

BULLETIN #69 – JULY 31 2011

TECHNICAL ANALYSIS ON OGIB PORTFOLIO

Welcome to Richard Reinhard's T/A Commentary. The intention here is to chart some of OGIB's favorite stocks and, often not knowing anything about the company or its fundamental prospects, try to provide some useful technical commentary on what the charts are telling me. In this way the hope is to provide readers with an independent and objective look at what the market is saying, untainted by "the story". There's a well known adage that says the market doesn't lie. Price and trading action is driven not just by the widely known information, but also the behind the scenes knowledge, expectations, aspirations and fears of a broad range of market participants and stakeholders.

Richard Reinhard (a "nom de plume"), is the editor & publisher of Growth Stocks Weekly and a 26-year veteran of "the Street". Richard is a former Registered Investment Advisor, options trader and VP at a century-old full-service brokerage firm. An obsessive practitioner of technical analysis for almost 25 years, Richard also has a strong academic background which includes a Commerce degree in Organizational Behaviour, a professional designation as a Chartered Accountant, and membership in the Market Technicians Association of New York.

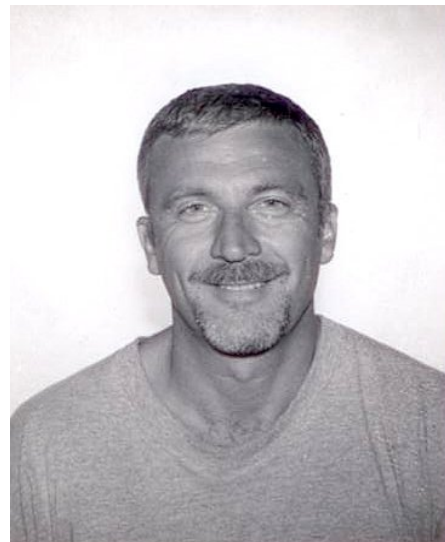
His own equity focus is identifying secular growth trends early and the companies most likely to benefit. Stocks are initially identified through fundamental analysis, with basic technical analysis then used to determine entry and exit points.

Richard spends far too much of his time reading economic and biographical history, economic reports and opinion, sifting through public-company records and rubbing elbows with entrepreneurs and proven company-builders seeking to build shareholder value, at least when he's not

spending time raising his second crop of children or playing tennis.

Richard seeks to maintain an anonymous and low-key profile, not only to facilitate access to industry professionals and entrepreneurs, but to keep at a distance the uber-promotional and less-altruistically inclined promoters mostly indifferent to the hopes and dreams of investors and the value of their hard-earned capital.

While Richard Reinhard is a pseudonym, this is his real life picture.



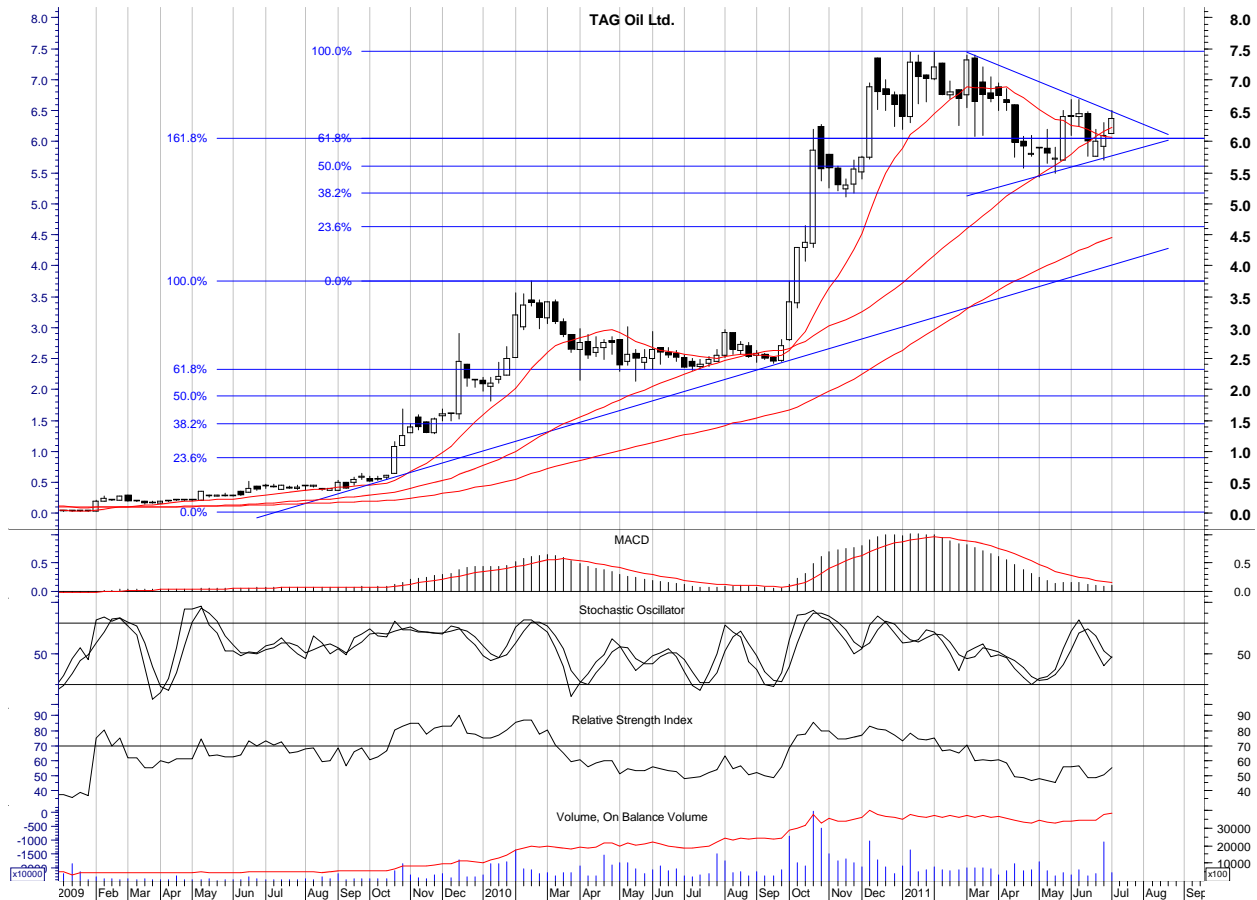
International Production and Exploration

ITHACA ENERGY (IAE-TSX) Weekly



Ithaca Energy: Price found support at the \$1.95, 61.8% Fib line as expected. The 80-week MA was regained with this month's rally following a test of the uptrend line and Fib support. Price consolidation is being assisted by the 13-week MA now joining the 80-week MA as \$2.20 support. The 40-week MA at \$2.44 is the only material resistance now, and if price maintains its new foothold, the next push could see a break out to test the old triple-top highs at \$3.00. MACD has crossed up and made a bullish signal line crossover, and is setting up to make a bullish centerline crossover (but it hasn't quite happened yet!). We still have a bearish divergence with MACD which is commonplace in a strong uptrend, but upside momentum is outpacing downside momentum as long as MACD is above the zero line. Both the STO and RSI set higher lows last month even as price broke below the \$2.00 support area on an inter-week basis, which signaled bullish divergence and a strong likelihood for support to hold, and a rally. STO currently overbought can be a sign of strength, and RSI fluctuating between 40 and 90 suggests a bull market (uptrend) where the 40-50 RSI zones act as support.

TAG OIL (TAO – TSXV) Weekly



Tag Oil: The historically dependable 40-week MA support came under significant pressure from the declining 13-week MA this last month. The 50% retracement area and former resistance zone, now new support, held nicely during this test of support. Strong base building in the \$5.50-6.00 area completed in May was followed by a rally, breaking the downtrend that suggested a challenge to the \$6.75-7.50 congestion area. We stated that any new highs would need to see significant volume, or more trading time will be required \$6-6.75 to sop up traders caught offside at higher levels. This last week saw that volume and a strong move above the key 61.8% Fib and the 13 and 40-week MAs. Both the STO and RSI suggest rising strength. MACD remains positive as does the OBV. All indicators considered, the chart has turned decisively more bullish, backed by a confirming rise in volume, and price seems more likely to test the old highs before the lower \$5.15 support area. If momentum fizzles over the next two weeks and fails to top the two early-June Candlesticks \$6.68 spinning top highs, traders would want to tighten stops to just below the recent \$5.70 low, and certainly below the \$5.50 support area to protect against a material price break to the \$3.75 support area.

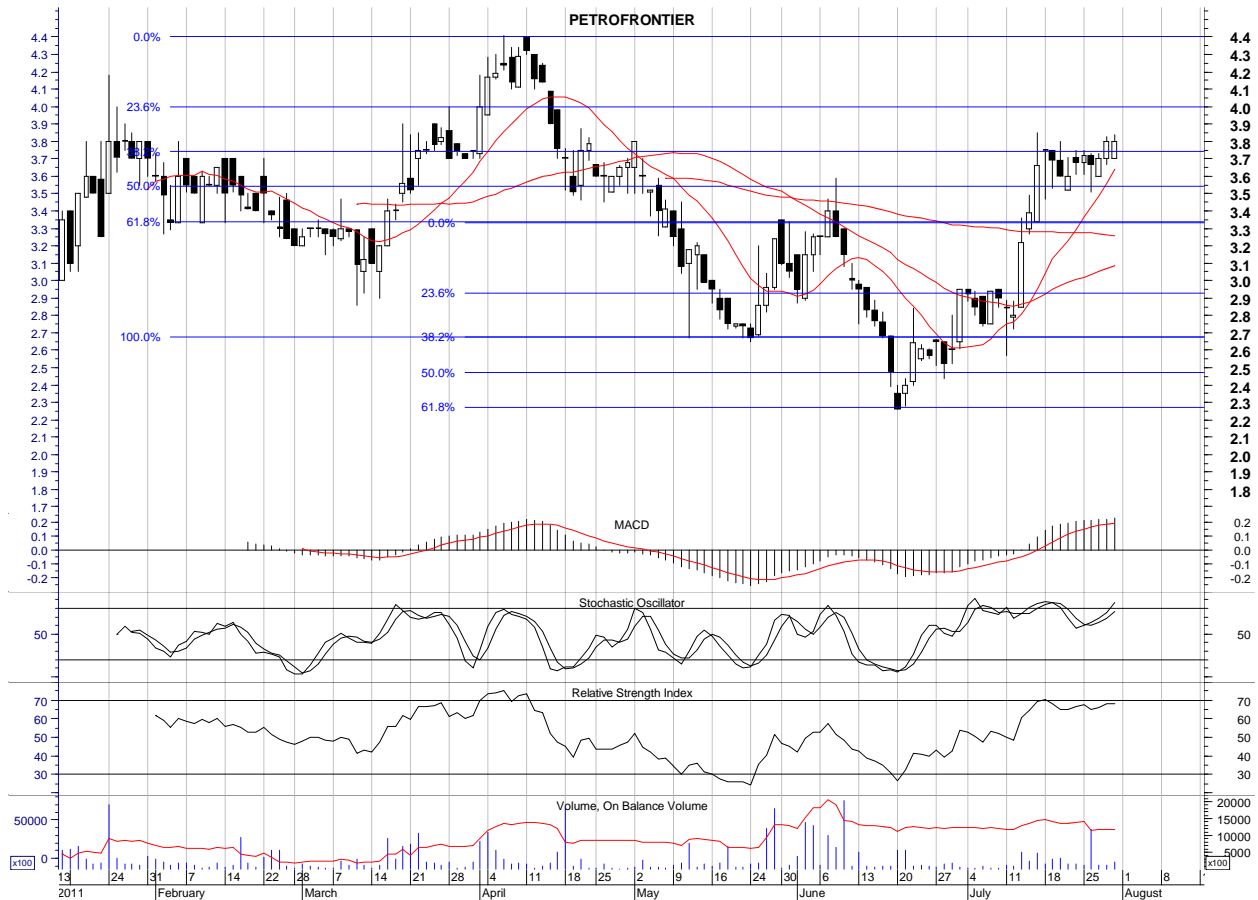
COASTAL ENERGY (CEN-TSXV) Weekly



Coastal Energy: Now trading in the upper mid-range within a wide trading channel with continued technical strength after confirming strong support around the 40-week MA. The rising 13-week MA under price continues to provide additional support. The current rally continues on relatively low volume. STO is well into the overbought area, but MACD and OBV support continuation of the upward trend. If price does retest the \$8.00 area and MACD falls materially short of its recent highs we would have negative divergence, warning of a loss of relative strength to the move, and a potential double-top scenario. In either case, to put the odds in our favour we would “fade”, that is, start trading out of our shares, into the upper boundary area of this channel. Chances are that a re-entry opportunity at least back to the rising short term (faster) trendline will present itself, currently an indicated \$2.00 swing trade.

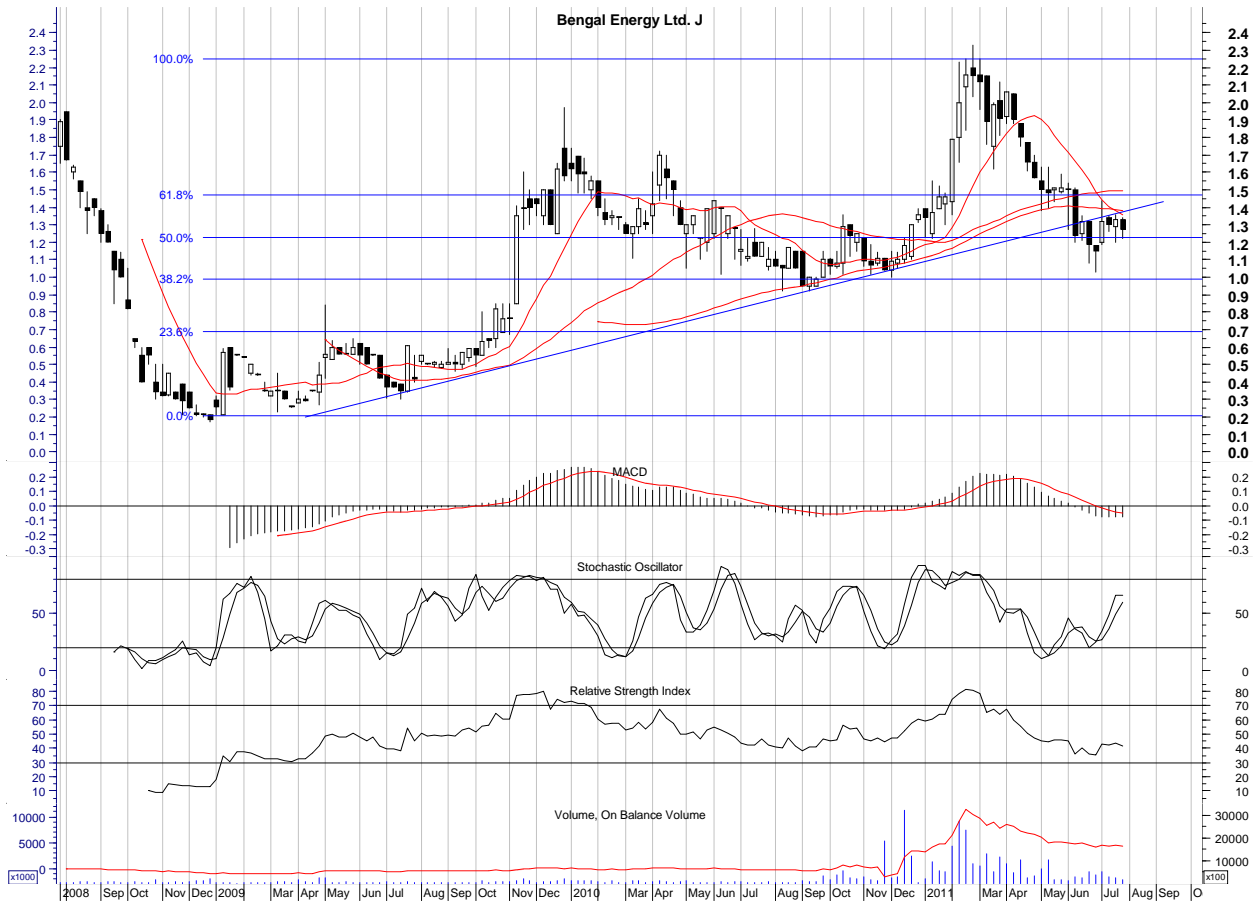
International Drill Plays - Speculative Stocks

PETROFRONTIER (PFC-TSXV) Daily



PetroFrontier: Not a lot of technical history, so we provide only the daily chart. After the minor \$4.40 double-top new high in April selling pressure quickly took price back through the supporting 13 and 40-week MAs. Once the MA's formed a "death cross" in early May, the bears took control while the bulls' defenses crumbled. Significant technical and psychological damage was made, and fear continued to rule as the bears pounded out their positions until exhaustion finally set in, with price matching the spike low. With no one left willing to sell the bulls are back in charge, but we warned that the bulls would run into significant resistance at the 40 and 80-week MAs and 38.2% Fib, in the \$3.30-3.40 area. Anyone taking advantage of that rally into the \$3.50 area had the ability to re-enter in the low to mid \$2 area where postulated that if our \$2.25 support fails to hold our Fib-projected base low would be in the \$1.60 area. As it turns out, the strong and unwavering momentum off the June low has substantially reversed all the technical damage, and the old \$4.40 high looks set to be challenged after the flag consolidation pattern is left behind. A measured move from the last rally suggests a potential near term target of around \$4.70.

BENGAL ENERGY (BNG-TSX) Weekly



Bengal Energy: We last commented on the significant price run up and equally severe correction, with the long term trend line around \$1.30 being a key benchmark as to whether the bulls were still in charge, or not. MACD was negatively divergent at the February 2011 new high, and both STO and RSI were in the sell zone, with OBV suggesting some distribution was taking place, giving adequate warning for a likely pull back. The week of June 10 saw a significant psychological blow to the bulls, with the 2-1/2 year price trend broken, a week counter rally, and then further damage as the bears took control, no doubt given a boost by stop-loss selling and technical traders taking their exit. Fairly strong support sits waiting at the \$0.98 area, and \$0.70 thereafter, but so far the 50% retracement area and some signs of building momentum have held the price up. The jury is still out on whether price can withstand our three key MA's as they turn down one by one, and add to the resistance of the broken long term uptrend line. MACD and OBV suggest continued weakness, but the STO and RSI are showing surprising signs of some underlying strength. A rally through the \$1.38-1.50 band would signal a breakout rally and retest of the old highs, while a break of the \$1.00 support area would suggest further significant downside.

CANADIAN OVERSEAS PETROLEUM (XOP-TSXV) Weekly Semi-log



Canadian Overseas Petroleum: Price has been testing support on the 23.6% Fib line, and was well along in the process of building a technical base until these last 7 weeks. In May we suggested that this stock would require some patience, given the price trading below all our still-declining MAs which continue to offer overhead resistance during rally attempts. If the \$0.46 low area is broken there is little if any support to be found until \$0.20, so that is the risk. We suggested that traders may do well to take early profits or losses on any rally attempts. OBV shows continuous distribution since around December 2010, to the point where only a significant increase in buying volume can reverse the negativity of almost 2 years of price declines. There is some minor technical strength shown by the STO and RSI which are best utilized in a range-bound trading environment. These indicators can be useful to identify turns near support. When a security trades with an oversold STO as was the case last month, we look for a break above 20 to signal an upturn and successful support test, which we saw early July. But keep in mind that bullish divergences can and often do appear in a strong downtrend - and yet the downtrend continues.

CGX ENERGY (OYL-TSXV) Weekly Semi-log



CGX Energy: Last month we stated that price had found tentative support and a relatively lower-risk accumulation area, but that there were signs that support would give way. We suggested that initial downside is likely to be the well-tested \$0.50 area where our 23.6% Fib line is drawn. This line marked the 2010 and 2009 lows from where we saw significant price moves to the \$1.32 100% Fib line. On a material break of the \$0.50 support area, downside risk would be to next support at \$0.26. OBV shows increasing distribution as new sellers join in. STO, RSI and MACD were still diverging to the downside last month, and continue to show waning support. This continues to portray a weak technical picture, with the bears looking ready to test the \$0.50 area.

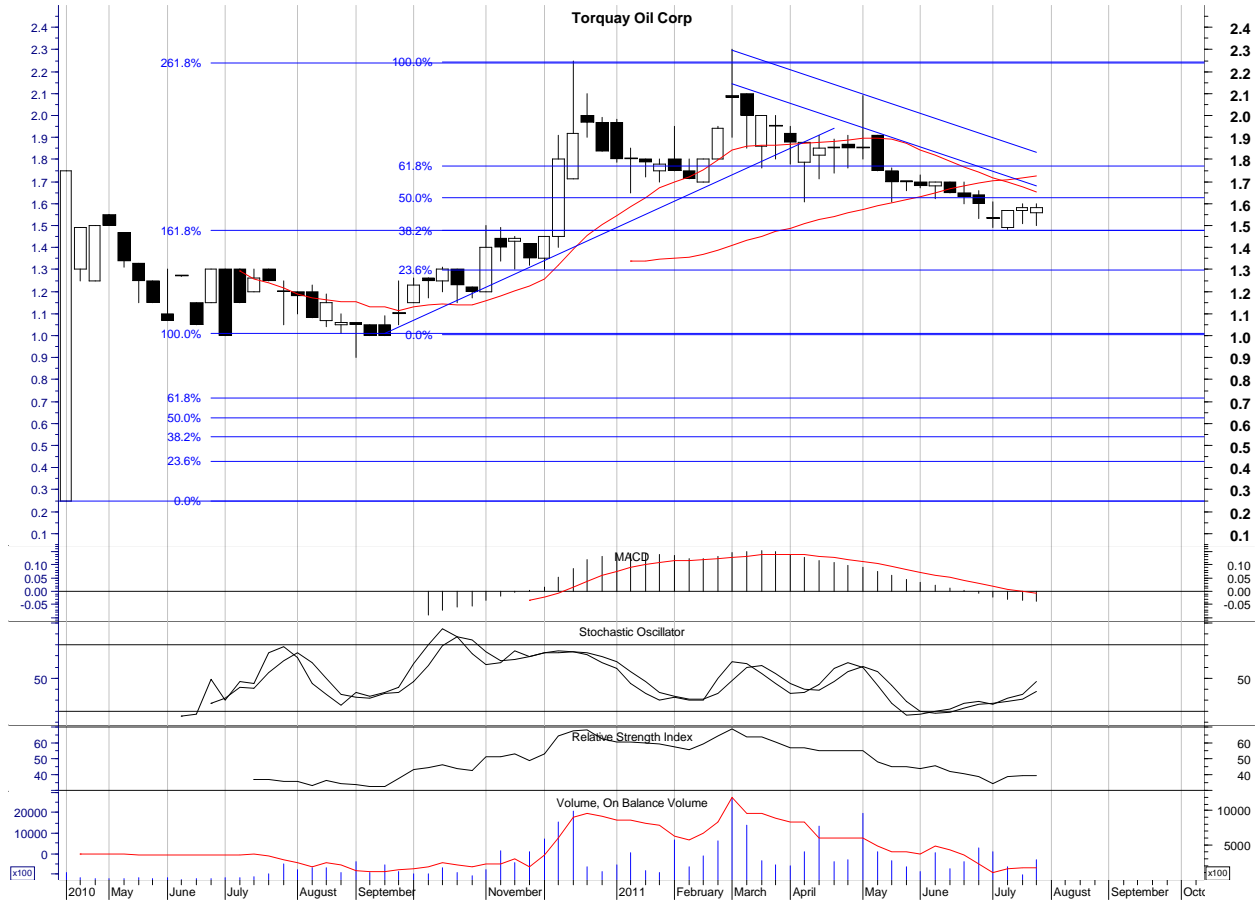
TOREADOR RESOURCES (TRGL-NASD) Weekly Semi-log



Toreador Resources: Our May comments concluded that after a severe downtrend a significant relief rally typically occurs after most of the sellers have already liquidated, but warned that the bounce will meet significant resistance in the \$8+ area. As it turns out, the rally was a relatively tepid affair, managing to retrace to only \$7 before another wave of aggressive selling retraced the rally back to \$5. At that point the bears were in control, utterly discouraging any hope left in the bull camp. The following week saw a volume spike and quick drop to our Fib line support at \$3.65. The relatively narrow trading range in the \$3.40-4.00 area with the STO and RSI making higher lows continues to offer some hope that the 23.6% Fib line can arrest the decline, but as we stated last month at this point and time of the year catching a falling knife has little appeal. Still, we are encouraged but the growing technical strength here, and with a relatively tight stop in place below the low of \$3.14 to protect to the downside, the risk-reward from the low side of the trading range may provide a timely rally into the low \$5 resistance area.

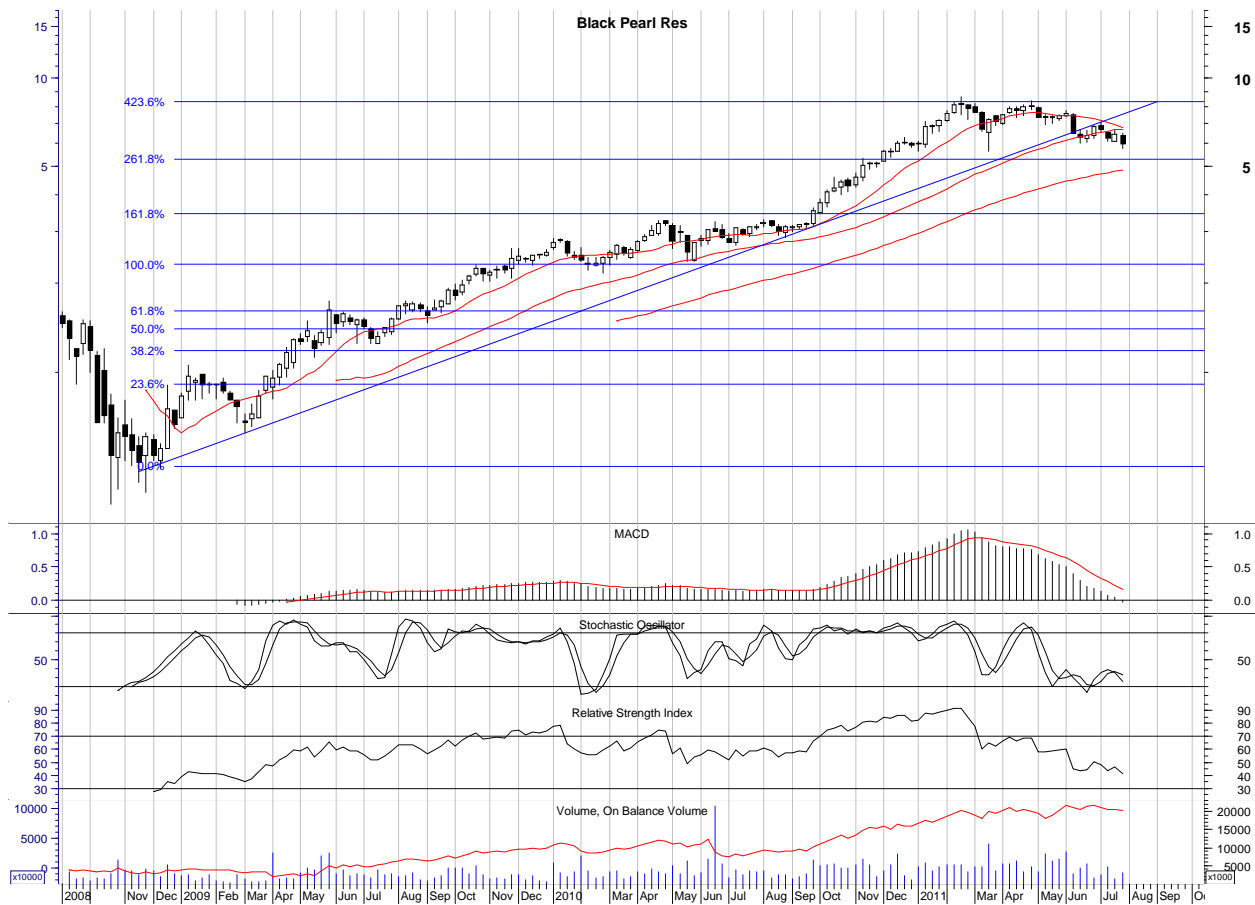
Domestic Producers/Exploration

TORQUAY OIL CORP (TOC.A-TSXV) Weekly



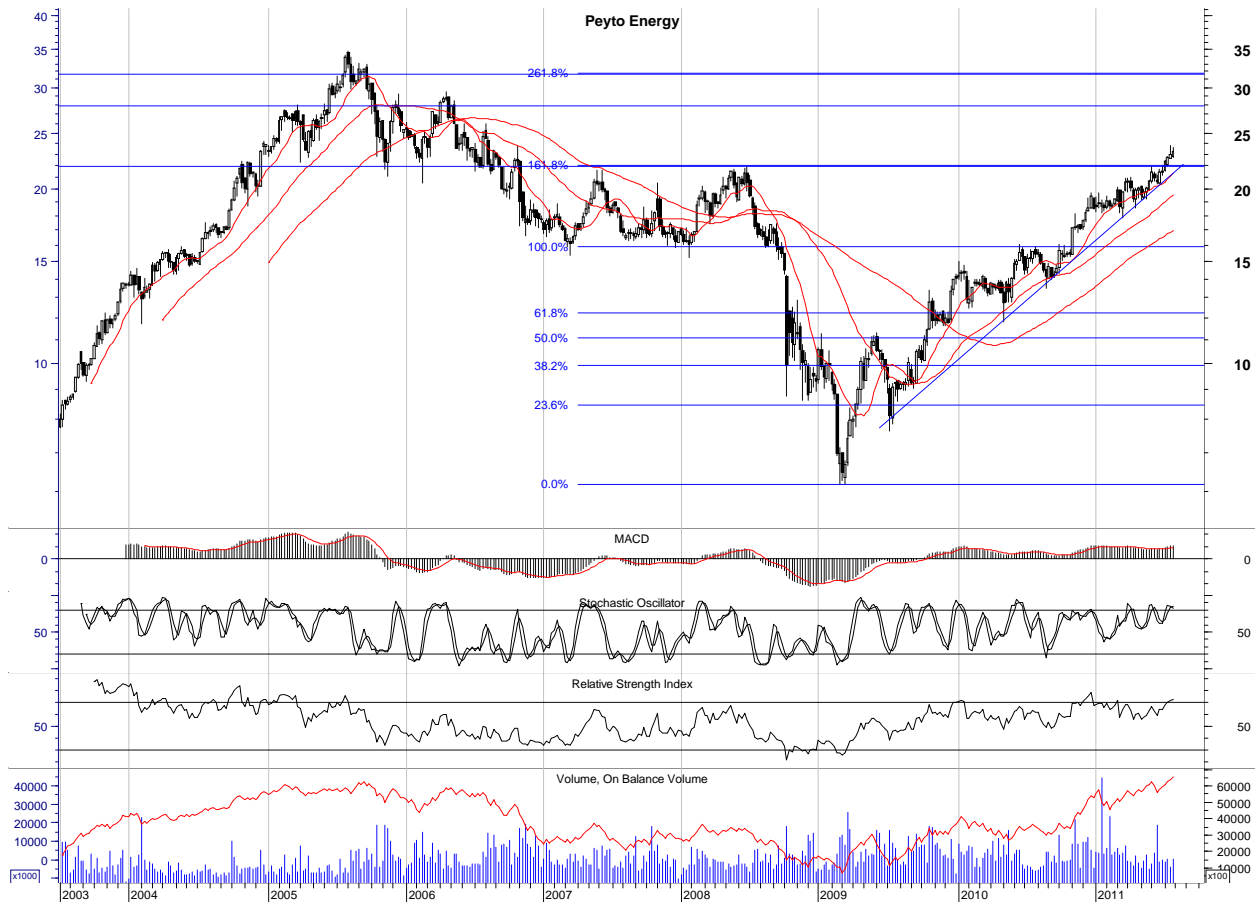
Torquay Oil: Back in May we suggested that the weakness of the prior three months was of concern, and was starting to wave a red flag as the 13 and 40-week MA's were above price and about to cross. We postulated that this may well be a seasonal event, given low liquidity and general market weakness. Last month we suggested that price was finding some support at the \$1.65 Fib support area, a well-tested line, but that the 40 week MA being broken with a bit of a volume pick up did not bode well. Other signs of trouble included the MACD in negative divergence since the sell signal early April, and the OBV which peaked early March and in steady decline, suggesting continued distribution. We pointed at next support just under \$1.50; then \$1.30 and then \$1.00. The STO is still bouncing out of the buy zone but RSI is still rather weak. The declining 13-week MA has crossed down through the 40-week MA, and offers continued resistance along with the declining lower trend line. Over the next month we will see which is stronger, the downside pressure or the 38.2% Fib support.

BLACK PEARL RESOURCES (PXX-TSX) Weekly Semi-log



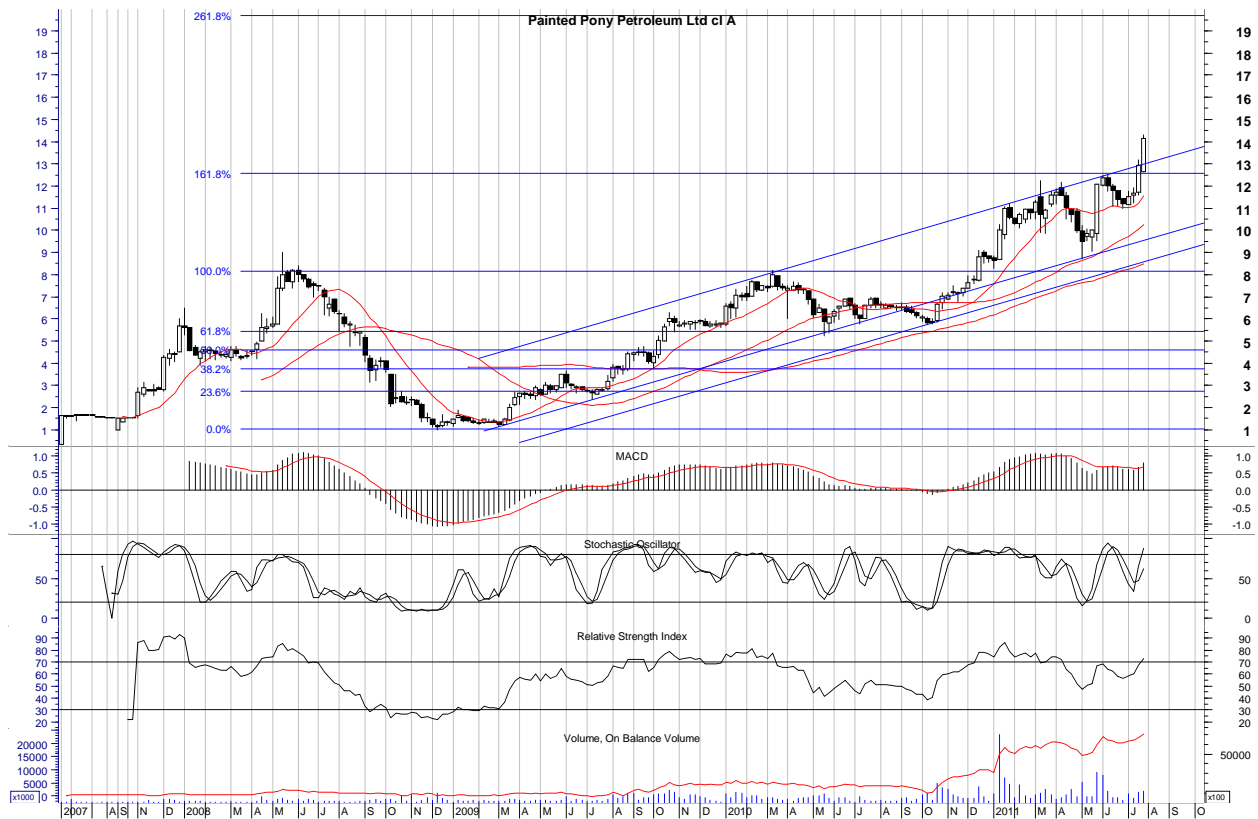
Black Pearl Resources: In May we pointed out that the trend is your friend, and this is well-represented by this picture of steady wealth creation, but that there were warning signs. The big one was the double top, confirmed by the negative divergence of our MACD. After the February peak at \$8.64 we saw a 35% correction over 4 weeks, to a \$5.61 low. The ensuing rally saw a retest of the high that fell a bit short at \$8.37, 6 weeks later. The price dip since that 2nd attempt at a new high had been relatively shallow with the STO bouncing off the buy line, which suggested the selling pressure may be done. But we wondered why the MACD was so ugly? We pointed out that short term demand was faltering – traders are failing to produce new high closes. As a safety feature we suggested a stop-loss set somewhere below the trendline and 40-week MA, then around \$6.30, to help avoid taking part in a more severe correction. With price now well below the trend and 40-week MA and momentum accelerating to the downside, with MACD breaking the zero line (STO and RSI confirming) and OBV looking topy, the next week or two are critical. The \$4.85-5.30 80-week MA / 261.8% Fib line is the next support zone where traders that stopped out at our line-in-the sand may consider a re-entry, at least for the bounce.

PEYTO ENERGY (PEY-TSX) Weekly Semi-log



Peyto Energy: We continue where we left off - a stellar chart where the trend is well-established, almost predictable. No real negatives here. The STO is in its over-bought sell area, where it can certainly remain for some time, with no suggestion of a loss in momentum. OBV is still climbing strongly. While the recent new price high was not matched by the MACD, the trendline remains materially intact and all the MAs are trending up. We stated in May and June that there was a strong likelihood that the old 2008 \$22 high will be challenged and breached to the upside, given the price momentum. We are now in new 5-year high territory and a triple-top high scenario is probably off the table. There is a large band of potential resistance in the \$22-\$32 area going back to the head-and-shoulders top of 2005-06, where \$22 is the "neckline". With that caveat given, momentum seems likely to see price penetrate well into this old consolidation area, and possibly test the upper area starting around \$28, where some resistance may be encountered.

PAINTED PONY (PPY.A-TSXV) Weekly Semi-log



Painted Pony: Back in May our charted channels helped put risk and reward into perspective, after a 20% move matched the recent double top high and closed right on the channel's upper boundary. TA suggested the upward move was decelerating – a warning rather than an outright sell signal. We suggested that taking the trade at the top of the channel is almost a no-brainer given the size of this move and where price was in relation to the previous high, the upper trendline boundary, the 161.8% Fib line, and (not shown) the Bollinger Bands envelope (that measures the number standard deviations of price from the mean – in this case price is right on 2 SDs). The subsequent selloff in June was effectively right on cue. However, the anticipated re-entry opportunity was likely missed as the correction was relatively shallow, coming right on the supportive 13-week MA at \$11. While a \$1.50 trade (12%) is still a worthwhile effort, it pales in comparison to what happened next. As we stated last month, with this type of chart, given the wide-ranging channel, trend-followers either need to be able to weather severe price corrections, or simply buy right, on the lower bands, and go for the ride. In hindsight (always 20/20), going for the ride would have been the way to go, with the last two weeks seeing a rally from \$11 to \$14.30 and into new high territory. Lest one gets overly excited here however (never a good idea to let emotions take over), the MACD has failed to make a corresponding new high, which is also the case for the STO and RSI – suggesting some waning momentum to this move. Also, volume is up slightly but nowhere near the previous levels that accompanied strong moves. A test back to the breakout area of \$13 is quite common in these situations.

Domestic Drilling Plays - Speculative Stocks

WIND RIVER ENERGY (WVR-TSXV)



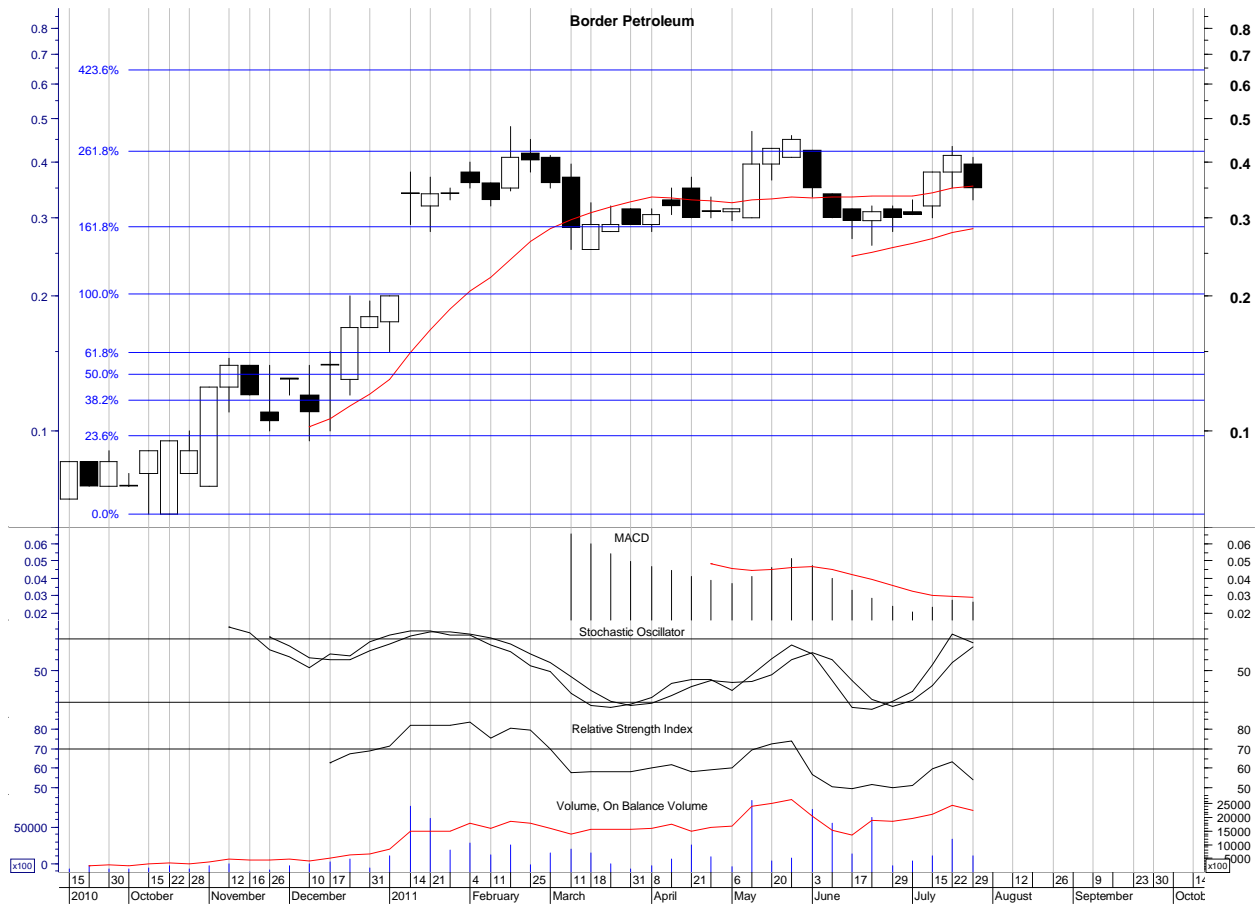
Wind River: We have little price history from which to draw upon, and a relatively illiquid security. MACD has been in freefall since the effective double-top high in mid-April. STO and RSI have lifted from oversold levels in late June and looked ready to turn up. OBV was gently rolling over but not indicating any significant distribution. Our last comments stated that support at around \$0.30 looked weak, with major support at \$0.22 being the area where we would be interested in establishing a lower risk entry. Subsequently, price declined to \$0.26 where a double-bottom Candlestick's "spinning tops" set the stage for a turn and sparked a counter-rally. This rally has now met resistance where the declining 13-week MA crosses the 40-week MA at \$0.40 and the 50% retracement line sits at \$0.37. Further resistance sits at the 61.8% Fib line at \$0.485. MACD is not following the rally and is in negative divergence, but STO shows strong positive momentum. RSI remains weak as does the OBV. Overall the technicals are suggesting that this rally may be done for now. A price move through the \$0.40-0.45 area would be impressive, but there's a lot of resistance in the \$0.45-0.65 area that needs to be chewed through, requiring a significant pickup in volume.

LYNDEN ENERGY (LVL-TSXV) Weekly Semi-log



Lynden Ventures: We have previously noted that Lynden's price has a history of volatility, which suggests to traders an excuse for taking profits as they are presented. The bears had been in control since the late-January gap opening marked a new \$0.89 2-year high. In June we stated that well-tested support on the 38.2% Fib at \$0.44 was building following the "death cross" of all the down-trending MAs – a high probability area for accumulation. As it turns out support held and we had an explosive rally and gap through all the MA's to that exact same resistance area, at the 100% Fib line sitting at \$0.85. Traders would be out here, where the odds called for a pullback after a quick double. This area is now an effectively tested triple top, with price struggling to maintain itself above the old 3-year uptrend line – still offering overhead resistance at this point, at least until price can consolidate its gains here – an unlikely event we wouldn't bet on from a technical perspective.

BORDER PETROLEUM (BOR-TSXV) Weekly Semi-log



Border Petroleum: As previously pointed out, price tested the February \$0.48 high in May and significant new selling volume came in, taking price right back down to the \$0.28 Fib support area. The 40-week MA was just starting to show then, which added rising support at the \$0.25 area. This last month confirmed our support area and we retested resistance with a spike of buying volume to a high of \$0.44. The STO was overbought and just broke down below the 80 threshold, signaling a downturn and resistance failure. However, STO exceeded its prior highs, signaling a potential "bull set-up" - this rally formed a lower price high, but STO formed a higher high. Even though price didn't exceed its prior high, the higher high STO shows strengthening upside momentum. This price correction can therefore be expected to result in a tradable bottom. But it is always important to use STO in conjunction with other TA tools. MACD remains mildly negative divergent as does the RSI. OBV is also somewhat weaker compared to the May high, suggesting net distribution versus accumulation. The STO 50 centerline is an important level to watch. Think of it as the 50 yard line in football. The defense has an edge as long as it prevents the offense from crossing that 50 yard line, so when price tests support, see where the STO sits.

PRIMARY PETROLEUM (PIE-TSXV) Weekly Semi-log



Primary Petroleum: In late December 2010 price finally got back up to the former high set at the \$1.00 area in 2007 after setting 2008 and 2009 double-bottom lows at \$0.03. The subsequent correction found tentative support on the rising 40-week MA through March, April and May. We noted that short term pressure would be coming from the declining 13-week MA about to cross down through the 40-week MA. That event did result in an immediate sharp sell-off down to the 80-week MA support area in June. Our 50% retracement line at \$0.49 also provides expected technical support in this area. Once support was tested the bulls took control, with MACD crossing up through the signal line to near its zero line and OBV approaching its old all-time highs, suggesting strong accumulation. STO and RSI confirm upside momentum, but we would be more comfortable with this rally once the 40-week MA is cleanly under price and confirms new support – this requiring some trading above the \$0.69 level. Any pullback to the 80-week MA now at \$0.47 would offer a lower risk entry, but a break through the recent \$0.44 low would trigger our own instincts to stop-loss out to protect capital.

DEETHREE EXPLORATION (DTX-TSX) Weekly Semi-log



DeeThree Exploration : In May we warned of the broadening top (Megaphone Top) pattern formed since the early-January record high, reflecting a battle between the bulls and bears to gain control of the stock. Bears exert increasing influence on the stock and cause it to set a series of lower lows. Increasing volatility creates a sense of uncertainty, leading to profit-taking, and deters bulls from making any further commitments - considered a bearish signal. As it turns out, subsequent trading has been spot on our expected trading boundaries and traders would have captured significant percentage gains with the early June top at \$4.64, June bottom at \$2.81, and July top at \$4.18. While we suspect that the pattern is gaining some underlying strength and that our \$2.85 level Fib line will provide strong support, the overhead declining resistance should remain as a high-probability area to take profits given the relative weakness of the MACD, STO and RSI indicators. Rising OBV confirms to us the growing strength of underlying support, and so one can expect one of the coming rallies to finally break out of this bearish pattern, but the likelihood of this remains low over the short term.

BOWOOD ENERGY (BWD-TSX) Weekly



Bowood Energy: Price underwent a near text-book 50% pullback from the December high to find solid support at \$0.43 during the March-May period, with a pattern of steady accumulation is overcoming the bearish sentiment, and starting to lift price through the 13-week MA as the 40-week MA starts to kick in with rising support. All indicators were in sync with the price action. We stated that any price reversal would find additional support at the 38.2% Fib at \$0.375, and this is where we found ourselves last month. In July price has worked up over the 13-week MA which had crossed down through the 40-week in May. There was a quick rally off \$0.375 support once the \$0.435 support line broke, and so that became the new resistance area. This month's rally through that resistance on modestly rising volume is encouraging. Significant overhead resistance sits at \$0.49 (Fib and the 40-week MA). Our various indicators suggest that there is not yet enough technical strength to see a successful breakout, notwithstanding some significant fundamental change that would surprise the market. Of course, the rally off the 38.2% Fib support area itself may indeed be a hint of some non-publicly-disclosed events, but that is the nature of the markets and why we prefer the technical story to keep us on the right side of the trade.

DONNYBROOK ENERGY (DEI-TSXV) Weekly Semi-log



Donnybrook Energy: MACD crossed down in mid April, a sell signal, and price has been in continuous freefall since its eight-month run to a new high of \$0.86. In our late May report, we noted a new extreme oversold condition, that RSI has since turned sharply lower, and that it is increasingly obvious that the 40-week MA support is no longer valid, and in fact offers declining resistance. We suggested that next support lies around \$0.38. At this point we see little reason to change our opinion, with the one slight positive that so far the 50% Fib support area remains supportive. The crossing of the 13-week MA down through the 40-week MA, which is coincident with the 4-month downtrend line at the \$0.54 area (and 61.8% Fib line) offers significant declining resistance. We are patiently awaiting a test of the 38.2% Fib support at \$0.38 and the now visible, rising 80-week MA at \$0.35.

Energy Services

OPEN RANGE ENERGY (ONR-TSX) Weekly



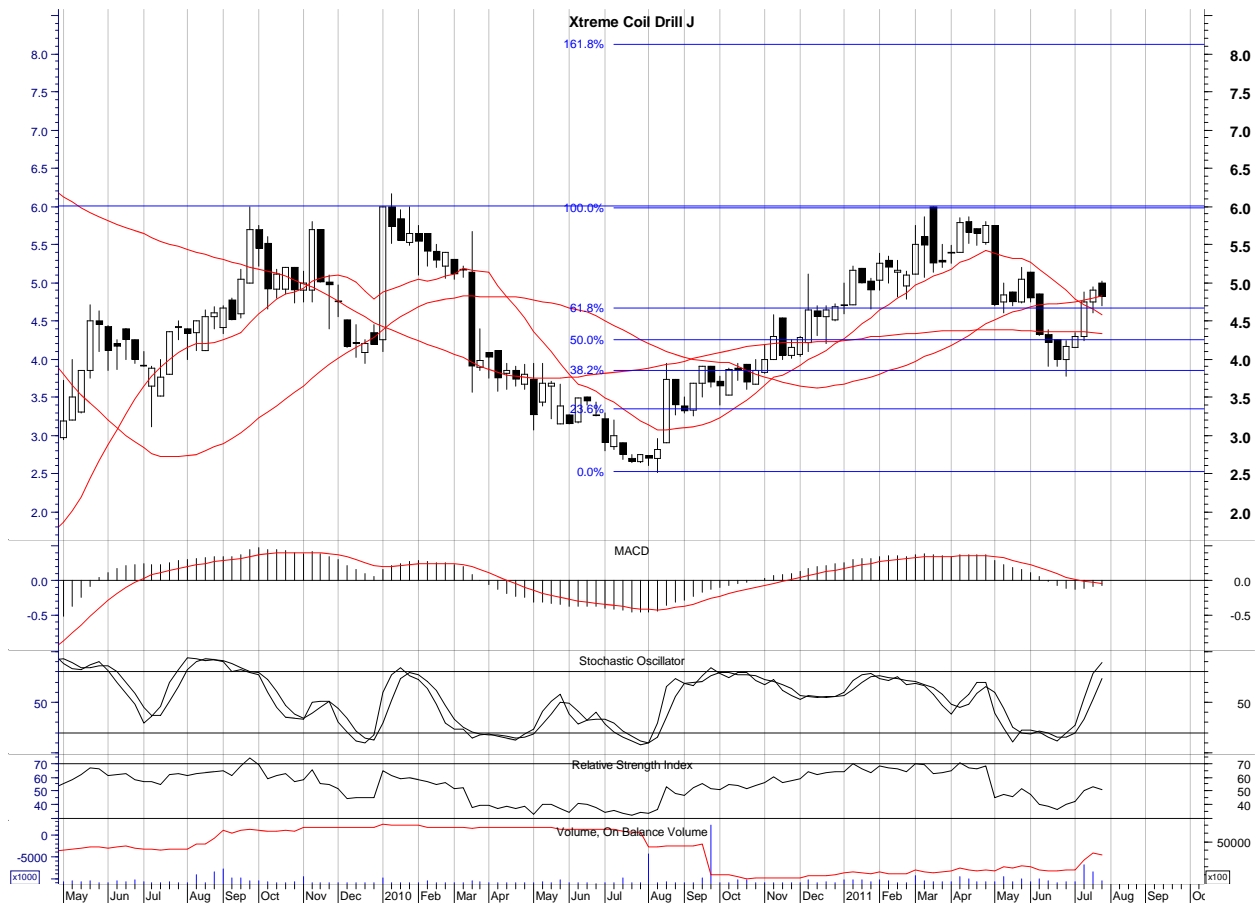
Open Range Energy: Last month was commented on the obviously bullish picture with price trading consistently off the 13-week MA. We noted the \$5.50 area as a key potential inflection point that required monitoring, with most technicals strongly positive. MACD was then starting to show negative divergence to price and STO and RSI were suggesting waning strength, but OBV was strong (net accumulation). By mid-July we saw a strong surge in volume and the STO, erasing any minor negatives we had noted. Although the RSI is still overbought, it continues to lag and in fact is about to break down through its 70 overbought threshold. A bearish divergence is formed when price records a higher high, and RSI forms a lower high. This is currently the case. Since RSI does not confirm the new high, this shows weakening momentum. However, like many momentum oscillators, overbought and oversold readings for RSI work best when prices move sideways within a range. Bearish divergences still produce some good sell signals, but chartists must be careful in strong trends when bearish divergences are actually normal.

TUSCANY INT'L DRILLING (TID-TSX) Weekly



Tuscany International: Last month we noted that price was entering new low territory on a large volume spike – not an auspicious beginning when you’re in uncharted territory – a falling knife comes to mind. We portrayed our key Fib support areas below the \$0.92 support area, and noted that it is generally best to await the formation of a new base where corroborating evidence can help determine the timing of a new up-trend. This month we note that our \$0.92 support area has effectively held despite three weeks of just-below-the-line consolidation. In hindsight the big-volume spike was a selling climax, likely a large shareholder needing to be taken out, which was met by willing buyers. After taking a suitable period of time to ensure the sellers were indeed done, the bulls have regained their confidence and broken price out of the 4-month-long downtrend. Once the downtrending 13-week MA hurdle can be overcome, next minor resistance sits at \$1.21. More formidable is the \$1.40 area where our two Fibonacci Retracement / Projections coincide, along with the declining 40-week MA now at \$1.45.

XTREME COIL DRILLING (XDC-TSX) Weekly



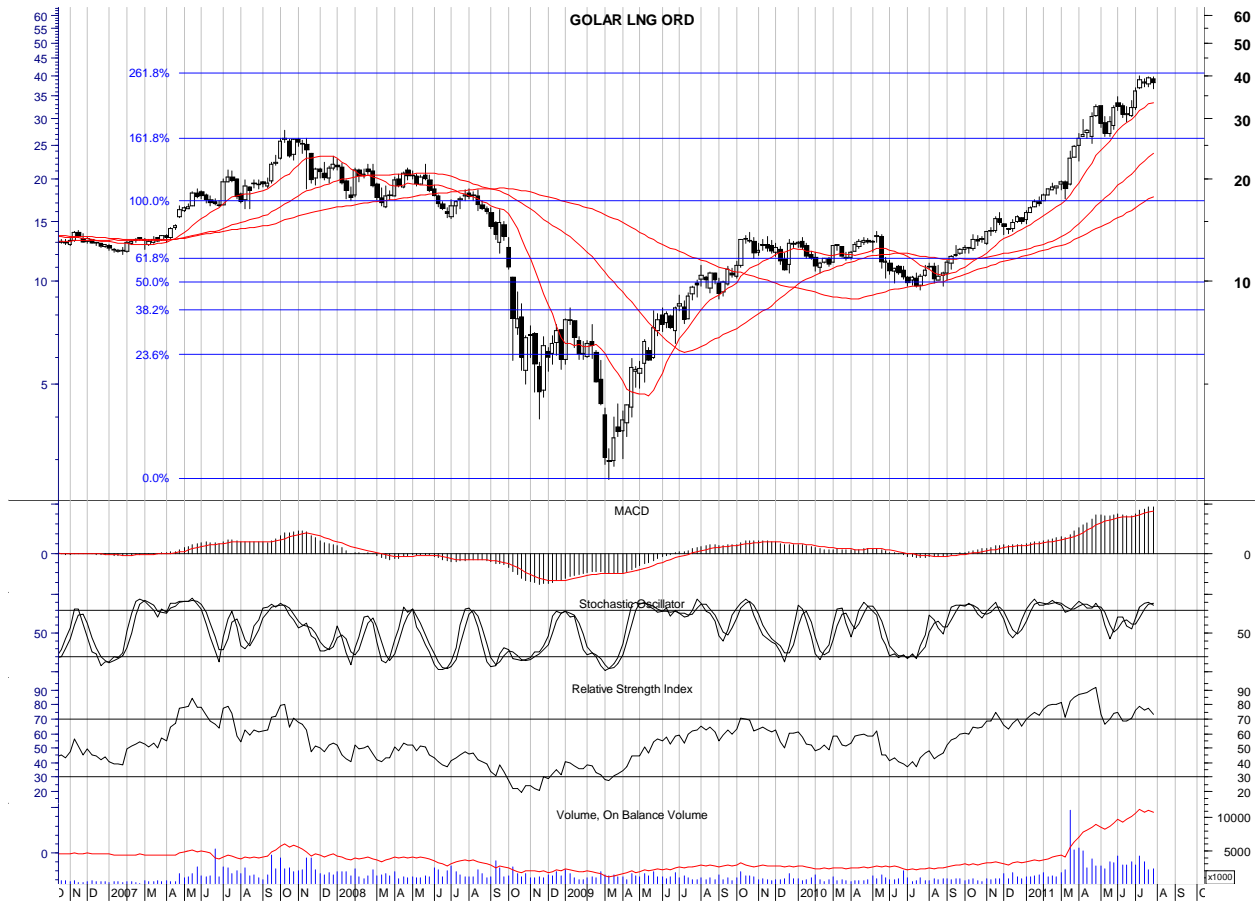
Xtreme Coil Drilling: The waning strength of the bulls was increasingly apparent since January as MACD set a series of lower highs and lower lows, even as price set a series of new highs – a clear warning that the rally was losing momentum and support. The rising MAs continuously acted as support during the eight month bull-run, and would continually offer resistance to rally efforts as the price corrected 61.8% from the \$6 March high. Four weeks of declines had managed to break through all of the MAs, and we suggested support would ultimately be found at the \$3.50 area. As it turns out, the low was set at \$3.77 and the last month has seen a powerful rally to \$5, with the STO giving us a strong overbought condition. Technically this looks to be the real deal, with price breaking through all of our MAs to sit just over our 61.8% Fib level (the 38.2% retracement level from the recent high). MACD is positive and crossing both its trigger line and the zero line, and volume is highest on up days and declines on down days. RSI is above its “50 yard line”, a strong defensive position as the bears look to correct the last month’s gains.

SECURE ENERGY SERVICES (SES-TSX) Weekly Semi-log



Secure Energy Services: In May we stated that next resistance may be found at the projected 423.6% Fib area at \$9.85, and so far this continues to be the case. We suggested that choosing to trade out at the upper boundary channel may prove to be a high percentage tactic given the market's general doldrums, where a little patience may offer a renewed opportunity near the lower channel boundary. The \$10 "big round number" area continues to offer lots of resistance. The action last month has given us no reason to change our views with one new caveat. Last week's drop down to \$8.84 does have some strong momentum behind it, but the 13-week MA at \$8.88 has historically acted as support and may do so again here. While only half-way down to the lower trading channel boundary, traders will need to measure their greed factor here, and consider whether a bird in the hand is worth a potential two in the bush. OBV shows unwavering net accumulation and RSI is already in oversold territory.

GOLAR LNG (GLNG-NASD) Weekly Semi-log



Golar LNG: Again, not much change to the technical picture over the last month. With the spike in volume to all time new highs in March, price accelerated once it achieved full recovery back into the pre-crash trading range of \$17.50-26.00. With no one in a loss position looking to get out even, price was clear to move higher unimpeded by market memory. The old high resistance area becomes support, and was quickly tested in May before price resuming its climb on steady volume. The shorter-term 13-week MA continues to lend ascending price support. Next material resistance is projected at the Fib 261.8% area, at around \$40, to which we are now close. A hint of waning strength is seen with the RSI and declining volume. There is little in the way of obvious negatives here, but our dependable Fib lines have proven their worth when in uncharted waters more often than note, and when they coincide with those “big round numbers” we personally will err on the side of caution.

GASFRAC ENERGY SERVICES (GFS-TSX) Weekly



GasFrac Energy Services: What started as a steady and reliable uptrend that lasted 6 months saw a MACD sell signal given mid-April that has yet to run its course. We thought it likely to test the \$9.50 50% retracement area and this was completed in June. We have since broken that support and tested the next level of defense at the \$8.40 area's 38.2% Fib line (a 61.8% retracement off the March highs). Note that the above chart shows the technical indicators only up to June 16 as the company delisted from the Venture Exchange and commenced trading on the TSX, and eSignal, our data vendor, has not yet combined the data. We have inserted the correct price action up to date, but without its volume and effects on the MAs and other indicators. We interpret the recent trading pattern as suggestive of strong accumulation in a relatively poor market condition environment, but the volatility is somewhat higher than normal, and the 13 and 40-week MAs offer significant resistance yet to be overcome.

CANADIAN ENERGY SERVICES (CEU-TSX) Weekly Semi-log



Canadian Energy Services: This chart shows a remarkably steady uptrending channel that reliably traded off its 13-week MA until the May/June swoon and general market weakness. Now it's the 40-week MA that offers key trend support. After the old 2008 price high of \$4.40 (adjusted for the 3:1 split effective July 11) was retested in January 2010 an immediate breakout to new highs signaled significant underlying strength. There was no indication that the trend was coming to an end other than some toppiness on the MACD. STO was as oversold as it has ever been, suggesting a potential buy area, and RSI remained above the 50 level, suggestive of a continued bull trend. The Fib resistance area of \$13.25 continues to offer resistance however, and July's rally to a new all-time high of \$13.57 was quickly repulsed, suggestive of a potential double top and a more aggressive retest of underlying support.

Energy Services – Speculative

WAVEFRONT TECHNOLOGY (WEE-TSXV) Weekly Semi-log



Wavefront Technology: The MACD sell signal line crossover of January 2010 and subsequent negative divergence gave plenty of warning at the time for the looming correction with price around the \$2.50 area. The May 2010 MACD break down through the center (zero) line accentuated the fact that further weakness was expected. A MACD signal line crossover buy signal was finally generated in October 2010 at the \$1.06 area, but MACD has never been able to break above its zero line. Price showed some signs of life in March/April with a rounding bottom formation being hammered out, that was prematurely arrested when price tried to rally too fast into resistance in the \$1.15-1.25 band where the 40 and 80-week MAs were still trending down and the 61.8% Fib line added resistance. Last month we suggested that there's just too much technical clutter in the way, with the MAs, the broken trendline, and the Fibs all working against the bulls. July's price break confirmed the relatively ugly technical picture, which occurred on very low volume. Downside momentum may not have been that strong, but downside momentum is still outpacing upside momentum as long as MACD is below the zero line, where it's been since March 2010. We suspect Fib support around \$0.68 may be sufficient to arrest the current price collapse. Next support (not shown) is around \$0.58 and would get us excited about accumulating a material position.

RIDGELINE ENVIRONMENTAL (RLE-TSXV) Weekly Semi-log



Ridgeline Environmental: We pointed out the weakening price action warranted close observation in May, but last month we noted some reason for more optimism. We observed that critical support sits at the 161.8% Fib line at \$0.43, and this had been successfully tested. A strong rally then took price back up through the 13 and 40-week MA resistance area in late June, just as those MAs were about to cross to the downside – always a negative event – and potential “technical disaster” was averted, at least temporarily. We stated then that key market participants around the company likely also follow TA, and may wish to avoid such negativity. We noted that the 80-week MA will offer some support, which means buying interest will appear around \$0.365 if the 161.8% Fib area support breaks and the down-turning 13 and 40-week MA's prove to be too much pressure. July has pretty well followed that script, with a price break down through the uptrend line and a quick drop down to \$0.35. A big effort was undertaken to take price back up through resistance after that near-death experience, only to be met by the bears in force. We'll have to see next week who can muster the necessary forces to push price one way or the other, but the overhead supply appears likely to prove too great to avoid a pull back of the bulls to a more defensible position, likely found in the \$0.35 area. Further key support sits at the \$0.25-0.29 band.

APPENDIX

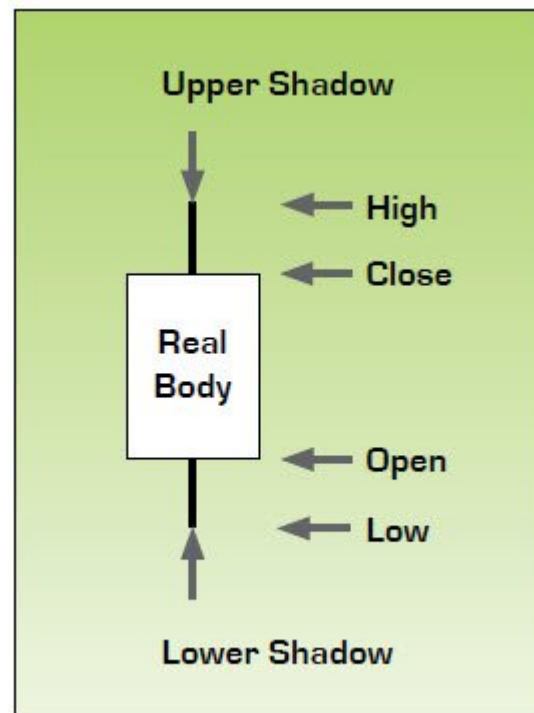
METHODOLOGY & INDICATORS USED

(with liberal excerpts from www.stockcharts.com)

JAPANESE CANDLESTICKS

We use Candlesticks charting as a matter of course, preferring the visually compelling information they display, and their ability to provide instantly recognizable stand-alone "patterns" that provide technical insights to the informed reader. Immediately a trader can compare the relationship between the open and close as well as the high and low. In order to create a candlestick chart, you use open, high, low and close values for each time period you want to display. The hollow or filled portion of the candlestick is called "the body" (or "the real body"). The long thin lines above and below the body represent the high/low range and are called "shadows" (or "wicks" and "tails"). The high is marked by the top of the upper shadow and the low by the bottom of the lower shadow. If the stock closes higher than its opening price, a hollow (or white) candlestick is drawn, with the bottom of the body representing the opening price and the top of the body representing the closing

price. If the stock closes lower than its opening price, a filled candlestick is drawn (black) with the top of the body representing the opening price and the bottom of the body representing the closing price.



SUPPORT & RESISTANCE

Support and resistance represent key prices where the forces of supply and demand meet. In the financial markets, prices are driven by excessive supply (down) and demand (up). Supply is synonymous with bearish, bears and selling. Demand is synonymous with bullish, bulls and buying. These terms are used interchangeably. As demand increases, prices advance and as supply increases, prices decline. When supply and demand are equal, prices move sideways as

bulls and bears battle for control. Support and resistance are like mirror images and have many common characteristics. In the case of support, this is the price level where demand is thought to be strong enough to prevent the price from declining further. Support, like resistance, does not always hold. A break below support signals that the bears have won out over the bulls. A breakout through resistance is a win for the bulls. Once support is broken, another support level will have to be established at a lower level.

Technical analysis is not an exact science and it is sometimes difficult to set exact support levels. In addition, price movements can be volatile and dip below support briefly. Sometimes it does not seem logical to consider a support level broken if the price closes just below the established support level, which is why we often establish support zones. The same logic applies to resistance, where price pokes up just through the resistance level.

Once the price breaks below a support level, the broken support level can turn into resistance. The break of support signals that the forces of supply have overcome the forces of demand. Therefore, if the price returns to this level, there is likely to be an increase in supply, and hence resistance.

The other side of the coin is resistance turning into support. As the price advances above resistance, it signals changes in supply and demand. The breakout above resistance proves that the forces of demand have overwhelmed the forces of supply. If the price returns to this level, there is likely to be an increase in demand and support will be found.

TREND LINES

Trend Lines are an important tool in technical analysis for both trend identification and confirmation. A trend line is a straight line that connects two or more price points and then extends into the future to act as a line of support or resistance. Many of the principles applicable to support and resistance levels can be applied to trend lines as well. Uptrend lines act as support and indicate that net-demand (demand less supply) is increasing even as the price rises. A rising price combined with increasing demand is very bullish, and shows a strong determination on the part of the buyers. As long as prices remain above the trend line, the uptrend is considered solid and intact.

A break below the uptrend line indicates that net-demand has weakened and a change in trend could be imminent. A downtrend line has a negative slope and is formed by connecting two or more high points. Downtrend lines act as resistance, and indicate that net-supply (supply less demand) is increasing even as the price declines. A declining price combined with increasing supply is very bearish, and shows the strong resolve of the sellers. As long as prices remain

below the downtrend line, the downtrend is solid and intact. A break above the downtrend line indicates that net-supply is decreasing and that a change of trend could be imminent.

SCALE SETTINGS

High points and low points appear to line up better for trend lines when prices are displayed using a semi-log scale. This is especially true when long-term trend lines are being drawn or when there is a large change in price. An arithmetic scale displays incremental values (5,10,15,20,25,30) evenly as they move up the y-axis. A \$10 movement in price will look the same from \$10 to \$20 or from \$100 to \$110. A semi-log scale displays incremental values in percentage terms as they move up the y-axis. A move from \$10 to \$20 is a 100% gain, and would appear to be a much larger than a move from \$100 to \$110, which is only a 10% gain.

MOVING AVERAGES

Moving averages (MAs) smooth the price data to form a trend following indicator. They do not predict price direction, but rather define the current direction with a lag. Moving averages lag because they are based on past prices. Despite this lag, moving averages help smooth price action and filter out the noise. They also form the building blocks for many other technical indicators and overlays. Exponential moving averages reduce the lag by applying more weight to recent prices. The weighting applied to the most recent price depends on the number of periods in the moving average. We use Exponential MAs in our charts.

The direction of the moving average conveys important information about prices. A rising moving average shows that prices are generally increasing. A falling moving average indicates that prices, on average, are falling. A rising long-term moving average reflects a long-term uptrend. A falling long-term moving average reflects a long-term downtrend. Two moving averages can be used together to generate crossover signals. There is also a triple crossover method that involves three moving averages.

A bullish signal is generated when prices move above the moving average. A bearish signal is generated when prices move below the moving average. Price crossovers can be combined to trade within the bigger trend. The longer moving average sets the tone for the bigger trend and the shorter moving average is used to generate the signals. One would look for bullish price crosses only when prices are already above the longer moving average. This would be trading in harmony with the bigger trend.

Moving averages can also act as support in an uptrend and resistance in a downtrend. A short-term uptrend might find support near the 20-day simple moving average, which is also used in Bollinger Bands. A long-term uptrend might find support near the 200-day simple moving average, which is the most popular long-term moving average. In fact, the 200-day moving average may offer support or resistance simply because it is so widely used. It is almost like a self-fulfilling prophecy.

Do not expect exact support and resistance levels from moving averages, especially longer moving averages. Markets are driven by emotion, which makes them prone to overshoots. Instead of exact levels, moving averages can be used to identify support or resistance zones.

The advantages of using moving averages need to be weighed against the disadvantages. Moving averages are trend following, or lagging, indicators that will always be a step behind. This is not necessarily a bad thing though. After all, the trend is your friend and it is best to trade in the direction of the trend.

FIBONACCI RETRACEMENTS & PROJECTIONS

Fibonacci Retracements are ratios used to identify potential reversal levels. Fibonacci Projections are ratio extensions useful for plotting where resistance levels will be found, especially useful when in new high territory with no previous trading history. The effective use of "Fib" properties for charting purposes is more of a practiced art than a science. They have proven to be amazingly accurate to this practitioner, and we do little without first referring to them.

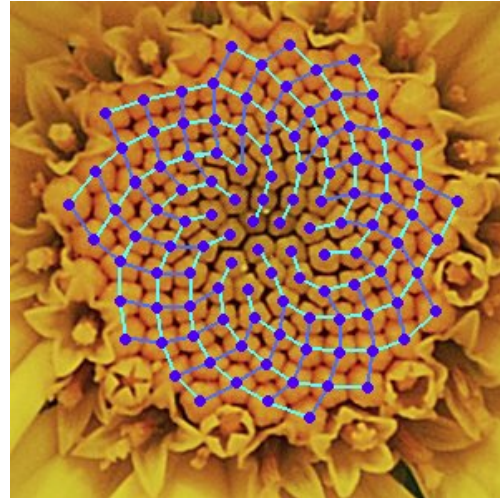
Fib ratios are found in the Fibonacci sequence as follows: 0, 1, 1, 2, 3, 5, 8, 13, 21, 34, 55, 89, 144, 233, 377, 610, etc. The sequence extends to infinity and contains many unique mathematical properties. The most popular Fibonacci Retracements are 61.8% and 38.2%. 50% is not technically a Fib number, but has proven to be a key level from Dow Theory's assertion that the Averages often retrace half their prior move. 1.618 refers to the Golden Ratio or Golden Mean, also called Phi, and is useful for price projections. Interestingly, the inverse of 1.618 is .618 ... another unique characteristic.

These ratios can be found throughout nature, architecture, art and biology. For example, in biological settings, they appear as branching in trees, arrangement of leaves on a stem, the fruitlets of a pineapple, the flowering of artichoke, an uncurling fern, spirals of shells, spirals of galaxies, the curves of a wave and the

arrangement of a pine cone or sunflower. Retracement levels alert market participants of a potential trend reversal, resistance area or support area. Retracements are based on the prior move's high and low points. A bounce is expected to retrace a portion of the prior decline, while a correction is expected to

retrace a portion of the prior advance. Once a pullback starts, chartists can identify specific Fibonacci retracement levels for monitoring. As the correction approaches these retracements, chartists should become more alert for a potential bullish reversal.

Based on depth, we can consider a 23.6% retracement to be relatively shallow. Such retracements would be appropriate for flags or short pullbacks. Retracements in the 38.2%-50% range would be considered moderate. Even though deeper, the 61.8% retracement can be referred to as the golden retracement. It is, after all, based on the Golden Ratio.



Yellow Chamomile head showing the arrangement in 21 (blue) and 13 (aqua) spirals. Such arrangements involving consecutive Fibonacci numbers appear in a wide variety of plants.

MACD

Moving Average Convergence-Divergence (MACD) is one of the simplest and most effective momentum indicators available. MACD turns two trend-following indicators, moving averages, into a momentum oscillator by subtracting the longer moving average from the shorter moving average. As a result, MACD offers the best of both worlds: trend following and momentum. MACD fluctuates above and below the zero line as the moving averages converge, cross and diverge. Traders can look for signal line crossovers, centerline crossovers and divergences to generate signals. Because MACD is unbounded, it is not particularly useful for identifying overbought and oversold levels.

Signal line crossovers are the most common MACD signals. A bullish crossover occurs when MACD turns up and crosses above the signal line. A bearish crossover occurs when MACD turns down and crosses below the signal line. Crossovers can last a few days or a few weeks, it all depends on the strength of the move. Signal line crossovers at positive or negative extremes should be viewed with caution. Even though MACD does not have upper and lower limits, chartists can estimate historical extremes with a simple visual assessment. It takes a strong move in the underlying security to push momentum to an extreme. Even though the move may continue, momentum is likely to slow and this will usually produce a signal line crossover at the extremities. Volatility in the underlying security can also increase the number of crossovers.

Centerline crossovers are the next most common MACD signals. A bullish centerline crossover occurs when MACD moves above the zero line to turn positive. A bearish centerline crossover

occurs when MACD moves below the zero line to turn negative. Centerline crossovers can last a few days or a few months depending on the strength of the trend. MACD will remain positive as long as there is a sustained uptrend. MACD will remain negative when there is a sustained downtrend.

Divergences form when MACD diverges from the price action of the underlying security. A bullish divergence forms when a security records a lower low and MACD forms a higher low. The lower low in the security affirms the current downtrend, but the higher low in MACD shows less downside momentum. Despite less downside momentum, downside momentum is still outpacing upside momentum as long as MACD remains in negative territory. Slowing downside momentum can sometimes foreshadow a trend reversal or a sizable rally.

A bearish divergence occurs when a security records a higher high and MACD forms a lower high. The higher high in the security is normal for an uptrend, but the lower high in MACD shows less upside momentum. Even though upside momentum may be less, upside momentum is still outpacing downside momentum as long as MACD is positive. Waning upward momentum can sometimes foreshadow a trend reversal or sizable decline.

Divergences should be considered with caution. Bearish divergences are commonplace in a strong uptrend, while bullish divergences occur often in a strong downtrend. Yes, you read right. Uptrends often start with a strong advance that produces a surge in upside momentum (MACD). Even though the uptrend continues, it continues at a slower pace that causes MACD to decline from its highs. Upside momentum may not be as strong, but upside momentum is still outpacing downside momentum as long as MACD is above the zero line. The opposite occurs at the beginning of a strong downtrend.

OBV

On Balance Volume (OBV) is a simple indicator that uses volume and price to measure buying pressure and selling pressure. A well-established truism states that volume precedes price. Expect prices to move higher if OBV is rising while prices are either flat or moving down. Expect prices to move lower if OBV is falling while prices are either flat or moving up.

OBV rises when volume on up days outpaces volume on down days. OBV falls when volume on down days is stronger. A rising OBV reflects positive volume pressure that can lead to higher prices. Conversely, falling OBV reflects negative volume pressure that can foreshadow lower prices. Buying pressure is evident when positive volume exceeds negative volume and the OBV line rises. Selling pressure is present when negative volume exceeds positive volume and the OBV line falls. Chartists can use OBV to confirm the underlying trend or look for divergences

that may foreshadow a price change. As with all indicators, it is important to use OBV in conjunction with other aspects of technical analysis. It is not a stand-alone indicator.

STO – The Stochastic Oscillator

The Stochastic Oscillator (STO) doesn't follow price, it doesn't follow volume or anything like that. It follows the speed or the momentum of price. As a rule, the momentum changes direction before price. It's a momentum indicator that shows the location of the close relative to the high-low range over a set number of periods.

The STO makes it easy to identify overbought and oversold levels because it is range bound. The oscillator ranges from zero to one hundred. No matter how fast a security advances or declines, the STO will always fluctuate within this range. Traditional settings use 80 as the overbought threshold and 20 as the oversold threshold. The STO is above 50 when the close is in the upper half of the range and below 50 when the close is in the lower half. Low readings (below 20) indicate that price is near its low for the given time period, and oversold. High readings (above 80) indicate that price is near its high for the given time period, and overbought.

The indicator can therefore be used to identify turns near support or resistance. When a security trades near support with an oversold STO, look for a break above 20 to signal an upturn and successful support test. Conversely, should a security trade near resistance with an overbought STO, look for a break below 80 to signal a downturn and resistance failure.

Bullish and bearish divergences in the STO can often be used to foreshadow reversals. Divergences form when a new high or low in price is not confirmed by the STO. A bullish divergence forms when price records a lower low, but the STO forms a higher low. This shows less downside momentum that could foreshadow a bullish reversal. A bearish divergence forms when price records a higher high, while the STO forms a lower high. This shows less upside momentum that could foreshadow a bearish reversal.

Once a divergence takes hold, we look for a confirmation to signal an actual reversal. A bearish divergence can be confirmed with a support break on the price chart or an STO break below 50, which is the centerline. A bullish divergence can be confirmed with a resistance break on the price chart or an STO break above 50.

50 is an important level to watch. The STO moves between zero and one hundred, which makes 50 the centerline. Think of it as the 50 yard line in football. The offense has a higher chance of scoring when it crosses the 50 yard line. The defense has an edge as long as it prevents the

offense from crossing the 50 yard line. An STO cross above 50 signals that prices are trading in the upper half of their high-low range for the given look-back period. This suggests that the cup is half full. Conversely, a cross below 50 means prices are trading in the bottom half of the given look-back period. This suggests that the cup is half empty.

There's one other form of divergence we can use to predict bottoms or tops. A bull set-up is basically the inverse of a bullish divergence. The underlying security forms a lower high, but the STO forms a higher high. Even though the stock could not exceed its prior high, the higher high in the STO shows strengthening upside momentum. The next decline is then expected to result in a tradable bottom. A bear set-up occurs when the security forms a higher low, but the STO forms a lower low. Even though the stock held above its prior low, the lower low in the STO shows increasing downside momentum. The next advance is expected to result in an important peak.

Momentum oscillators in general are best suited for trading ranges, but they can also be used with securities that trend, provided the trend takes on a zigzag format. Pullbacks are part of uptrends that zigzag higher. Bounces are part of downtrends that zigzag lower. In this regard, the STO can be used to identify opportunities in harmony with the bigger trend.

Like all technical indicators, it is important to use the Stochastic Oscillator in conjunction with other technical analysis tools. Volume, support/resistance and breakouts can be used to confirm or refute signals produced by the STO.

RSI

The Relative Strength Index (RSI) is a momentum oscillator that measures the speed and change of price movements. RSI oscillates between zero and 100. Traditionally, RSI is considered overbought when above 70 and oversold when below 30. Signals can also be generated by looking for divergences, failure swings and centerline crossovers. RSI can also be used to identify the general trend.

Like many momentum oscillators, overbought and oversold readings for RSI work best when prices move sideways within a range. Momentum oscillators can become overbought (oversold) and remain so in a strong up (down) trend.

Divergences signal a potential reversal point because directional momentum does not confirm price. A bullish divergence occurs when the underlying security makes a lower low and RSI forms a higher low. RSI does not confirm the lower low and this shows strengthening momentum. A bearish divergence is formed when the security records a higher high and RSI forms a lower high. RSI does not confirm the new high and this shows weakening momentum.

Before getting too excited about divergences as great trading signals, it must be noted that divergences are misleading in a strong trend. A strong uptrend can show numerous bearish divergences before a top actually materializes. Conversely, bullish divergences can appear in a strong downtrend - and yet the downtrend continues.

Failure swings can be strong indications of an impending reversal. Failure swings are independent of price action. In other words, failure swings focus solely on RSI for signals and ignore the concept of divergences. A bullish failure swing forms when RSI moves below 30 (oversold), bounces above 30, pulls back, holds above 30 and then breaks its prior high. It is basically a move to oversold levels and then a higher low above oversold levels. A bearish failure swing forms when RSI moves above 70, pulls back, bounces, fails to exceed 70 and then breaks its prior low. It is basically a move to overbought levels and then a lower high below overbought levels.

As an aid to identifying the trend, RSI may in fact not travel between 0 and 100. There is in fact a bull market range and a bear market for RSI. RSI tends to fluctuate between 40 and 90 in a bull market (uptrend) with the 40-50 zones acting as support. On the flip side, RSI tends to fluctuate between 10 and 60 in a bear market (downtrend) with the 50-60 zone acting as resistance. These ranges may vary depending on RSI parameters, strength of trend and volatility of the underlying security.

And then there are positive and negative reversals for RSI, which are the opposite of bearish and bullish divergences. A positive reversal forms when RSI forges a lower low and the security forms a higher low. This lower low is not at oversold levels, but usually somewhere between 30 and 50. A negative reversal is the opposite of a positive reversal. RSI forms a higher high, but the security forms a lower high. Again, the higher high is usually just below overbought levels in the 50-70 area.

RSI is a versatile momentum oscillator that has stood the test of time. Traditionally overbought conditions were considered ripe for a reversal, but we have observed that overbought can also be a sign of strength. Bearish divergences still produce some good sell signals, but chartists must be careful in strong trends when bearish divergences are actually normal. Even though the concept of positive and negative reversals may seem to undermine RSI's traditional interpretation, the logic makes sense and we must not dismiss the value of putting more emphasis on price action. Positive and negative reversals put price action of the underlying security first and the indicator second, which is the way it should be. Bearish and bullish divergences place the indicator first and price action second. By putting more emphasis on price action, the concept of positive and negative reversals challenges our thinking towards momentum oscillators.

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