalt
Comet Resources	CRL		near highs	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		new high	gold exploration
Danakali	DNK		testing uptrend	potash
Doray Minerals	DRM		testing downtrend	gold
Draig Resources	DRG		new high	gold
Eden Innovations	EDE		testing downtrend	carbon nanotubes in concrete
Emerald Resource	EMR		sideways to higher	gold
Evolution Mining	EVN		new high	gold
Excelsior Gold	EXG		slump, testing uptrend	gold
Finders Resources	FND		stronger	copper
FAR	FAR		sideways	oil/gas
First Cobalt	FCC		sideways	cobalt
First Graphene	FGR		heavy correction	graphite
Fortescue Metals	FMG		wedge forming	iron ore
Galaxy Resources	GXY		breached uptrend in heavy pullback	lithium
Galilee Energy	GLL		breached uptrend	oil and gas, CBM
Gascoyne Resources	GCY		testing steeper downtrend	gold
Global Geoscience	GSC		new high	lithium
Gold Road	GOR		new high	gold exploration
Graphex Mining	GPX		breached uptrend	graphite
Heron Resources	HRR		still down	zinc
Highfield Resources	HFR		rallying	potash
Highlands Pacific	HIG		correcting from recent high	copper, nickel
Hillgrove Resources	HGO		back to highs	copper
Iluka Resources	ILU		surged higher	mineral sands
Image Resources	IMA		sideways within uptrend	mineral sands
Independence Group	IGO		rallied to new high	gold, nickel
Intrepid Mines	IAU		sideways	copper
Karoo Gas	KAR		new uptrend started	gas
Kasbah Resources	KAS		breaching secondary downtrend	tin
Kibaran Resources	KNL		sideways	graphite
Kin Mining	KIN		breached ST uptrend	gold
Legend Mining	LEG		correcting lower	exploration
Lepidico	LPD		back to near highs	lithium
Lithium Australia	LIT		rising again	lithium
Lucapa Diamond	LOM		rally on new discovery	diamonds
Macphersons Res.	MRP		downtrend being tested	silver
Marmota	MEU		softer	gold exploration
MetalsX	MLX		new high	tin, nickel
Metro Mining	MMI		at highs	bauxite
Mincor Resources	MCR		holding uptrend	nickel
Mineral Deposits	MDL		uptrend steepening	mineral sands
Myanmar Minerals	MYL		testing downtrend	zinc
MZI Resources	MZI		testing downtrend	mineral sands

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Northern Cobalt	N27		fallen to support line	cobalt
Northern Minerals	NTU		down again	REE
Northern Star Res.	NST		new high	gold
NTM Gold	NTM		surged out of wedge to confirm uptrend	gold
Oceana Gold	OGC		testing downtrend	gold
Oklo Resources	OKU		new high	gold expl.
Orecorp	ORR		strong rally	gold development
Orinoco Gold	OGX		steep uptrend	gold development
Orocobre	ORE			lithium
Oz Minerals	OZL		continuing in uptrend	copper
Pacific American Coal	PAK		testing new uptrend	coal, graphene
Pantoro	PNR		stronger	gold
Panoramic Res	PAN		on support line	nickel
Peel Mining	PEX		surge to new high	copper
Peninsula Energy	PEN		testing recent uptrend	uranium
Perseus Mining	PRU		breached downtrend	gold
Pilbara Minerals	PLS		correcting from highs	lithium/tantalum
PNX Metals	PNX		ticked higher	gold, silver, zinc
Red River Resources	RVR		holding longer term uptrend	zinc
Regis Resources	RRL		near highs again	gold
Resolute Mining	RSG		rallying off lows	gold
RIO	RIO		new high	diversified
Salt Lake Potash	SO4		less steep downtrend	potash
Saracen Minerals	SAR		uptrend	gold
St Barbara	SBM		strong	gold
Sandfire Resources	SFR		rising	copper
Santana Minerals	SMI		new low	silver
Santos	STO		steeply higher	oil/gas
Sheffield Resources	SFX		testing downtrend	mineral sands
Silver Lake Resources	SLR		breached downtrend	gold
Silver Mines	SVL		down again	silver
Sino Gas & Energy	SEH		confirming uptrend	gas
Southern Gold	SAU		drifting lower	gold
Stanmore Coal	SMR		rising	coal
Sundance Energy	SEA		confirming uptrend	oil/gas
Syrah Resources	SYR		short term down heavily	graphite
Talga Resources	TLG		improving	graphene
Tanami Gold	TAM		down	gold
Tempo Australia	TPP		testing downtrend	mining services
Tiger Realm	TIG		spiked higher, off lows	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		breached steepest downtrend	gold exploration
Vango Mining	VAN		but having a good rally	gold
Vimy Resources	VMY		new uptrend confirmed	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

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Whitehaven Coal	WHC		gently higher	coal
WPG Resources	WPG		down again	gold
Wolf Minerals	WLF		new low	tungsten
Totals	51%	73	Uptrend	
	26%	37	Downtrend	
		144	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	32	22.2%
Gold Exploration	15	10.4%
Copper	11	7.6%
Coal	9	6.3%
Oil/Gas	9	6.3%
Mineral Sands	7	4.9%
Graphite	8	5.6%
Zinc	7	4.9%
Silver	6	4.2%
Lithium	6	4.2%
Nickel	4	2.8%
Potash/Phosphate	5	3.5%
Cobalt	6	4.2%
Uranium	3	2.1%
Bauxite	3	2.1%
Tin	3	2.1%
Diamonds	2	1.4%
Iron Ore	1	0.7%
Other	7	
Total	144	

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