

## It's all about the rates

Speculation around interest rates is the main focus of markets with consensus being that they will fall. Hence, equity markets and gold are rising. It is a simple equation. This is notwithstanding that there is nothing to get excited about on the economic front and there are serious uncertainties on the geopolitical environment. Journalists are starting to acknowledge that this is indeed a new Cold War, but this time with China. Yet, markets are happy to skate away on the thin ice of a new day.

What will happen when the rate cuts come through? What will be the next focus and will it support a move up or down? What will be the catalyst for a different perception? No-one seems to be worried about these issues at the moment.

### Peak Resources's outlook on NdPr prices

Whilst in Perth last week I called in to see how Peak Resources is going and to get that company's perspective on the outlook for rare earths, particularly for NdPr. Prices spiked recently to \$55/kg due to speculators getting excited about US/China tensions, but some steam has been released at it has dropped back to US\$49/kg. Where to from here?

Taking a longer term view the supply and demand outlook is tilted towards a much higher price. Peak thinks that we are looking at a scenario like in 2009, which resulted in historically high prices in 2011, (see the chart below) but this time the high levels will be more sustainable due to a long term shortage of supply.

While there might be plenty of rare earths waiting to be dug out of the ground, the market for the lighter rare earths is at the saturation point. Increasing the supply of NdPr will be problematic as it also means that lanthanum and cerium supply will increase, driving these prices even lower.

We can expect to see more companies picking up rare earth projects and extolling their virtues. Companies will be pushing their own barrows rather than presenting a

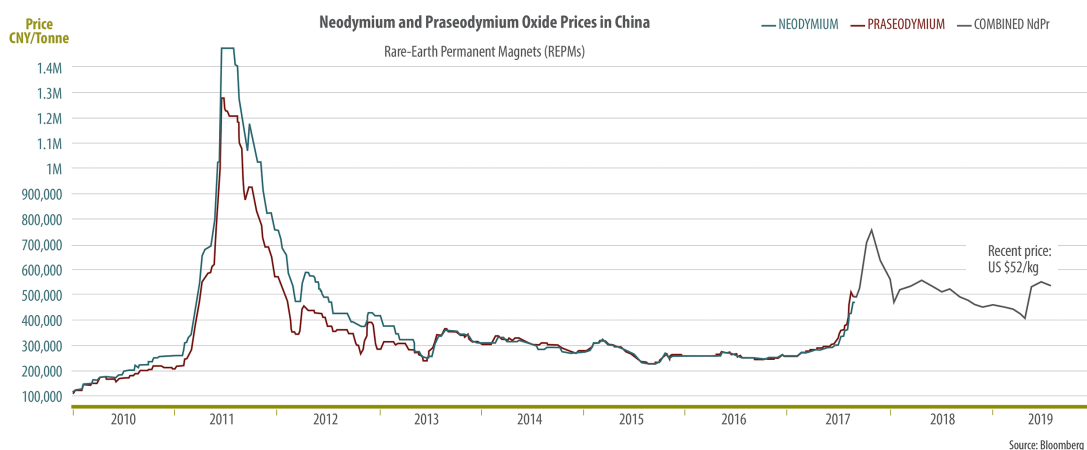
balanced, well considered view. It is all about trying to make themselves look sexy ahead of the inevitable capital raising. Get the right companies and you will see good share market performance. Get the wrong ones and you will be stuck in the slow lane.

Westfarmers has shown us what it thinks about the future of NdPr with its failed attempt to seize control of Lynas. It is prepared to throw meaningful cash on the table for something of substance but there is a shortage of sizeable targets.

The biggest percentage gains will be in those companies at the smaller end of the market when they become more than just bite sized, but any company seeking to kick start a project will find the capital needed to be somewhat intimidating. Maybe the aggressive corporates will find it easier to bid for the juniors and develop the projects themselves. This continues to be one of the most interesting sectors.

We have added intending NdPr producer, Arafura Resources, to our chart coverage.

*Disclosure: Interests associated with the author are shareholders in Peak Resources*



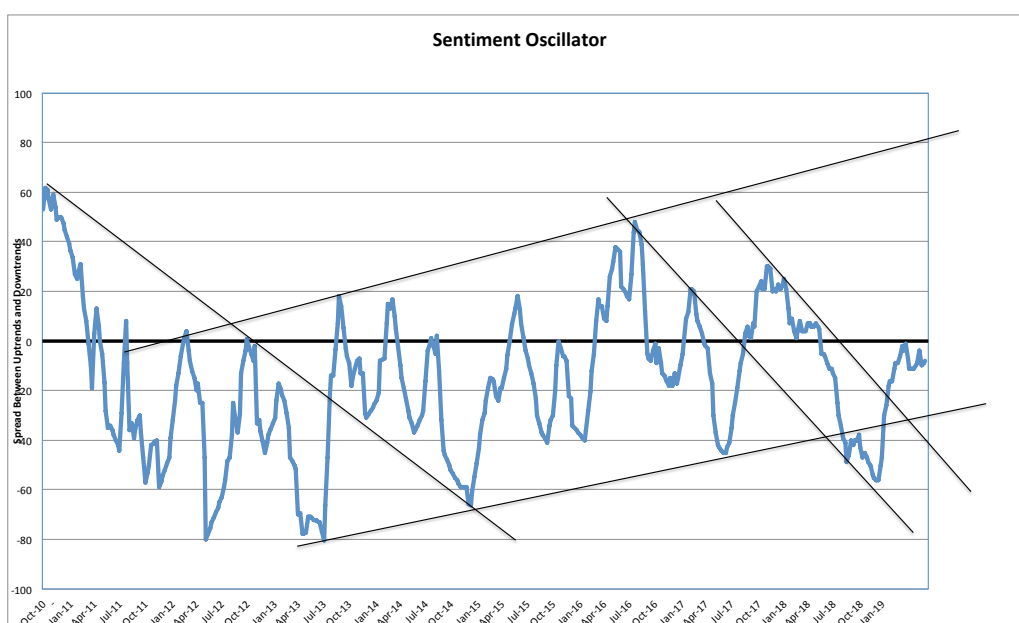
### Pantoro disappoints with the quarterly

I have previously been on record as saying that Pantoro was one of my favourite gold stocks. Well, no more. The deal to buy 50% of the Norseman goldfield didn't impress me as it is likely to be a money pit. The logic of getting bigger so that it would be a more attractive takeover target doesn't sit well either.

The latest quarterly report disclosed production of only 9,600 oz for the three months to 30 June, whereas expectations were closer to 14,000 oz. The target of 80,000 oz p.a. is starting to look a long way off. Sure, there were reasonable explanations given, but we prefer delivery as opposed to reasons why not.

The shares were crunched down to 15.7¢ on the day the quarterly was released, which was a fall of 27% on the previous Friday's close. Volume was high at 15 mill. shares in the first hour of trading on Monday, so the disappointment was obviously wide spread. I can't imagine that those investors in New York and elsewhere who took the \$43m placement at 20¢ will be very happy either. This is supposed to be a market where gold producers are going up, not down.

*Disclosure: Interests associated with the author are no longer shareholders, having sold due to disillusionment with the Norseman deal.*







**Sentiment Oscillator:** Sentiment improved slightly over the week. There were 32% (32%) of the charts in uptrend and 40% (41%) in downtrend on Friday's close.

### Detailed Chart Comments

*NB. Only the bold comments have been updated. Comments in grey type are from previous weeks and will be less relevant. Please note that this list is a cross section of the market. It IS NOT a list of recommendations.*

Indices	Code	Trend Comment	
All Ordinaries	XAO	near highs	
Metals and Mining	XMM	new high	
Energy	XEJ	back to LT uptrend, at apex of wedge	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Adriatic Resources	ADT	new high	zinc
Aeon Metals	AML	back in downtrend	copper + cobalt







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Alacer Gold	AQG		new high	gold – production
Alkane Resources	ALK		stronger on rare earth thematic	gold, zirconia
Acacia Resources	AJC		Sideways at the bottom	coal
Alchemy Resources	ALY		sideways near lows	nickel, cobalt
Alicanto Minerals	AQI		<b>new high</b>	gold exploration
Allegiance Coal	AHQ		on support line	coal
Alliance Resources	AGS		still down	gold exploration
Altech Chemicals	ATC		down	industrial minerals - synthetic sapphire
Apollo Consolidated	AOP		stronger	gold exploration
Arafura Resources	ARU		breaching uptrend, undertaking entitlement issue	rare earths
Argent Minerals	ARD		down	silver
Aurelia Metals	AMI		testing downtrend	gold + base metals
AusTin	ANW		new low	tin, cobalt
Australian Bauxite	ABX		stronger	bauxite
Australian Potash	APC		in a wedge	potash
Australian Mines	AUZ		strong rise, but heavy pullback	cobalt/nickel
Australian Vanadium	AVL		new low	vanadium
BHP	BHP		new high	diversified, iron ore
Base Resources	BSE		pullback	mineral sands
Bathurst Resources	BRL		sideways	coal
Battery Minerals	BAT		new low	graphite
BBX Minerals	BBX		pullback	gold exploration
Beach Energy	BPT		testing ST downtrend	oil and gas
Beacon Mining	BCN		new high	gold production
Bellevue Gold	BGL		near high	gold exploration
Berkeley Energia	BKY		in secondary downtrend	uranium
Blackstone Minerals	BSX		<b>breached downtrend</b>	gold, cobalt
Bounty Coal	B2Y		still in downtrend	coal
Breaker Resources	BRB		drifting	gold exploration
Broken Hill Prospecting	BPL		at lows	minerals sands
Buru Energy	BRU		testing uptrend	oil
Buxton Resources	BUX		testing downtrend	nickel exploration
Cardinal Resources	CDV		bounce from lows	gold exploration
Cassini Resources	CZI		consolidating	nickel/Cu expl.
Celsius Resources	CLA		volatile	copper/cobalt
Chalice Gold	CHN		breached downtrend	gold exploration
Chesser Resources	CHZ		surged out of downtrend, then heavy pullback	gold exploration
Cobalt Blue	COB		sideways at lows	cobalt
Dacian Gold	DCN		collapse on operations update	gold
Danakali	DNK		sideways to lower	potash
Davenport Resources	DAV		down	potash
Egan Street Resources	EGA		drifting	gold
Emerald Resource	EMR		sideways	gold
Evolution Mining	EVN		rising	gold

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Exore Resources	ERX		sideways	gold exploration
FAR	FAR		sideways at lows	oil/gas
First Graphene	FGR		uptrend	graphene
Fortescue Metals	FMG		new high	iron ore
Galaxy Resources	GXY		new low	lithium
Galena Mining	G1A		consolidating near highs	lead
Galilee Energy	GLL		new high	oil and gas, CBM
Gold Road	GOR		new high	gold
Graphex Mining	GPX		sideways through uptrend	graphite
Heron Resources	HRR		sideways	zinc
Highfield Resources	HFR		surge to new high then heavy pullback	potash
Hillgrove Resources	HGO		sideways	copper
Hipo Resources	HIP		at lows	battery metals
Iluka Resources	ILU		stronger	mineral sands
Image Resources	IMA		new high	mineral sands
Independence Group	IGO		rising	gold, nickel
ioneer (was Global Geoscience)	INR		down again	lithium
Jervois Mining	JVR		breached uptrend	nickel/cobalt
Jindalee Resources	JRL		stronger	lithium
Karoo Gas	KAR		breached new uptrend	gas
Kasbah Resources	KAS		bouncing off its low	tin
Kibaran Resources	KNL		breached new uptrend	graphite
Kin Mining	KIN		new low	gold
Legend Mining	LEG		bouncing	nickel exploration
Lepidico	LPD		testing downtrend	lithium
Lithium Australia	LIT		new low	lithium
Lucapa Diamond	LOM		continuing downtrend	diamonds
Lynas Corp.	LYC		coming back from high	rare earths
Mako Gold	MKG		back to lows	gold exploration
Marmota	MEU		sideways	gold exploration
MetalsX	MLX		breached downtrend	tin, nickel
Metro Mining	MMI		new low	bauxite
Mincor Resources	MCR		new uptrend forming	gold
Musgrave Minerals	MGV		breached downtrend	gold exploration
Myanmar Minerals	MYL		uptrend being tested	zinc
Nelson Resources	NES		new low	gold exploration
Neometals	NMT		testing downtrend	lithium
Northern Cobalt	N27		down again	cobalt
Northern Minerals	NTU		surged to reach resistance line	REE
Northern Star Res.	NST		new high	gold
NTM Gold	NTM		gentle downtrend	gold exploration
Oceana Gold	OGC		continuing down	gold
Oklo Resources	OKU		back to lows	gold expl.
Orecorp	ORR		correcting back to support line	gold development

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Orocobre	ORE		new low	lithium
Oz Minerals	OZL		rising again	copper
Pacific American Coal	PAK		at lows	coal
Pantoro	PNR		down	gold
Panoramic Res	PAN		down	gold , nickel
Peak Resources	PEK		surging to new high	rare earths
Peel Mining	PEX		still down	copper
Peninsula Energy	PEN		rising	uranium
Pensana Metals	PM8		surge to high	rare earths
Perseus Mining	PRU		surge to new high	gold
Pilbara Minerals	PLS		down	lithium
PNX Metals	PNX		lower	gold, silver, zinc
Polarex	PXX		surge higher	polymetallic exploration
Prodigy Gold	PRX		new high	gold exploration
Ramelius Resources	RMS		breached uptrend	gold production
Real Energy	RLE		back to lows	gas
Red5	RED		new high	gold
Red River Resources	RVR		good rally	zinc
Regis Resources	RRL		rising	gold
Resolute Mining	RSG		breaching resistance line	gold
RIO	RIO		new high	diversified, iron ore
Salt Lake Potash	SO4		surged higher	potash
Saracen Minerals	SAR		surged higher	gold
St Barbara	SBM		testing downtrend	gold
Sandfire Resources	SFR		down	copper
Santos	STO		into uptrend	oil/gas
Sheffield Resources	SFX		breaching downtrend	mineral sands
St George Mining	SGQ		down	nickel
Sipa Resources	SRI		recovered, to sideways pattern	general exploration - Ni,Cu, Co, Au
Stanmore Coal	SMR		new high	coal
Strandline Resources	STA		pullback after placement	mineral sands
Sundance Energy	SEA		heading lower	oil/gas
Syrah Resources	SYR		free fall on capital raising	graphite
Talga Resources	TLG		down	graphite
Technology Metals	TMT		short term down	vanadium
Tiger Realm	TIG		surged higher, at resistance line	coal
Triton Minerals	TON		breached secondary downtrend	graphite
Troy Resources	TRY		bounced off its lows	gold
Vango Mining	VAN		breached downtrend	gold
Vector Resources	VEC		suspended	gold
Venturex	VXR		down	zinc
Vimy Resources	VMY		down	uranium
Volt Resources	VRC		sideways	graphite
West African Resources	WAF		improving	gold

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Westwits	WWI	<span style="color: red;">■</span>	down	gold
Western Areas	WSA	<span style="color: red;">■</span>	ST uptrend breached	nickel
Whitebark Energy	WBE	<span style="color: orange;">■</span>	sideways	oil and gas
Whitehaven Coal	WHC	<span style="color: red;">■</span>	down	coal
Yandal Resources	YRL	<span style="color: orange;">■</span>	sideways	gold exploration
Totals	32%	45	Uptrend	
	40%	56	Downtrend	
		139	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	31	22.3%	
Gold Exploration	18	12.9%	
Oil/Gas	9	6.5%	
Graphite	7	5.0%	
Nickel	9	6.5%	
Coal	8	5.8%	
Lithium	8	5.8%	
Mineral Sands	6	4.3%	
Zinc/Lead	6	4.3%	
Potash/Phosphate	5	3.6%	
Copper	5	3.6%	
Cobalt	4	2.9%	
Rare Earths	5	3.6%	
Tin	3	2.2%	
Iron Ore	3	2.2%	
Uranium	3	2.2%	
Bauxite	2	1.4%	
Vanadium	2	1.4%	
Silver	1	0.7%	

Diamonds	1	0.7%	
Other	3		
Total	139		

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