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On Friday's Close

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A new entrant to the graphene space - Comet Resources

The mining sector continues to demonstrate classic bear market patterns as it walks lower. After new lows the stocks recover a little and then move lower still.

The Sentiment Oscillator continues to decline with no buy signal yet. Having said that, the mood at the RIU Resources Roundup in Sydney last week was surprisingly positive. Perhaps there is just a level of acceptance out there that stocks go up and down, and at the moment it is going down. Why worry about that over which we can exert no control? It is not the end of the world.

Without anything exciting to bring to the table I might as well continue with the graphene story ahead of going away in May, for a holiday in Scotland.

FGR more than doubles the capacity of its graphene production Cell

Last week First Graphite announced the continuing optimisation of its Graphene Cell, increasing capacity by 150%. Significantly, the cell will be able to produce 10-15 tonnes p.a. of graphene for a capital cost of less than \$50,000. At recently quoted graphene prices of more than US\$100,000 per tonne, there is potential for each unit to generate net revenue of A\$2m p.a.

Rather than build a centralised treatment plant that might cost \$30-40m to establish capacity of 2,000 tpa of graphene (the level that Talga talks about in its now dated scoping study), FGR could construct 200 of these cells for less than \$10m to achieve the same production rate. However, it doesn't have to do this all at once. It can do it incrementally, as and when the demand for the graphene warrants it. It doesn't have to take on the financing risk ahead of having firm sales contracts. It can grow in tandem with the market, minimising dilution and risk. It doesn't require or rely on economies of scale as the process is modular.

The important point is that FGR has production capability today, right now. It is the only ASX-listed company that can do it. It has granted mining leases and it has started production of graphite, the essential feedstock. It is actually ahead of everyone else in the game, as far as ASX-listed companies are concerned.

Talga has another competitor - Comet Resources

Companies should always be cautious about describing themselves as "unique", because that usually doesn't last forever. There is always another company seeking to challenge that status. Talga has described itself as "unique", calling its orebody "freakish", but there is a new competitor that has recently surfaced.

Last week I received a visit from Comet Resources, a tiny Perth-based company with a graphite project 150 km from Esperance in WA. It has been drilling the 100%-owned Springdale project, that has demonstrated a 4 km long graphite system. Drilling has been returning some very high grades with intercepts such as 7m at 20.8% TGC and 6m

at 22.3% TGC, within broader intercepts that are frequently giving 10% grades.

Initial test work has shown that the orebody is conducive to producing graphene via electrochemical exfoliation, just like Talga's. Comet has been using the same guys that Talga used in Perth to test its ore as it commences the graphene learning curve. Grade is an important factor, as it is the limiting factor for yields, but the morphology of the graphite and the gangue material is important if the process is going to work. Comet seems to have the right combination. The ore zones don't seem to be as constant in grades as Talga's, which may require more selective mining when seeking to produce graphene, but at this stage of the graphene growth cycle it is not important to be boasting large tonnes of resources, as the market is too small to commercialise millions of tonnes.

So, now there are three companies on the same exfoliation path to graphene production. Two of them, Comet and Talga, have grades in the range of 20-25% TGC. They could be shaping up as direct competitors. The third, First Graphite, has a grade of 95%. Being able to achieve 90% conversion to graphene places FGR in the most powerful position as its yield will always be much better. It means larger profit margins and lower capital costs. It will never be able to satisfy 100% of the global demand for graphene but it shouldn't be trying to. Industry will always want to have multiple sources of an input material such as graphene to ensure reliability of supply and competitive pricing.

The key point for FGR going forward is that it will be the lowest cost producer with the highest profit margins. The market price for graphene will be based on the marginal costs of the higher cost producers when the market becomes more advanced, and that will always be much higher than FGR's. Companies such as Talga, and now Comet, could be amongst those higher cost producers.

As we look at the emerging graphene companies it is important to remember that if one of these companies make breakthroughs in the applications for graphene, such as deployment in concrete, that same application will be relevant to other suppliers of graphene. At the end of the day it comes down to business efficiency and profit margins. Consumers will always go to the lowest cost supplier.

One final point that needs mentioning is that graphene is defined by the World Graphene Council as have 10 layers or less in thickness. If it is 11 layers or more, it is technically not graphene. It is micro-graphite, that can also carry the label of graphene nano platelets (GNP) if it falls within the range of 11-150 layers thick. Talga seems to be trying to muddy the water when it talks of recoveries of 76% into graphene and GNPs. It is trying to boost the yield that it can present to investors by crossing the boundary, grouping together two different products. That is just not correct. It is not truthful - it is deceptive.

A level playing field? Hardly.

The regulators have never had a good understanding of how markets work. To them, the market is all about disclosure and transparency, believing somewhat naively that their job is to ensure that it is a level playing field (if that is even a relevant concept to markets). They make rules and regulations that try to make it so, but it will never be as they wish.

The stock market is an essential financial institution in our society and fundamental to the way our form of capitalism works. It is an important source of risk capital for many industries as it finances companies and projects that would never be seen as acceptable risk propositions for the conservative banks. Its operation as a primary market for fund raising goes hand in hand with the secondary market function, which is there to provide liquidity and transferability of ownership of companies by a multitude of shareholders.

In looking at the volatility of many of the mining stocks in particular the most notable feature is how valuations can change so rapidly in such short periods of time. The word "valuation" is used rather loosely here, assuming that a share price and a valuation are synonymous. How is it that the market can be so confused as to what price to put on so many stocks, especially when you consider that the continuous disclosure standards are there to make sure that all the information is in the market?

The answer lies in the activity of speculators that base their decisions and actions not on what we know, but what might be - what might happen. These market participants turbo charge the speculation as they go beyond their guesstimates about company activities and factor in how they think the other market participants will react. Markets have always been like this but the velocity of modern markets have taken us into a new stratosphere. It is this dimension that regulators don't understand and they never will. The guessing and second guessing that is the primary mover in markets can never be managed or regulated.

Rather than pretend that the stock market is a logical and well organised institution, the regulars should acknowledge it for what it is; a sophisticated casino. They should leave it to be self sorting and restrict their involvement to identifying and prosecuting serious, orchestrated fraud. They shouldn't be there to protect the little guys who get burned when they step into the battlefield any more than you can protect a man who decided to go swimming in shark infested waters.

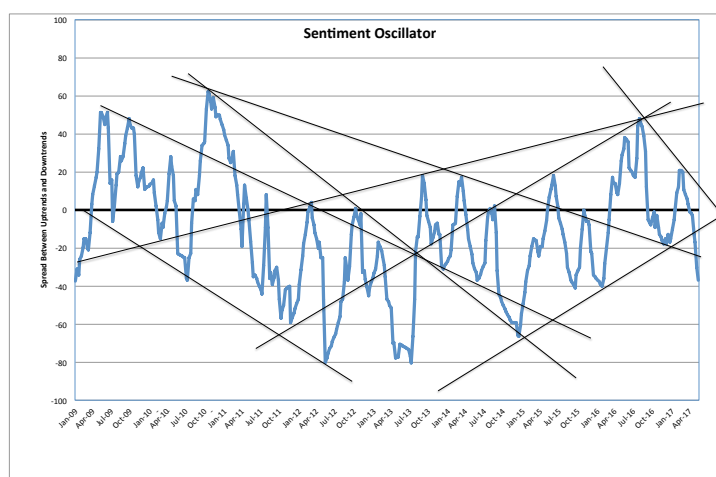
Market manipulation has always been an essential element of any market, since the beginning of time. We see it every day as we witness the battlefield between buyers and sellers.

On another point - if the regulators are serious about disclosure, why did they stop the disclosure of brokers in the screens a few years ago? Surely knowing who is buying what is important market information that should be available to everyone. There is no excuse for concealing this information. It was hypocritical for the ASX to delete it.

Unfortunately most participants in the stock market see the regulators as public servants who are there to obstruct business. The regulators' lack of understanding of the operation of markets is demonstrated by the arbitrary and inflexible rules and as we all know, their lack of accountability for their decisions. It is time for them to reassess their objectives and realign their strategies in pursuing them, in recognition of the realities of the modern markets. There is no such thing as a level playing field and you can't stop speculation.

Ironically, the operation of the continuous disclosure rules and the insistence that everyone finds out news at the same time, the underlying premise of continuous disclosure, has caused a contraction of news flow to the markets. The specific definition of disclosure, being ASX releases, has led to companies being unable to say anything unless it is tangible enough to put down in black and white. It has made investor and broker presentations in board rooms very difficult, and effectively cut them out of being used to inform the market of perspectives and intentions. Once, when I was a young analyst, you could sit down with directors and gain a deeper understanding of a company and its business. You would pick up valuable insights that might not have been appropriate to place in ASX releases, but were nevertheless very valuable in forming a view. Now, directors can really only answer questions by referring to ASX releases. They are constrained from saying anything much at all. That has effectively shut down an important source of education for markets that previously assisted investors in making prudent decisions. Regulators don't seem to understand the nuances here.

We have added an interesting gold company, Vango Mining (VAN) to our chart coverage.




















Sentiment Indicator: Sentiment continued to go down the plug hole, hitting a new low for 2017. There were 16% (18%) of the charts in uptrend and 53% (48%) 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	still strong	
Metals and Mining	XMM	breached trend line	
Energy	XEJ	pullback from its highs	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
ABM Resources	ABU	downtrend	gold
Aeon Metals	AML	drifting	copper + cobalt
Alacer Gold	AQG	collapsed	gold – production
Alkane Resources	ALK	fallen to new low	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Agua Resources	AGR	testing resistance line	phosphate
Alicanto Minerals	AQI	sideways at lows	gold exploration
Alliance Resources	AGS	sideways	gold exploration
Alltech Chemicals	ATC	breaching uptrend	industrial minerals
Anova Metals	AWV	testing downtrend	gold
Antipa Minerals	AZY	sideways	gold
Apollo Consolidated	AOP	new low	gold exploration
Archer Exploration	AXE	continuing down	magnesite, graphite
Argent Minerals	ARD	collapse through trend line	polymetallic
Aspire Mining	AKM	continuing to fall	coal
Atrum Coal	ATU	new low	coal
Aurelia Metals	AMI	down	gold + base metals
Auroch Minerals	AOU	down	exploration
Aus Tin	ANW	softer	tin, cobalt
Australian Bauxite	ABX	still down	bauxite
Australian Potash	APC	correcting lower	potash
Australian Mines	AUZ	short term down	cobalt/nickel
Australian Vanadium	AVL	rising gently	vanadium
Avanco Resources	AVB	breached uptrend	copper
AWE	AWE	down again	oil and gas
Azure Minerals	AZS	crunch down on Kennecott withdrawal	silver
BHP	BHP	back into short term downtrend	diversified
Base Resources	BSE	breached steepest uptrend, LT uptrend now	mineral sands
Bathurst Resources	BRL	continuing higher	coal
Battery Minerals	BAT	down	graphite
Beach Energy	BPT	testing long term support	oil and gas
Beadell Resources	BDR	new low	gold
Berkeley Resources	BKY	strong bounce	uranium
Berkut Minerals	BMT	down	cobalt
Blackham Resources	BLK	down heavily on production downgrade	gold
Broken Hill Prospect.	BPL	new low	minerals sands, cobalt
Buru Energy	BRU	sideways at lows	oil
Canyon Resources	CAY	new low	bauxite
Cardinal Resources	CDV	breaching uptrend after placement	gold exploration











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Carnegie Clean Energy	CCE		testing uptrend	wave energy
Cassini Resources	CZI		new high	nickel/Cu expl.
Chalice Gold	CHN		holding uptrend	gold
Cobalt Blue	COB		down	cobalt
Consolidated Zinc	CZL		downtrend	zinc
Corizon Mining	CZN		new low	cobalt
Crusader Resources	CAS		breached downtrend	gold/iron ore
Dacian Gold	DCN		secondary downtrend	gold exploration
Danakali	DNK		correcting lower	potash
Doray Minerals	DRM		continuing to fall	gold
Duketon Mining	DKM		breached downtrend	nickel
Eden Innovations	EDE		down	carbon nanotubes in concrete
Energia Minerals	EMX		fallen out of bed	zinc
Equator Resources	EQU		now in a downtrend	cobalt/nickel
Evolution Mining	EVN		surge through downtrend line	gold
Excelsior Gold	EXG		strongly higher	gold
Finders Resources	FND		breached downtrend	copper
First Australian	FAR		new uptrend	oil/gas
First Graphite	FGR		testing downtrend	graphite
Fortescue Metals	FMG		new downtend	iron ore
Galaxy Resources	GXY		breached support line	lithium
Galilee Energy	GLL		testing uptrend	oil and gas, CBM
Gascoyne Resources	GCY		in a wedge	gold
Geopacific Res. Resources	GPR		testing downtrend	copper/gold exp.
Global Geoscience	GSC		new high	lithium
Gold Road	GOR		breached downtrend	gold exploration
Graphex Mining	GPX		heavy fall	graphite
Heron Resources	HRR		drifting lower	zinc
Highfield Resources	HFR		breached downtrend	potash
Highlands Pacific	HIG		edging higher	copper, nickel
Hillgrove Resources	HGO		testing uptrend	copper
Hot Chilli	HCH		downtrend	copper
Iluka Resources	ILU		surged higher	mineral sands
Image Resources	IMA		testing uptrend	mineral sands
Independence	IGO		down	gold, nickel
Intrepid Mines	IAU		sideways	copper
Karoo Gas	KAR		breached support line	gas
Kibaran Resources	KNL		breached support line	graphite
Kin Mining	KIN		surge on gold discovery announcement	gold
Legend Mining	LEG		sideways	exploration
Lithium Australia	LIT		secondary downtrend	lithium
Lucapa Diamond	LOM		down	diamonds
Macphersons Res.	MRP		sideways through steep uptrend	silver
Medusa Mining	MML		testing downtrend	gold
MetalsX	MLX		back into downtrend	tin, nickel
Metro Mining	MMI		testing uptrend	bauxite
Mincor Resources	MCR		breached support line	nickel
Mineral Deposits	MDL		on support line	mineral sands
Mustang Resources	MUS		heavy fall	diamonds, rubies
MZI Resources	MZI		rallied to meet resistance line	mineral sands

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Northern Minerals	NTU	orange	sideways	REE
Northern Star Res.	NST	green	rising	gold
NTM Gold	NTM	orange	breached uptrend	gold
Oceana Gold	OGC	green	holding LT uptrend	gold
Oklo Resources	OKU	green	fallen back to trendline	gold expl.
Orecorp	ORR	red	down	gold development
Orinoco Gold	OGX	red	at lows	gold development
Orocobre	ORE	orange	breached downtrend	lithium
Oz Minerals	OZL	red	down	copper
Paladin Energy	PDN	orange	suspended	uranium
Pacific American Coal	PAK	orange	breached support line	coal, graphene
Pantoro	PNR	green	new high	gold
Panoramic Res	PAN	red	downtrend	nickel
Paringa Resources	PNL	orange	breached support line	coal
Peel Mining	PEX	green	pullback	copper
Peninsula Energy	PEN	red	down	uranium
Perseus Mining	PRU	red	new low	gold
Pilbara Minerals	PLS	red	heavy fall	lithium/tantalum
PNX Metals	PNX	red	down	gold, silver, zinc
Potash West	PWN	red	falling	potash
Red River Resources	RVR	red	ST down	zinc
Regis Resources	RRL	orange	rallying	gold
Resolute Mining	RSG	orange	testing short term downtrend	gold
Reward Minerals	RWD	red	downtrend	potash
RIO	RIO	red	down within a long term uptrend	diversified
RTG Mining	RTG	red	down again	copper/gold
Salt Lake Potash	SO4	orange	breached uptrend	potash
Saracen Minerals	SAR	red	still under downtrend	gold
St Barbara	SBM	green	breached resistance line	gold
Sandfire Resources	SFR	orange	breached uptrend	copper
Santana Minerals	SMI	red	back in downtrend	silver
Santos	STO	red	under long term support line	oil/gas
Sheffield Resources	SFX	red	still in downtrend	mineral sands
Silver Lake Resources	SLR	red	heavy fall	gold
Silver Mines	SVL	red	down again	silver
Sino Gas & Energy	SEH	red	down	gas
Southern Gold	SAU	red	down	gold
Stanmore Coal	SMR	red	breaching long term support	coal
Sundance Energy	SEA	red	down	oil/gas
Syrah Resources	SYR	red	falling heavily	graphite
Talga Resources	TLG	green	pullback from its highs	graphene
Tanami Gold	TAM	red	short term down	gold
Tempo Australia	TPP	orange	breached downtrend	mining services
Teranga Gold	TGZ	red	secondary downtrend	gold
Tiger Realm	TIG	red	down	coal
Tiger Resources	TGS	orange	suspended	copper
TNG Resources	TNG	green	hugging support line	titanium, vanadium
Torian Resources	TNR	red	downtrend	gold expl'n
Toro Energy	TOE	red	down	uranium
Troy Resources	TRY	red	secondary downtrend	gold

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Tyranna Resources	TYX		sideways	gold exploration
Vango Mining	VAN		uptrend	gold
Vimy Resources	VMY		new low	uranium
West African Resources	WAF		testing downtrend	gold
Westwits	WWI		slump	gold exploration/development
Western Areas	WSA		back to lows	nickel
White Rock	WRM		hitting resistance	silver
Whitehaven Coal	WHC		down	coal
WPG Resources	WPG		still down	gold
Wolf Minerals	WLF		sideways at the lows	tungsten
Totals	16%	23	Uptrend	
	53%	79	Downtrend	
		148	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	22.3%	
Copper	13	8.8%	
Gold Exploration	14	9.5%	
Coal	10	6.8%	
Oil/Gas	9	6.1%	
Potash/Phosphate	7	4.7%	
Mineral Sands	7	4.7%	
Graphite	6	4.1%	
Silver	6	4.1%	
Zinc	6	4.1%	
Lithium	5	3.4%	
Nickel	5	3.4%	
Uranium	5	3.4%	
Cobalt	4	2.7%	
Tin	2	1.4%	

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Weightings of Sectors Represented in the Company Charts			
Bauxite	3	2.0%	
Diamonds	2	1.4%	
Iron Ore	1	0.7%	
Other	10		
Total	148		

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