

## Hoping for improvements in the new financial year

We have just closed the last week of June, which turned out to be one of the weakest Junes for several years. Looking back over the last six months the dominant pattern has been an apparent end of selling, then a slight recovery to give us hope, than another downturn that has dashed our hopes - repeatedly. The downturn started with interest rate rises and it has continued beyond that period. Money has been made in special situations but the trend has definitely been against us.

The problem is that in this type of market liquidity dries up along with confidence. No-one has enough cash left to behave bravely, so even the standout buying opportunities can be largely ignored. Nevertheless, this is the type of market to be buying, with the potential to make huge trading profits over the next two years, but it would be useful to have someone advise us accurately when we have hit the bottom.

We are unlikely to see one specific event that signals the bottom of the market. The chances of that scenario have faded. Rather, we will see an extended period of gently improving confidence, in patches. There will be a gradual feeling that things are improving, being expressed with caution rather than enthusiasm. Could the end on the financial year be the turning point? Maybe, but time will tell.

### *Conflicts in time frames of companies and investors*

There are many obstacles to the success of junior resource stocks listed on the ASX - apart from excessive compliance costs, the invasive supervision of the ASX and ASIC, and directors that are insufficiently concerned with the financial welfare of shareholders. There is a constant dichotomy whereby investors want "world class projects" but they are unwilling to adopt an investment strategy that such projects require in order to be successful. Their concentration spans are too short and their pockets are often not deep enough to provide the funding required to get to the point of project bankability.

The markets are full of opportunistic companies with a good eye for potential but they lack the stamina to go the distance. Their strategic thinking is constrained by the need to continuously raise capital to just survive. It leads to the suggestion that these are operating out of their depth on the ASX ... but are there any alternatives? Private equity funds have a role to play but they tend to have an attitude that the winner takes all. Family offices may be different as they tend to a different view as they manage their own money rather than that of a fund, but they are very protective and seldom expansive in their strategies.

While we often say that management skills and integrity should comprise 80% of an investment decision, it seems that big money such as private equity funds are more obsessed with control than with backing the best management. Too often their investments fail as a result.

They are seldom as long term thinking as they would have you believe and too often they are disrespectful of earlier stage shareholders.

These thoughts come to mind as I consider the prospects for South Harz, a prospective potash producer in Germany. Arguably, it does have a world-class, long life potash project on its hands, but it has spent many years on the ASX at the bottom of the market. It has had a succession of management teams over the years. The potential numbers have looked positive all along the journey, increasingly so, but the share price is wallowing down at once unimaginable lows.

IR campaigns and roadshows are almost like a war of attrition. There is a never ending search for supportive shareholders that can share the dream and keep coming up with fresh capital .. just to survive. The question has to be asked "Is South Harz operating in the wrong financial market i.e the ASX? If it is, what is the correct one? South Harz is not the only company that must be asking these questions.

My first thought is that the company needs to step back and assess its strategy. While we are immersed in the ASX, there is much more money available outside the ASX that is looking for long term investments rather than the trading opportunities which dominate ASX investor activity. There is a class difference between stock market players and real industrial wealth. It is almost like the ASX is an example of short term crowd funding. You raise money when you can, but it is very cyclical and dominated by more of a gambling psychology.

Serious money is very different but the challenge is getting access to this type of money. As an example, too often the family offices have gatekeepers that may be smart, but lack that extra level of intuitive experience. Getting to the real discussion makers is never easy.

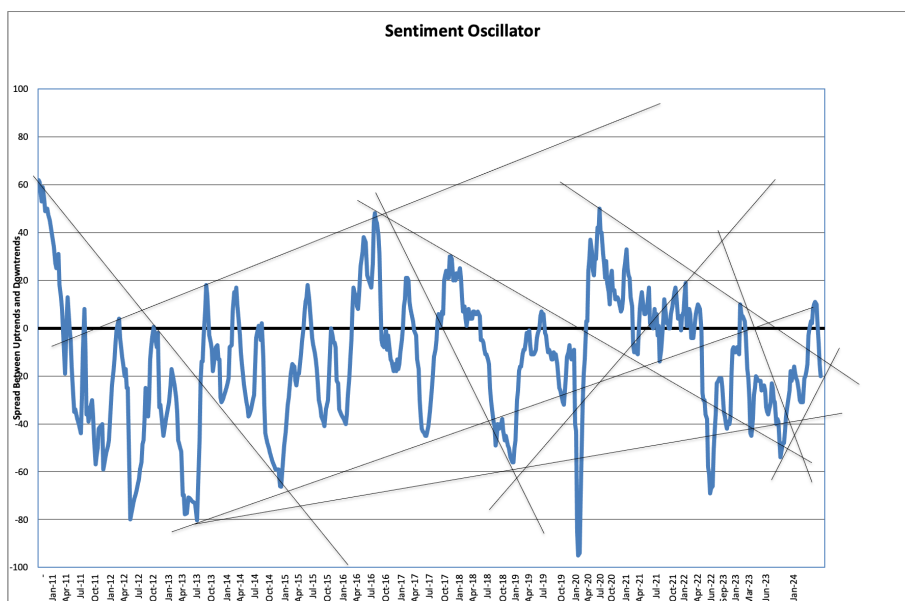
### *How best to protect genuine investors*

Compliance and disclosure regulations are designed to protect investors from promoters that are more hyperbole oriented than factually accurate as they seek to promote share prices. The objective is good, as we know that some people will say anything that suits their narrative. However, despite the efforts of the ASX and ASIC, they have been only partially successful in levelling the playing field. The "crooks" will always be a step ahead of the regulars while the honest operators just find more frustration in what they can and can't say. I suppose that is where investors need to look behind the (sometimes) sanitised wording of ASX releases that is often toned down by lawyers. It is an extension of the view that you can't legislate for honesty. Only law abiding citizens accede to the laws; the crooks just ignore them.

The best way to protect investors is to educate them better, but that is easier said than done. Many stock market players are risk preferring, wanting stocks that run rather than grow. So many times we see wonderfully performing stocks where punters make fantastic returns, while knowing they will eventually collapse. There is nothing puritanical about stock market investing. There is no point in being fundamentally merit worthy if the game is about running the share price and making profits. I can't see that the actions of the regulators are getting any closer to achieving a balanced mix. Perhaps one of the priorities on their agenda should be to shutdown chat sites on the internet that blatantly promote misinformation and accelerate ignorance. You know the main culprit, I am sure.

A worthwhile exercise, academically, may be to make case studies of a number of situations we have seen in the past that emphasise the point. Success can come in two forms; operationally - which is the most time consuming and difficult, and stock market performance - which appears to be the immediate primary objective of most companies.

*Disclosure: Nil necessary.*



**Sentiment Oscillator:** Sentiment softened further. There were 29% (31%) of stocks in uptrend and 49% (46%) in downtrend at the close of the week. The chart is resting on a support line.

### 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	near highs	
Metals and Mining	XMM	falling	
Energy	XEJ	still under long term downtrend line	
Information Technology	XIJ	off its highs	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
5EA Advanced Materials	5EA	back to lows	boron
Advance Metals (was Pacific American)	AVM	back to lows	coal, gold exploration
Agua Resources	AGR	new high	phosphate, gold
Alkane Resources	ALK	testing downtrend	gold
Alicanto Minerals	AQI	new low	base metals, silver, gold
Alligator Energy	AGE	down	uranium

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Almonty Industries	All		fallen to support line	tungsten
Alpha HPA	A4N		testing longer term uptrend	HPA
Altech Chemical	ATC		back in downtrend	HPA, anodes
Alto Metals	AME		down	gold
American Rare Earths	ARR		consolidating	rare earths
Anax Metals	ANX		heavy slump	copper
Anteotech	ADO		sideways at lows	silicon anodes, biotech
Arafura Resources	ARU		pullback	rare earths
Ardea Resources	ARL		down	nickel
Arizona Lithium	AZL		strong rally	lithium
Astral Resources	AAR		new uptrend	gold
Averina	AEV		down heavily	phosphate
Aurora Energy Metals	1AE		down	uranium
Aurelia Metals	AMI		rising	copper + base metals
Australian Gold and Copper	AGC		heavy correction on placement	base metals, silver, gold
Australian Rare Earths	AR3		new low	rare earths
Australian Strategic Materials	ASM		new low	rare earths
BHP	BHP		down	diversified, iron ore
Barton Gold	BGD		rising gently	gold exploration
Beach Energy	BPT		breached uptrend	oil and gas
Bellevue Gold	BGL		breached uptrend	gold
Besra Gold	BEZ		suspended	gold
Black Cat Syndicate	BC8		testing uptrend	gold
Boab Metals	BML		down	silver/lead
Brazil Critical Minerals	BCM		down on placement	rare earths
Brazilian Rare Earths	BRE		new high	rare earths
Brightstar Resources	BTR		uptrend	gold
Calidus Resources	CAI		back to downtrend	gold
Caravel Minerals	CVV		strong rise	copper
Carnaby Resources	CNB		collapse on Scoping Study, testing support	copper
Castile Resources	CST		trying to hold support line	gold/copper/cobalt
Catalyst Metals	CYL		new uptrend	gold
Cazaly Resources	CAZ		forming a base	rare earths
Celsius Resources	CLA		stronger	copper
Cobalt Blue	COB		new low	cobalt
Cyprium Metals	CYM		breached downtrend, surged higher	copper
Emerald Resources	EMR		rising, new high	gold
Empire Energy	EEG		improving	gas
EQ Resources	EQR		breaching downtrend	tungsten
Evolution Energy	EV1		collapse to a new low	graphite
Evolution Mining	EVN		rising	gold
First Graphene	FGR		down	graphene
Fortescue Metals	FMG		down	iron ore
Genesis Minerals	GMD		rising	gold

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Globe Metals and Mining	GBE		steeply higher	niobium
Gold 50	G50		back into	gold exploration + gallium
Great Boulder Resources	GBR		sideways at lows	gold exploration
Group 6 Metals	G6M		small rally	tungsten
Hamelin Gold	HMG		sideways through downtrend	gold exploration
Hastings Technology Metals	HAS		collapse to new low	rare earths
Heavy Minerals	HVY		new low	garnet
Hillgrove Resources	HGO		lower	copper
Iluka Resources	ILU		improving	mineral sands
ioneer (was Global Geoscience)	INR		breached uptrend	lithium
Ionic Rare Earths	IXR		down	rare earths
Jervois Mining	JVR		strong rally	nickel/cobalt
Jindalee Lithium	JLL		new low	lithium
Jupiter Mines	JSM		breached uptrend	manganese
Kaiser Reef	KAU		improving	gold
Krakatoa Resources	KTA		back to lows	rare earths
Larvotto Resources	LRV		rising	gold, antimony
Lindian Resources	LIN		new low	rare earths + bauxite
Li-S Energy	LIS		new low	Lithium sulphur battery technology
LCL Resources	LCL		new low	gold/nickel exploration
Lotus Resources	LOT		rising	uranium
Lucapa Diamond	LOM		new low	diamonds
Lunnon Metals	LM8		down	nickel
Lynas Corp.	LYC		rallied to meet resistance	rare earths
Marmota	MEU		rising	gold/uranium exploration
Mayur Resources	MRL		breached uptrend	renewables, cement
Meeka Gold	MEK		at lows	gold
MetalsX	MLX		rising	tin, nickel
Meteoric Resources	MEI		down	rare earths
Metro Mining	MMI		new high	bauxite
Midas Minerals	MM1		rallying	lithium
Mitre Mining	MMC		steep rise	silver
Nagambie Resources	NAG		another new low	gold, antimony
Neometals	NMT		new low	lithium
Newfield Resources	NWF		down again	diamonds
Nexgen Energy	NXG		breached uptrend	uranium
Northern Star Res.	NST		down	gold
Nova Minerals	NVA		down	gold exploration
Novo Resources	NVO		down	gold exploration
Pacific Gold	PGO		new low	gold exploration
Paladin Energy	PDN		down heavily on takeover bid	uranium
Pantoro	PNR		rising again	gold
Patriot Battery Metals	PMT		collapse to a new low	lithium
Peninsula Energy	PEN		gently lower	uranium

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Perseus Mining	PRU		new high	gold
Provaris Energy	PV1		down	hydrogen
QMiner	QML		new low	copper
Queensland Pacific Metals	QPM		new low	nickel/cobalt/HPA
RareX	REE		new low	phosphate, rare earths
Regis Resources	RRL		testing uptrend	gold
Regergen	RLT		down	gas, helium
Richmond Vanadium	RVT		heavy fall	vanadium
RIO	RIO		heavy slump	diversified, iron ore
RTG Mining	RTG		breached uptrend	copper
Rumble Resources	RTR		new low	zinc exploration
S2 Resources	S2R		downtrend accelerating	gold exploration
Sandfire Resources	SFR		pullback	copper
Santos	STO		weaker	oil/gas
Sarytogan Graphite	SGA		down	graphite
Siren Gold	SNG		rising	gold exploration
South Harz Potash	SHP		new low	potash
Southern Cross Gold	SXG		heavy slump breaching uptrend	gold exploration
Southern Palladium	SPD		rising again	PGMs
Stanmore Coal	SMR		testing downtrend	coal
Stellar Resources	SRZ		uptrend	tin
Summit Resources	SUM		heavy correction	niobium, rare earths
Suvo Strategic Minerals	SUV		spiked higher	kaolin
Talga Resources	TLG		slump	graphite
Tamboran Resources	TBN		rising again	gas
Theta Gold Mines	TGM		rising again	gold
Thor Energy	THR		down	uranium
Torque Metals	TOR		slump	gold exploration + lithium
Vanadium Resources	VR8		new uptrend	vanadium
Venture Minerals	VMS		back to recent high	tin, tungsten
Vintage Energy	VEN		new low	gas
Voltaic Strategic Resources	VSR		at lows	REO + lithium
Vertex Minerals	VTX		breached downtrend	gold
Walkabout Resources	WKT		sideways	graphite
Warriedar Resources	WA8		breached downtrend	gold exploration
West Cobar	WC1		new low	rare earth + lithium
Westgold Resources	WGX		rising	gold
West Wits Mining	WWI		correcting lower	gold
Whitehaven Coal	WHC		testing uptrend	coal
Zenith Minerals	ZNC		new low	gold exploration
Totals	29%	40	Uptrend	
	49%	67	Downtrend	
		137	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.

<b>Weightings of Sectors Represented in the Company Charts</b>			
<b>Sector</b>	<b>No. of Companies</b>	<b>Weighting</b>	
Gold	27	19.9%	
Gold Exploration	16	11.8%	
Rare Earths	13	9.6%	
Copper	10	7.4%	
Uranium	7	5.1%	
Lithium	6	4.4%	
Oil/Gas	6	4.4%	
Nickel	5	3.7%	
Graphite/graphene	5	3.7%	
Iron Ore/Manganese	4	2.9%	
Potash/Phosphate	4	2.9%	
Coal	3	2.2%	
Tungsten	3	2.2%	
Tin	3	2.2%	
Silver	3	30.0%	
Diamonds	2	1.5%	
Niobium	2	1.5%	
Vanadium	2	20.0%	
Zinc/Lead	2	1.5%	
Mineral Sands	1	0.7%	
Bauxite	1	0.7%	
Cobalt	1	0.7%	
Other	10		
<b>Total</b>	<b>136</b>		

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