

Another graphite company bites the dust

The dust has settled following the US Presidential election. The gold price continues with the volatility not uncommon when a bull trend comes off its peak as the future direction is reassessed. Volatility everywhere will be the trademark of Trump, so don't get too settled in your expectations. There is not much more to say other than we should regain our composure and handle news flow as it happens.

While the All Ordinaries hit another new high, its performance belies what is really happening in the Australian economy. On the political front the press continues to criticise the Government for inaction and incompetence, so maybe the market is pricing in a one-term government.

Walkabout calls in the Administrator

You are probably tired of me expressing caution about graphite stocks, but we have just been given a timely reminder as to why I do so. Walkabout Resources (WKT) has called in the Administrators. I wrote a brief note a year ago on 26/12/23, noting the event of the commissioning of Walkabout's Lindi graphite mine in Tanzania. I expressed hope for them but that wish was not enough.

Investors should note that companies are rarely completely honest when it comes to reporting progress of mines that are being commissioned. Rather, they try and emphasise how good things are going and then bingo! The sword falls. Maybe they are not being dishonest, but that is different to being completely honest.

You might think that examination of quarterly 5B cash reports will give some early insight, but no, these are rarely very helpful at the best of times because of their procedural nature. There is never any truth testing. Though, in the case of Walkabout, it did report a tiny cash balance of \$136,000 at the end of September.

The quarterly operations report said that US\$2m of senior debt was drawn during the quarter, and credit-approved working capital facilities were received from two banks. Readers could have felt comfortable that the Company was adequately funded as production had reached 50% of nameplate capacity, and was rising. Demand for its products was reported to be "strong". The Company said that cash costs were significantly less than guidance but there was some sort of hold up in the selling side of the operation with stockpiles building up at the port.

Commissioning was work in progress

The description of operations for the quarter all sounded fair and reasonable but with the caveat that plant availability was lower than planned due to fugitive graphite dust causing regular shorting of electrical components. A six day shutdown for modifications saw an improve to 80% of targeted daily production, but further improvements were needed to achieve target product purity. There was still an issue with excessive fines and ultra fines.

Investors should always remember another caveat I frequently express. That is, try and avoid commissioning risk. If something goes wrong with the orebody, the plant, the product quality or the sales, it can be terminal. Gold is probably one of the easiest commodities to take through commissions, but graphite would be one of the more difficult. After 11 months since the start of commissioning, Walkabout still hadn't managed to achieve optimised performance on a number of fronts.

But things started to quickly go bad

The quarterly report provided information regarding performance up until 30 September but the quarterly wasn't released until 31 October, three days after the announcement that the funder, Gemcorp, had provided a short term bridging loan to alleviate the problems with the shortfall in cash flow coming from the port congestion. That sounded ominous, but Gemcorp seemed to be supportive. However, only 16 days later, Gemcorp placed Walkabout into Administration. The Receivers and Managers then obtained a \$10m funding facility which is intended to allow the company to continue to trade.

What now for shareholders?

The first point is that the shares are now suspended from trading, meaning shareholders have no liquidity of their investment. No-one can say how long they will remain suspended.

Secondly, the company is now being run with the overriding objective of preserving the value of the loans provided by Gemcorp. Preservation of shareholder value comes at a distant second priority.

The Bottom Line

The interim failure of Walkabout should be putting the wind up all of the other graphite hopefuls. It is time for shareholders in these companies to think long and hard about whether there is something overwhelmingly special about their companies, or whether they are just holding shares in another industrial mineral company that is doomed to failure. It would be a mistake to just swallow the rhetoric that company directors preach. There is nothing easy about graphite.

Two points are worth making. Firstly, when a company steps over the line to develop a mine there is no knowing what is going to happen. Don't assume that the studies released to the ASX are first rate, because often they are not. Disaster can and often does happen - and they say exploration is risky!

Another point is that you cannot rely on company announcements during a commissioning period. They never give you the true colour as they are almost obliged to be positive.

Kalina is taking the next steps on AI power

Back on 28/9/24, we wrote up Kalina Power as a promising entry point to the new growth sector of AI and carbon sequestration. That thematic has been gaining increasing focus as the energy hungry data storage centres and AI power requirements are becoming more obvious. Rather than just being a speculative bubble, the interest is being driven by seriously large companies seeking to secure reliable power supplies. It is about substance rather than hype. So, how is Kalina progressing in its quest, following up from the MOU signed last August with a US-based data centre developer? Last Thursday Kalina released an update.

The drafting of the binding Project Development Agreement has taken longer than anticipated. Surprise surprise. That should always be expected given that lawyers charge by the hour. However, the Company's official line is that the agreements are now covering additional scope.

This manifests itself as an increase from 40,000 GJ of gas per day to 70,000 GJ per day, to meet the demand from two 170 MW Power-CCS projects. This is requiring the acquisition of more land to accommodate the larger facilities. The number of data centres is expected to grow from the initial three with the addition of two gas tolling Power-CCS projects. Discussions with financiers are on-going.

Strengthening commitment from management team

Mathew Jenkins is transitioning from a non-executive director to executive director. Mr. Jenkins was most recently CEO, Macquarie Capital Markets Canada Ltd and has 19 years of experience as a corporate finance and investment banker, principal investor, and power developer. He has advised over CA\$10Bn in mergers, acquisitions and divestitures and CA\$4Bn of equity within the power, energy infrastructure, natural gas, and oil sectors

The Bottom Line

So, the release was effectively an update to keep shareholders informed, but with expanding horizons. This matches the expectations of those who have been following the story closely. The greater commitment of Matthews Jenkins is confirmation that the confidence of the Company is strengthening. There is not much more to say other than to remind readers that this is an expanding thematic that is yet to reach the tipping point at which the larger market audience will become excited.

Palace coup at Lindian

There has been a board change at Lindian Resources (LIN) following the withdrawal of the resolution to re-elect the chairman, and the founder, Asimwe Kabunga. What is surprising is that Asimwe is the largest shareholder with about 25% of the issued capital in close hands. Earlier this year we saw the departure of Alistair Stephens, the CEO. Now, with the chairman gone, who is steering the ship?

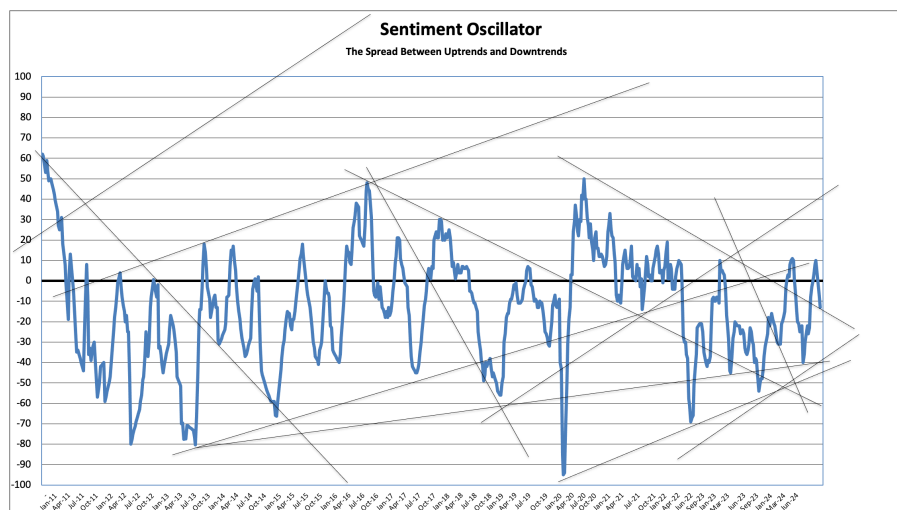
Technically, Asimwe resigned the day before the AGM, when he saw that the numbers were stacked against him. The ASX release used pro-forma wording saying he had resigned to pursue other interests but we all know that there is a backstory.

So, the Company has just entered a period of instability. It is unlikely that Asimwe will just ride off into the sunset. He has too much at stake. The remaining board members don't have the reach in Malawi and Guinea without him, to pursue the project, so there has to be further developments. Is this a plot by Chinese shareholders to secure control of one of the best rare earths project in the world? Maybe?

All that Asimwe has to do is find a white knight to pick up 10% on-market, at these depressed prices, and we will see a counter revolutionary coup. A new party will only do it on an agreed commercial basis, suggesting that there will probably be a clean out of existing management in favour of people who will be more aggressive. That could be very good for the share price. An incoming party will have to be mindful to not act in concert so as to avoid breaching the takeover code, but that is not a major stumbling block.

At the very least the shareholders have shaken the pot. They have expressed their concerns in a demonstrable fashion but haven't provided a solution for the future. You can be certain that the jackals will be circling, so watch this space for further developments. It could become very interesting.

Disclosure: Interests associated with the author own shares in Kalina and Lindian.



Sentiment Oscillator: Sentiment continued to weaken with 31% in uptrend and 44% in downtrend.

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	risen to new high	
Metals and Mining	XMM	down	
Energy	XEJ	still down	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Agua Resources	AGR	breached uptrend	phosphate, gold
Alkane Resources	ALK	forming a wedge	gold
Alicanto Minerals	AQI	strongly higher	base metals, silver, gold
Alligator Energy	AGE	on support line	uranium
Almonty Industries	All	rising	tungsten
Alpha HPA	A4N	rising again	HPA
Altech Chemical	ATC	on support line	HPA, anodes
Alto Metals	AME	new high	gold
American Rare Earths	ARR	sideways breach of downtrend	rare earths
Anax Metals	ANX	new low after placement	copper
Andean Silver	ASL	heavy pullback	silver
Anteotech	ADO	back to low	silicon anodes, biotech
Arafura Resources	ARU	secondary downtrend in play	rare earths
Ardea Resources	ARL	down	nickel
Arizona Lithium	AZL	sideways through downtrend	lithium
Astral Resources	AAR	on support line	gold
Auric Mining	AWJ	breached uptrend	gold
Averina	AEV	hugging downtrend line after initial breakout	phosphate
Aurora Energy Metals	1AE	surge on asset sale	uranium
Aurelia Metals	AMI	rising	copper + base metals
Australian Gold and Copper	AGC	weaker	base metals, silver, gold
Australian Rare Earths	AR3	down	rare earths
Australian Strategic Materials	ASM	down	rare earths
BHP	BHP	secondary downtrend in play	diversified, iron ore
Barton Gold	BGD	gently higher	gold exploration
Beach Energy	BPT	new low	oil and gas
Bellevue Gold	BGL	recovering	gold
Besra Gold	BEZ	still down	gold
Black Cat Syndicate	BC8	new high	gold
Boab Metals	BML	rising	silver/lead

Brazil Critical Minerals	BCM		new low - two tranche plus 1 for 3	rare earths
Brazilian Rare Earths	BRE		back to downtrend	rare earths
Brightstar Resources	BTR		less steep uptrend	gold
Caravel Minerals	CVV		sideways	copper
Carnaby Resources	CNB		sideways	copper
Castile Resources	CST		gently higher	gold/copper/cobalt
Catalyst Metals	CYL		down	gold
Cazaly Resources	CAZ		sideways	rare earths
Celsius Resources	CLA		sideways	copper
Challenger Gold	CEL		breached uptrend	gold
Cobalt Blue	COB		at lows	cobalt
Critica. (was Venture)	CRI		gently lower	tin
Cyprium Metals	CYM		down again	copper
Emerald Resources	EMR		rising, new high	gold
Empire Energy	EEG		breached uptrend	gas
EQ Resources	EQR		testing uptrend	tungsten
Evolution Energy	EV1		back to lows	graphite
Evolution Mining	EVN		rising	gold
Felix Gold	FXG		down	gold exploration, antimony
First Graphene	FGR		down	graphene
Fortescue Metals	FMG		rally run out of steam	iron ore
Genesis Minerals	GMD		rising	gold
Globe Metals and Mining	GBE		sideways	niobium
Gold 50	G50		rising again	gold exploration + gallium
Great Boulder Resources	GBR		new low	gold exploration
Group 6 Metals	G6M		suspended	tungsten
Hamelin Gold	HMG		back to lows	gold exploration
Hastings Technology Metals	HAS		back in downtrend	rare earths
Heavy Minerals	HVY		sideways	garnet
Hillgrove Resources	HGO		testing downtrend	copper
Iltani Resources	ILT		down	antimony
Iluka Resources	ILU		breached uptrend	mineral sands
ioneer (was Global Geoscience)	INR		rising	lithium
Ionic Rare Earths	IXR		new low	rare earths
Jindalee Lithium	JLL		sideways	lithium
Jupiter Mines	JSM		new low	manganese
Kaiser Reef	KAU		improving	gold
Kalina Power	KPO		breaching steep uptrend	carbon sequestration
Krakatoa Resources	KTA		back to lows	rare earths
Larvotto Resources	LRV		steep rise	gold, antimony
Lindian Resources	LIN		down	rare earths + bauxite
Li-S Energy	LIS		down again	Lithium sulphur battery technology
LCL Resources	LCL		sideways at the bottom	gold/nickel exploration
Lotus Resources	LOT		breached downtrend, rising gently	uranium

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Lucapa Diamond	LOM		collapsing due to institution dumping shares	diamonds
Lunnon Metals	LM8		down	nickel
Lynas Corp.	LYC		rising	rare earths
Marmota	MEU		testing downtrend	gold/uranium exploration
Mayur Resources	MRL		stronger	renewables, cement
Meeka Gold	MEK		uptrend	gold
MetalsX	MLX		rising	tin, nickel
Meteoric Resources	MEI		recovering	rare earths
Metro Mining	MMI		back to high	bauxite
Midas Minerals	MM1		pullback	lithium
Nagambie Resources	NAG		returning to downtrend	gold, antimony
Neometals	NMT		down	lithium
Newfield Resources	NWF		suspended	diamonds
Nexgen Energy	NXG		rising	uranium
Northern Star Res.	NST		rising again	gold
Nova Minerals	NVA		surged higher	gold exploration
Novo Resources	NVO		down	gold exploration
Pacific Gold	PGO		breached downtrend	gold exploration
Paladin Energy	PDN		crunched down	uranium
Pantoro	PNR		breached uptrend	gold
Patriot Battery Metals	PMT		collapse to a new low	lithium
Peninsula Energy	PEN		new low	uranium
Perseus Mining	PRU		correcting lower	gold
Provaris Energy	PV1		new low	hydrogen
QMines	QML		down	copper
Queensland Pacific Metals	QPM		rising	nickel/cobalt/HPA
RareX	REE		sideways at the bottom of a downtrend	phosphate, rare earths
Regis Resources	RRL		new uptrend	gold
Reenergy	RLT		down	gas, helium
Richmond Vanadium	RVT		sideways	vanadium
RIO	RIO		down	diversified, iron ore
RTG Mining	RTG		down	copper
Rumble Resources	RTR		slump on placement	zinc exploration
S2 Resources	S2R		down	gold exploration
Sandfire Resources	SFR		rising again - new high	copper
Santos	STO		down	oil/gas
Sarytogan Graphite	SGA		testing downtrend	graphite
Siren Gold	SNG		spike and fall on corporate bid	gold exploration
Southern Cross Gold	SXG		breaching uptrend	gold exploration
Southern Palladium	SPD		spiked higher	PGMs
Stanmore Coal	SMR		rising	coal
St George Mining	SGQ		suspended	rare earths, niobium
Stellar Resources	SRZ		sideways	tin
Summit Resources	SUM		down	niobium, rare earths

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Sun Silver	SS1	down	silver
Suvo Strategic Minerals	SUV	down	kaolin
Talga Resources	TLG	back to downtrend line	graphite
Tamboran Resources	TBN	down	gas
Terra Uranium	T92	down	uranium
Theta Gold Mines	TGM	rising again	gold
Toro Energy	TOE	down	uranium
Torque Metals	TOR	back to lows	gold exploration + lithium
Vanadium Resources	VR8	back to lows	vanadium
Vintage Energy	VEN	sideways	gas
Vertex Minerals	VTX	steeply higher	gold
Warriedar Resources	WA8	testing downtrend	gold exploration
West Cobar	WC1	new low	rare earth + lithium
Westgold Resources	WGX	spiked higher	gold
West Wits Mining	WWI	sideways	gold
Whitehaven Coal	WHC	strong rally	coal
Totals	31%	41 Uptrend	
	44%	59 Downtrend	
		134 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	25	18.7%
Rare Earths	16	11.9%
Gold Exploration	14	10.4%
Copper	11	8.2%
Uranium	9	6.7%
Lithium	6	4.5%
Oil/Gas/Hydrogen	7	5.2%

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Graphite/graphene	4	3.0%	
Iron Ore/Manganese	4	3.0%	
Nickel	3	2.2%	
HPA/Kaolin	3	2.2%	
Tungsten	3	2.2%	
Tin	3	2.2%	
Silver	3	2.2%	
Antimony	4	3.0%	
Potash/Phosphate	2	1.5%	
Coal	2	1.5%	
Diamonds	2	1.5%	
Niobium	1	0.7%	
Vanadium	2	40.0%	
Zinc/Lead	1	0.7%	
PGMs	1	0.7%	
Mineral Sands	1	0.7%	
Bauxite	1	0.7%	
Cobalt	1	0.7%	
Other	5	3.7%	
Total	134		

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