

Is the glass half full or empty after what has been a good year for commodity prices?

As we approach Christmas and the usual slowdown the best thing we can say about the market is that its rather dull. The Dow keeps rising to new highs on the prospects of a President that is more business friendly. The All Ordinaries is struggling to find upward momentum but on Friday it did just pierce a long term resistance line that goes back two years. That could be very positive but there is talk of an economic slowdown in Australia. While not everyone is convinced of this outcome it is enough of an excuse to stand aside and not do much.

The US economic outlook is improving with expectations of infrastructure spending but without any concerns as to what this means for government debt. This stands in contrast to Europe which has slowly been improving whilst labouring under austerity programs. A swing to the US way of thinking is something we should be looking out for, as it would be positive for markets and commodities. Maybe 2017 will be a year of solid growth across the globe.

Individual stock selection is something that I frequently emphasise, coming from an analysts perspective, but very often this approach is subservient to larger themes and weight of money moving around the market. Big money is made on macro trends and the ability to shift in and out of sectors. We are seeing the effect of this with leaders such as BHP, Fortescue and RIO being sought after at the moment while smaller companies have to work harder to get the attention of investors. Nevertheless, the large percentage gains will always be achieved with the smaller companies.

If you are a believer that the trend is your friend, there is still no reason to be buying gold stocks. The downward spiral in recent weeks has had a severe dampening impact on our Sentiment Index due to the large weighting of gold in the mining sector. If you don't want gold just now where should you move your money? Some quick comments on each commodity are listed below;

Aluminium and Bauxite - they don't seem to feature on anyone's radar but the price of aluminium has been increasing over 2016, from around 66¢/lb at the beginning of the year to test 80¢/lb recently. Of the stocks we chart Metro Mining has been a solid improver over the year on the back of its bauxite licences in the Weipa district of Queensland. Another, Australian Bauxite, has been a less consistent performer.

Coal - coking coal has been a spectacular performer as the speculators have climbed on board. The rise from around \$110/t to better than \$300/t caught almost everyone unawares. Share prices of many coking coal companies have risen by 500% in 2016. No-one really expects the coking coal price to go higher, expecting a pullback of sorts in 2017, but the outlook is still positive. Thermal coal prices have improved by 80% to US\$89/t but it is hard to see them doing a whole lot more.

Copper - after being the laggard for most of 2016, copper has started to perform with the outcome of the US Presidential election, shooting up from US\$2.10/lb to touch US\$2.70/lb, almost 30% higher. Undoubtedly this has been a speculative push. Sustainability of this rise is uncertain and this introduces risks to the share prices. The best performer in the market has been the leader OzMinerals, having risen from \$3.54 in January to \$8.40 a couple of weeks ago. Sandfire's performance has not been as impressive though. The collection of smaller copper companies have mostly improved to varying extents.

Graphite - this is still a sector that is poorly understood by stock market traders so it has the potential to cause great pain, particularly when we look at flake graphite where there will be one of two scenarios. Either Syrah Resources will successfully commission its very large operation and serve as a beacon for many others to do the same, resulting in an oversupplied market, or it will fail to meet expectations and effectively put a stop to other companies trying to get their projects off the ground. There is a risk of collateral damage on sentiment and share prices. Some specialist graphite companies may escape the negative outcomes, such as vein graphite producers, but they are few and far between. FGR is the only producer in these ranks.

Iron Ore - the price has doubled to hit US\$80/t recently, offering a major boost to the likes of BHP, Fortescue, RIO and even the Federal budget. The ability of China to maintain growth has defied the sceptics, but that doesn't mean the iron ore price is going repeat this performance in 2017.

Minerals Sands - this includes ilmenite, rutile and zircon products. Prices have improved through 2016, with producers such as Base Resource and Mineral Deposits believing the rise is sustainable. Stock selection is both important and difficult in this sector. It is surprising how many potential new producers are on the bourse, while at the same time there is very little analytical expertise in the sector to guide us. Each project has its own unique features and metallurgy that might look good in isolation, but how do they really stack up with the competition? That is always the hard one to answer as they are not always comparable. It continues to be a niche sector.

Nickel - we have been taught that nickel is the first metal to respond to any economic upturn. On a five year view the price still is very low and a long way from historical peaks of around US\$9.00/lb. On a 12 month view the price has performed well, rising from around US\$3.50/lb to better than US\$5.00/lb. Thus it could go higher, but will it? Western Areas is the most credible stock we cover in this commodity but it is yet to gather momentum.

Oil & Gas - we have had the great melt down of oil prices and it looks like we have seen the turnaround. There

should be increasing opportunities here in 2017 as funds re-weight in the sector.

Zinc - has been touted as the best of the base metals with respect to tightening supply. The price has risen from the mid 60¢/lb level early in the year to better than US\$1.20/lb more recently. Whether there is much more upside in the price remains to be seen. Emerging producers such as Energia and Red River have been well promoted but only the latter has performed in the market. As these companies advance their plans to go into production they will present commissioning risks as well as zinc price risk. There is a host of lesser companies with VMS style projects but getting these to production is beyond most of them.

Uranium - with the spot price down to US\$18/lb it is not going to be a Merry Christmas for producers. Changes to the way the Kazakh's sell their uranium will have a beneficial impact on the uranium price in 2017, but it will still take a momentous effort to reverse the negative pall that overhangs the sector.

Having quickly gone through this list, acknowledging that in most cases the commodities have done well in 2016, the big question is whether they can form as well in 2017. Probabilities suggest not, and that explains why the stock market is subdued in its attitude at present. There is an improving economic theme but how much has been built into prices already? In the absence of clarity in this perspective we are back to rotating within the commodity sectors themselves, looking for better quality and opportunities from new, more exciting stories that appear within each category. That means stock selection. How

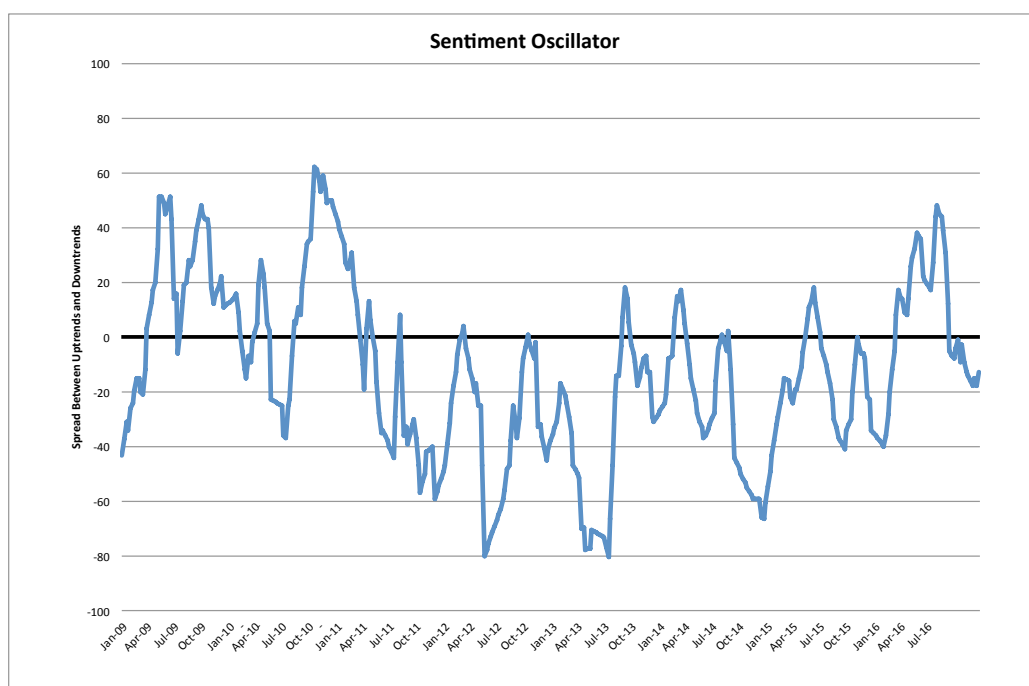
many of the punters out there are prepared to do their home work (and that doesn't mean trawling through the naive commentary that permeates web sites like Hot Copper). Quality analysis is a rare thing nowadays. It is best achieved in a quiet room without the banter of opinionated punters.

Dacian fund raising shenanigans give pause for thought

There have been some unusual shenanigans going on with Dacian Gold over recent days. On the 29/11/16, the Company announced a \$150m accelerated non-renounceable issue to shareholders, being joint led by Canaccord Genuity and Euroz. Two days later the deal changed to be a \$102m issue at \$2.50 per share. Then, four days later there seemed to be a second capitulation. The issue that was originally designed to fund the construction shrunk to a \$26m placement at \$2.50 to keep the wheels turning while alternative funding was being sought.

Sure, the gold price has been soft, but how did the Company and the advisers read the market so wrongly? It has been a disaster of a capital raising, with the market pushing back strongly, with the same disastrous result and the share price collapsing from \$2.97 to a low of \$2.11 when it was re-quoted. It will take a while to recover from this stuff up. Great company, great project, but it has still been blind sided. Events like this invariably leave scars in the minds of shareholders.

We have added Apollo Consolidated (AOP) to orchard coverage - gold in West Africa.



Sentiment Indicator: As the week closed there were some positive moves on some of the charts that resulted in an increase of those in uptrends. There were 28% (24%) of the charts in uptrend and 41% (41%) 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.

Indices	Code	Trend Comment	
All Ordinaries	XAO	testing long term resistance line	
Metals and Mining	XMM	back to recent highs	
Energy	XEJ	continues to improve	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
ABM Resources	ABU	strongly higher, then heavy pullback	gold
Aeon Metals	AML	at highs	copper + cobalt
Alacer Gold	AQG	down heavily	gold – production
Alkane Resources	ALK	breached uptrend	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Agua Resources	AGR	down again	phosphate
Alicanto Minerals	AQI	testing downtrend	gold exploration
Alltech Chemicals	ATC	sideways	industrial minerals
Anova Metals	AWV	breached uptrend	gold
Antipa Minerals	AZY	back in downtrend	gold
Apollo Consolidated	AOP	just holding uptrend	gold exploration
Archer Exploration	AXE	breached downtrend	magnesite, graphite
Argent Minerals	ARD	testing downtrend	polymetallic
Aspire Mining	AKM	down	coal
Atrum Coal	ATU	down	coal
Aurelia Metals	AMI	still down, gently	gold + base metals
Auroch Minerals	AOU	improving	exploration
Aus Tin	ANW	sideways	tin, cobalt
Australian Bauxite	ABX	turned down at resistance	bauxite
Australian Potash	APC	down	potash
Australian Vanadium	AVL	breach of downtrend	vanadium
Avanco Resources	AVB	rising	copper
AWE	AWE	testing downtrend	oil and gas
Azure Minerals	AZS	downtrend	silver
BHP	BHP	back to highs	diversified
Base Resources	BSE	rising	mineral sands
Bathurst Resources	BRL	correcting lower	coal
Beach Energy	BPT	steeply rise	oil and gas
Beadell Resources	BDR	lower	gold
Berkeley Resources	BKY	breached uptrend	uranium
Blackham Resources	BLK	downtrend	gold
Broken Hill Prospect.	BPL	adjusted after Cobalt Blue distribution	minerals sands, cobalt
Buru Energy	BRU	testing downtrend	oil
Canyon Resources	CAY	testing downtrend	bauxite
Cardinal Resources	CDV	collapse	gold exploration
Carnegie Wave	CWE	testing uptrend	wave energy
Cassini Resources	CZI	down	nickel/Cu expl.
Chalice Gold	CHN	holding uptrend	gold
Crusader Resources	CAS	new low	gold/iron ore
Dacian Gold	DCN	collapse on bungled capital raising	gold exploration
Danakali	DNK	sideways	potash
De Grey	DEG	sideways	gold
Doray Minerals	DRM	down	gold
Duketon Mining	DKM	testing downtrend	nickel
Eden Energy	EDE	sideways	carbon nanotubes in concrete
Energia Minerals	EMX	down	zinc
Evolution Mining	EVN	down	gold
Excelsior Gold	EXG	rallying	gold
Finders Resources	FND	strong uptrend	copper

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First Australian	FAR		sideways to lower	oil/gas
First Graphite	FGR		testing ST resistance line	graphite
Fortescue Metals	FMG		new high	iron ore
Galaxy Resources	GXY		rising again	lithium
Galilee Energy	GLL		breached downtrend	oil and gas, CBM
Gascoyne Resources	GCY		breaching support	gold
Geopacific Res. Resources	GPR		down	copper/gold exp.
Global Geoscience	GSC		breached downtrend	lithium
Gold Road	GOR		breached downtrend	gold exploration
Graphex Mining	GPX		downtrend	graphite
Herron Resources	HRR		breaching downtrend	zinc
Highfield Resources	HFR		rising again	potash
Highlands Pacific	HIG		sideways around lows	copper, nickel
Hillgrove Resources	HGO		back in downtrend	copper
Hot Chilli	HCH		testing downtrend	copper
Iluka Resources	ILU		rallying	mineral sands
Image Resources	IMA		building a base	mineral sands
Independence	IGO		pullback	gold, nickel
Intrepid Mines	IAU		sideways - 7¢ capital return proposed	copper
Karoo Gas	KAR		heavy fall	gas
Kibaran Resources	KNL		breached support line	graphite
Kin Mining	KIN		breached uptrend	gold
Legend Mining	LEG		new high	exploration
Lithium Australia	LIT		downtrend	lithium
Lucapa Diamond	LOM		recapturing uptrend	diamonds
Macphersons Res.	MRP		down	silver
Medusa Mining	MML		still in long term downtrend	gold
Metals of Africa	MTA		vertical rise	graphite
MetalsX	MLX		downtrend	tin, gold
Metro Mining	MMI		rising	bauxite
Mincor Resources	MCR		down	nickel
Mineral Deposits	MDL		rising again	mineral sands
Mustang Resources	MUS		at lows	diamonds, rubies
MZI Resources	MZI		still in downtrend	mineral sands
Northern Minerals	NTU		breaching uptrend	REE
Northern Star Res.	NST		sell down	gold
Oceana Gold	OGC		testing downtrend	gold
Oklo Resources	OKU		breached downtrend	gold expl.
OreCorp	ORR		down	gold development
Orinoco Gold	OGX		down	gold development
Orocobre	ORE		strongly higher	lithium
Oz Minerals	OZL		new high	copper
Paladin Energy	PDN		down again	uranium
Pacific American Coal	PAK		breached downtrend	coal, graphene
Pantoro	PNR		breached steepest uptrend	gold
Panoramic Res	PAN		rising	nickel
Paringa Resources	PNL		strong recovery	coal
Peel Mining	PEX		gentle uptrend	copper
Peninsula Energy	PEN		falling again	uranium
Perseus Mining	PRU		Uptrend	gold
Pilbara Minerals	PLS		breached downtrend	lithium/tantalum
PNX Metals	PNX		strong surge	gold, silver, zinc
Potash West	PWN		falling	potash
Red River Resources	RVR		still in uptrend	zinc
Regis Resources	RRL		down	gold
Resolute Mining	RSG		breached support line	gold
Reward Minerals	RWD		strong rise	potash
Rex Minerals	RXM		back to lows	copper

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RIO	RIO		still strong	diversified
RTG Mining	RTG		breached support line	copper/gold
Rum Jungle	RUM		sideways	quartz
Salt Lake Potash	SO4		steeply higher	potash
Saracen Minerals	SAR		down	gold
St Barbara	SBM		down	gold
Sandfire Resources	SFR		stronger	copper
Santana Minerals	SMI		down	silver
Santos	STO		rising	oil/gas
Sheffield Resources	SFX		breaching downtrend	mineral sands
Silver Lake Resources	SLR		breached downtrend	gold
Silver Mines	SVL		down	silver
Sino Gas & Energy	SEH		breaching downtrend	gas
Southern Gold	SAU		down	gold
Stanmore Coal	SMR		breached steep uptrend and turning down	coal
Sundance Energy	SEA		new uptrend confirmed	oil/gas
Syrah Resources	SYR		down	graphite
Talga Resources	TLG		sideways	graphene
Tanami Gold	TAM		breached uptrend	gold
Teranga Gold	TGZ		down heavily	gold
Tiger Realm	TIG		surging higher	coal
Tiger Resources	TGS		breaching downtrend	copper
TNG Resources	TNG		breached uptrend	titanium, vanadium
Torian Resources	TNR		down	gold expl'n
Toro Energy	TOE		downtrend	uranium
Troy Resources	TRY		secondary downtrend	gold
Tyranna Resources	TYX		down	gold exploration
Vimy Resources	VMY		sideways through downtrend line	uranium
West African Resources	WAF		down	gold
Westwits	WWI		ST downtrend	gold exploration/development
Western Areas	WSA		up again	nickel
White Rock	WRM		breached downtrend	silver
Whitehaven Coal	WHC		heavy correction	coal
WPG Resources	WPG		sideways	gold
Wolf Minerals	WLF		continuing down	tungsten
Totals	28%	39	Uptrend	
	41%	58	Downtrend	
		141	Total	

Guides to Chart Interpretations

- Charts usually go pass from one trend (up or down) into the other via a period of indecision and uncertainty during which the trend can either recover or change. This period is signified by the orange colour. The orange represent both the greatest risk and greatest reward possibilities.
- Once a chart is in confirmed up or downtrends it is not uncommon for 10-20% of that trend to have already transpired.
- There are trends within trends. The focus of this chart review is the immediate trend that affects the sentiment i.e. it can be a downtrend within a long-term uptrend.
- Not every chart warrants a new comment every week. The new comments are in bold type. Grey type comments may be dated.
- Individual charts provide a single view. It is valuable to look at charts of other companies in similar commodities, and the overall sentiment is also very valuable. Not many stocks can swim against the tide.
- We periodically add or delete charts, some times for obscure reasons. If a chart consistent gives poor signals or is very erratic, we may delete it. Sometimes we add a chart because we want to see what all the fuss is about. We do have a preference for charting stocks that we cover in our research as well.
- Errors and omissions may occur from time to time, especially in fast moving markets.

Amber Lights in Tables: Just a reminder if when the amber light is used in the table – it is when the charts are ambiguous or when there is a change of trend taking place. If a chart is breaching a downtrend it can either be a positive sign or a trap. Only once it has done more work can it be confirmed as a new uptrend. Maybe it is a new uptrend (or conversely a new downtrend); the risk takers can decide to jump on board early (or sell). They will maximise their profits (or minimise their losses if indeed it is the start of the new uptrend (downtrend)). More risk-averse investors should wait a little longer, being prepared to give up some of the gains in return for greater certainty.

Weightings of Sectors Represented in the Company Charts

Sector	No. of Companies	Weighting	
Gold	33	23.4%	
Copper	14	9.9%	
Gold Exploration	12	8.5%	
Oil/Gas	9	6.4%	
Potash/Phosphate	7	5.0%	
Mineral Sands	7	5.0%	
Graphite	6	4.3%	
Zinc	5	3.5%	
Silver	6	4.3%	
Lithium	5	3.5%	
Nickel	5	3.5%	
Uranium	5	3.5%	
Coal	10	7.1%	
Tin	2	1.4%	
Bauxite	3	2.1%	
Iron Ore	1	0.7%	
Diamonds	2	1.4%	
Other	9		
Total	141		

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