

Revival of the mining equities markets is continuing

It wasn't a particularly eventful week. There was the usual give and take but the overall sentiment in the mining sector continued to improve. New money continues to flow back into the sector and there is plenty of rotation as traders are looking for situations that might not have moved as much as the high flyers. Gold and battery input stocks were the preferred vehicles. Iron ore companies were softer. The brokers were all running around doing placements and capital raising so they are making money as well. Many of them were two tranche placements, with or without SPPs. Let's hope that the markets are still good for when the second tranches are due, after shareholder approvals have been granted, or they may become a little painful.

Lithium bubble is hot, too hot

Some of you may wonder why I haven't commented much on lithium given it is the hottest sector in the market. The heat is exactly why I haven't. It is too hot. There is no logic to the valuations we are seeing with companies like Pilbara Minerals sporting a market capitalisation exceeding \$800m. The share prices are unsustainable in the long term but where lithium share prices go in the short term is anyone's guess. I'm not saying you shouldn't have some fun but you have to realise it is a crap shoot. Assuming that having a pegmatite is the same as having lithium, is like believing that quartz means gold.

There are a few legitimate lithium stocks but the vast majority are wannabes that will prove to be neverbes. There are many geological and metallurgical complications with lithium mineralisation that place success outside the reach of 95% of these companies, though stock market success is much more accessible for those who promote hard. Me? I'm watching but not playing.

Tyranna Resources gold exploration program

On Friday I flew to beyond Coober Pedy to inspect the drilling program being undertaken by Tyranna Resources (TYX), on licences in the vicinity of the Challenger gold mine. Named the Jumbuck Gold Project (presumably because of its location on the world's largest sheep station), it covers an enormous area of over 8,000 km². Some of it is 100% owned by TYX and some is held 59%: 41% with WPG Resources and PYBAR Mining Services.

With a market capitalisation of about \$9.5m, TYX presents itself as a legitimate and active gold exploration company with plenty of upside. It is in the middle of a 6,200m drilling program that is testing five prospects in its search for a Challenger look-a-like, one million ounce orebody.

The biggest challenge exploring in the Jumbuck area is the surface cover of approximately 20m depth that hides the rocks. That is where calcite sampling comes into play in an attempt to see what is below. That is how the Challenger mine orebodies were first found.

Previous drilling programs have returned a number of promising intercepts that show there is definitely a good spread of gold on the licences, but subsequent drilling programs, such as the one in progress, are required to get a better idea of size and structure.

The proximity of the Challenger treatment plant is a major positive for Tyranna. That plant is likely to be very hungry in the foreseeable future and, provided that the parties are sensible, any gold resource discovered by TYX could be either sold or toll treated. It avoids the costs and logistics of setting up a new operation and it would probably be a much faster path to cash flow. The renewed interest in the gold sector gives us a receptive stock market for any good news flow that may come from the drilling.

The Challenger Gold Mine

The Challenger orebodies, 740 km NW of Adelaide, were originally discovered by Dominion Mining and Resolute geologists in 1995. At the time it was a lauded as a breakthrough in gold exploration, as calcrite sampling methods were successfully employed to discover the orebody where there was very little, if any, outcrop.

An open pit mine commenced in 2002, on a reserve of 578,000 tonnes at 5.97 gpt, at an initial capital cost of \$17m. The low capex was achieved through the purchase and relocation of the Mt Monger treatment plant.

Development of an underground mine commence in 2004, on a starting resource of 859,900 tonnes at 9.3 gpt, being 257,000 oz, in the M1, M2 and M3 Shoots. From 2005/06 until 2008/09, the mine Challenger mine produced circa 100,000 oz p.a. As the grade dropped the gold production fell to to 66-87,000 oz for several years. Total production now exceeds one million ounces of gold.

In October 2010, Kingsgate Consolidated (KCN) announced a bid for Dominion Mining, valuing that company at \$376m. The main asset was the Challenger Gold Mine which was producing at 100,000 oz p.a. from a four year reserve and a nine year resource life. Fast forward the clock to late 2015. KCN announced a deal to sell the Challenger Mine to a 50:50 JV between WPG Resources and PYBAR Mining Services for \$1m, after it shut down in February 2016. The plant is due to be recommissioned in June 2016, with 50,000 oz production guidance for the first 12 months. On known resources there is an estimated mine life of about 30 months, but there is reason to believe that this life will be extended. Any resource proved up by TYX could be very important.

The Economics of the Superannuation Levy

One of the great achievements of Paul Keating, in his opinion, was the introduction of the superannuation levy that currently stands at 9%. The logic behind this was that by forcing people to contribute to the levy throughout their working lives there would be a self funded retirement pool that would provide certainty of income in retirement without

future governments having to fund it. It sounded good at the time but some people are having second thoughts.

Where does most of this money go? The vast majority has gone to funds managed by professional fund managers operating in the financial services industry. Have they done a good job? That is questionable. That the funds management business has reaped huge fees for mediocre performance is undisputed.

The trouble with the funds management business is that too much money goes into tradeable, financial assets such as shares in listed companies. At all times that money is subject to the vagrancies and volatility of the stock market. Much of it can be lost overnight in stock market crashes. It represents a large proportion of our national wealth that is not used for productive long term businesses.

Brian Toohey wrote a thought provoking piece last week, saying that it is time to abandon the superannuation levy. As we find the economy growing at a slower pace, as we

find that governments have too much debt to undertake fiscal stimulus, and as the Reserve Bank backs itself into a corner using lower interest rates to stimulate the economy, are we heading down the same path as Europe and Japan?

Imagine what a stimulus it would be if we had that 9% back in our pocket as disposable income today. Economic activity would pick up, tax receipts would pick up proportionally and young people would have more funds available to purchase their first home. There is more logic in this approach today than giving the same money across to fund managers who have dubious abilities.

We have added Tyranna Resources to our chart coverage this week.




Sentiment Indicator: There was another useful improvement in sentiment over the week. There were 54% (51%) of the stocks in uptrend and 16% (19%) 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	consolidating around recent highs	
Metals and Mining	XMM	testing steepest uptrend	
Energy	XEJ	sideways after correcting	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
ABM Resources	ABU	breached steepest downtrend	gold
Aeon Metals	AML	breaking downtrend	copper + cobalt
Alacer Gold	AQG	strongly higher	gold – production
Alkane Resources	ALK	at resistance line	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Aguia Resources	AGR	punched through downtrend, then pullback	phosphate
Alicanto Minerals	AQI	breached secondary downtrend	gold exploration
Altech Chemicals	ATC	testing downtrend	industrial minerals
Anova Metals	AWV	new high	gold
Antipa Minerals	AZY	rising	gold
Archer Exploration	AXE	stronger	graphite
Argent Minerals	ARD	breached uptrend	polymetallic
Atlas Iron	AGO	downtrend	iron ore
Atrum Coal	ATU	surge higher	coal
Auroch Minerals	AOU	uptrend	exploration
Australian Bauxite	ABX	correcting	bauxite
Avanco Resources	AVB	breached ST uptrend	copper
AWE	AWE	new high	oil and gas
BHP	BHP	breached downtrend	diversified
Base Resources	BSE	steep rise from lows	mineral sands
Beach Energy	BPT	breached secondary downtrend	oil and gas
Beadell Resources	BDR	new high	gold
Berkeley Resources	BKY	rising again	uranium
Blackham Resources	BLK	steeply higher then a pullback	gold














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Broken Hill Prospect.	BPL		new high	minerals sands, cobalt
Buru Energy	BRU		new low	oil
Canyon Resources	CAY		rising	bauxite
Cardinal Resources	CDV		stepped up	gold exploration
Carnegie Wave	CWE		breached downtrend	wave energy
Cassini Resources	CZI		new uptrend	nickel/Cu expl.
Chalice Gold	CHN		moved to new high	gold
Consolidated Tin	CSD		strong rise then pullback	tin
Consolidated Zinc	CZL		secondary downtrend	zinc
Coventary Resources	CYY		strong rise	copper
Dacian Gold	DCN		uptrend , at high	gold exploration
Danakiali	DNK		off its lows	potash
Doray Minerals	DRM		new high	gold
Duketon Mining	DKM		new high	nickel
Eden Energy	EDE		new high	carbon nanotubes in concrete
Energia Minerals	EMX		testing uptrend	zinc
Evolution Mining	EVN		new high	gold
Excelsior Gold	EXG		new low	gold
First Australian	FAR		ST breached downtrend	oil/gas
First Graphite	FGR		pullback	graphite
Fortescue Metals	FMG		correcting	iron ore
Galaxy Resources	GXY		heavy profit taking	lithium
Galilee Energy	GXY		surged higher, then pullback	oil and gas, CBM
Gascoyne Resources	GCY		new high	gold
General Mining	GMM		heavy profit taking	lithium
Geopacific Res. Resources	GPR		rising again	copper/gold exp.
Gold Road	GOR		uptrend	gold exploration
Goldphyre	GPH		higher	potash, gold
Gryphon Minerals	GRY		strongly higher	gold
Herron Resources	HRR		edging higher	zinc
Highfield Resources	HFR		heavy fall	potash
Highlands Pacific	HIG		testing downtrend	copper, nickel
Hillgrove Resources	HGO		back to lows	copper
Hot Chilli	HCH		off its lows	copper
Iluka Resources	ILU		down heavily	mineral sands
Independence	IGO		steep fall	gold, nickel
Intrepid Mines	IAU		sideways	copper
Karoo Gas	KAR		bounced	gas
Kasbah Resources	KAS		sideways	tin
KBL Mining	KBL		collapse back to lows	copper/gold/zinc
Kibaran Resources	KNL		testing resistance	graphite
Kin Mining	KIN		strong rise	gold
King Island Scheel.	KIS		New low	tungsten
Kingsgate Consol.	KCN		improving	gold
Kingsrose Mining	KRM		sideways	gold
Legend Mining	LEG		testing uptrend	exploration
Lithium Australia	LIT		heavy profit taking	lithium
Lucapa Diamond	LOM		in a wedge between uptrend and downtrend	diamonds
Macphersons Res.	MRP		sideways to lower	silver
Medusa Mining	MML		testing uptrend	gold
Metals of Africa	MTA		surged higher, but at resistance line	zinc expl/graph.
MetalsX	MLX		breached downtrend	tin, gold
Mincor Resources	MCR		new uptrend	nickel
MMJ PhytoTech	MMJ		new low	medical cannabis
Mustang Resources	MUS		new low	diamonds, rubies
MZI Resources	MZI		new low	mineral sands
Northern Minerals	NTU		testing downtrend	REE
Northern Star Res.	NST		new high	gold

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Oceana Gold	OGC		new high	gold
Oklo Resources	OKU		rising	gold expl.
OreCorp	ORR		new high	gold development
Orinoco Gold	OGX		testing downtrend	gold development
Orocobre	ORE		through resistance and higher	lithium
Oz Minerals	OZL		new high	copper
Paladin Energy	PDN		new uptrend	uranium
Pacific American Coal	PAK		new high	coal, graphene
Pantoro	PNR		surge to new high	gold
Panoramic Res	PAN		risen strongly from lows, then pullback	nickel
Panterra Gold	PGI		breached new uptrend	gold production
Paringa Resources	PNL		secondary downtrend	coal
Peel Mining	PEX		breached downtrend	copper
Peninsula Energy	PEN		new low	uranium
Perseus Mining	PRU		new high	gold
Pilbara Minerals	PLS		new high	lithium/tantalum
Potash West	PWN		surged higher	potash
Red River Resources	RVR		new high	zinc
Regal Resources	RER		strong rise	copper
Regis Resources	RRL		new high	gold
Renaissance Min.	RNS		surged higher	gold
Resolute Mining	RSG		new high	gold
Reward Minerals	RWD		breaching downtrend	potash
Rex Minerals	RXM		ST down	copper
RIO	RIO		heavy pullback	diversified
RTG Mining	RTG		strongly higher	copper/gold
Rum Jungle	RUM		turned down at resistance line	quartz
Salt Lake Potash	SO4		uptrend	potash
Saracen Minerals	SAR		new high	gold
St Barbara	SBM		new high	gold
Sandfire Resources	SFR		breached ST downtrend	copper
Santana Minerals	SMI		vertical rise then pullback	silver
Santos	STO		breached uptrend	oil/gas
Sheffield Resources	SFX		uptrend in play	mineral sands
Silver City Minerals	SCI		surge higher	base metals
Silver Lake Resources	SLR		secondary uptrend	gold
Sino Gas & Energy	SEH		new uptrend	gas
Southern Gold	SAU		testing uptrend	gold
Stavely Minerals	SVY		up from lows	copper exploration
Sunbird Energy	SNY		sideways through downtrend	gas/CBM
Sundance Energy	SEA		surge higher	oil/gas
Syrah Resources	SYR		strongly higher	graphite
Talga Resources	TLG		sideways through downtrend	graphene
Tanami Gold	TAM		down	gold
Tiger Resources	TGS		back into downtrend	copper
TNG Resources	TGS		secondary uptrend	titanium, vanadium
Torian Resources	TNR		downtrend	gold expl'n
Toro Energy	TOE		downtrend	uranium
Troy Resources	TRY		uptrend	gold
Tyranna Resources	TYX		uptrend	gold exploration
Vimy Resources	VMY		breached uptrend	uranium
West African Resources	WAF		new high	gold
Westwits	WWI		breached downtrend then a pullback	gold exploration/development
Western Areas	WSA		uptrend, but heavy fall	nickel
WPG Resources	WPG		uptrend	gold
Wolf Minerals	WLF		testing downtrend	tungsten
Totals	54%	74	Uptrend	
	16%	22	Downtrend	

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Tanami Gold	TAM		down	gold
Tiger Resources	TGS		back into downtrend	copper
TNG Resources	TGS		secondary uptrend	titanium, vanadium
Torian Resources	TNR		downtrend	gold expl'n
Toro Energy	TOE		downtrend	uranium
Troy Resources	TRY		uptrend	gold
Tyranna Resources	TYX		uptrend	gold exploration
Vimy Resources	VMY		breached uptrend	uranium
West African Resources	WAF		new high	gold
Westwits	WWI		breached downtrend then a pullback	gold exploration/development
Western Areas	WSA		uptrend, but heavy fall	nickel
WPG Resources	WPG		uptrend	gold
Wolf Minerals	WLF		testing downtrend	tungsten
Totals	54%	74	Uptrend	
	16%	22	Downtrend	
		137	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	34	24.8%	
Copper	17	12.4%	
Oil/Gas	10	7.3%	
Gold Exploration	11	8.0%	
Uranium	5	3.6%	
Graphite	5	3.6%	
Potash/Phosphate	7	5.1%	
Zinc	6	4.4%	
Nickel	5	3.6%	
Coal	4	2.9%	
Mineral Sands	5	3.6%	
Iron Ore	2	1.5%	
Tin	3	2.2%	
Lithium	5	3.6%	
Silver	3	2.2%	
Diamonds	2	1.5%	

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Weightings of Sectors Represented in the Company Charts

Bauxite	2	1.5%	
Other	11		
Total	137		

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