

Significant shift in sentiment is providing the basis for improving share prices

Uptrends advancing in gold stocks ...

Many of the gold producer charts have been in uptrends for a number of months, well before the recent strength in the gold price. This was due to the strength in the A\$ gold price as well as reduced cost pressures in the gold sector specifically. Those investors that have been analysing and buying on sound fundamentals have been rewarded by the boost in the gold price in the past few weeks.

Analysis of the charts of these same companies shows that there has been a scramble by institutions and larger investors to get set in gold stocks. They have all spiked as there have not been many willing sellers in the market. You can be sure that the buyers didn't get their fill and they will be looking to buy on pullbacks.

The buying enthusiasm will eventually trickle down into the smaller gold companies, of which there are many, but that requires another rise in the gold price or, at least, any stabilisation that signals the end of the correction that inevitably follows a steep rise. Look for those companies that are well funded or don't need to raise capital. All the others will probably be looking to raise money and this will undermine any share price performance in the short term.

The gold sector has always been an important factor in the overall sentiment of our listed mining stocks because there are so many gold producers and explorers. If that sector is going well the sentiment is strong, as reflected by the improvement in the Sentiment Index this week.

... and others are breaking downtrends

Many non-gold stocks are also breaking downtrends. While this doesn't mean an automatic conversion to uptrends it is a clear signal that the selling pressure has abated. In many cases the percentage rises have been impressive and those who were sitting on the sidelines may now be kicking themselves at what they have missed out on, but that would just be an emotional response.

Every, or at least most stocks, have a loyal band of followers that will be cheering at the improvements in prices. The real question now is whether the merits of any particular company are strong enough that new buying will emerge. The pool of capital playing the mining sector has shrunk significantly over the last five years and while the selling has abated, there is no compelling reason to chase rising prices without supporting fundamentals. Positive news flow is needed on a case by case basis to support new embryonic uptrends. There has never been a better time than now to be bringing good news to the market.

Take that ... a 404 carat diamond

Lucapa has upped the ante with the announcement of a 404 carat D quality diamond. For those of you who weren't convinced that there was something special about

this project, notwithstanding the multitude of special stones that have been produced, you have no more reasons to doubt the quality. Never before have I seen a diamond project with so much promise, and now, with such spectacular delivery. It would not be contrite to start calling this "world class". If the alluvials are generating such amazing stones, how good will the pipe be?

There is more significance to this diamond apart from the obvious high value of > US\$10m in the rough. It comes in the wet season, a time when many punters thought that news flow would taper off. Well, they were wrong. The boost to the cash kitty will be welcome but the timing, a couple of months before the expiry of the 40c options, is likely to increase the probability that a substantial number of these options will be exercised. This could lead to a cash injection of \$18m and leave the Company in a very strong position to rapidly assess the economics of the newly found kimberlite pipe that is believed to be the source of the spectacular diamonds recently recovered. While diamond mining is never easy, it will be a much smoother ride for this company from this point.

Australia is preoccupied with the politics of taxation

The tax debate in the Australian papers has moved on from the GST to negative gearing on property investments in what seems a political water testing exercise. It's a well worn path whereby a government puts it out there and waits to see what reactions it gets. At all times it is testing the tolerance of the electorate and trying to assess what initiative will be the most acceptable, or the least damaging to its re-election prospects. The trouble is the conclusion may depend upon who has been the most vocal, and this will always be the interest group that stands to suffer the most.

When it comes to negative gearing these interested parties have a lot to lose so they won't stop at distorting the facts in order to enforce their opinions. Simple analysis would suggest that the demand for housing will fall if the cost to investors goes up. If you take away open slather negative gearing you take away leverage. There won't be as much profit in buying houses and so you will take away speculators. Demand for housing should fall as a result and genuine buyers will find housing more affordable. At the same time the housing market will not be as vulnerable to rising interest rates which hit geared investors more than owner occupiers.

There has long been a psychology that buying real estate is the way to accumulate wealth, conservatively. That is why so many ordinary Australians buy an investment property once they have their residential property under control. Personally, I have usually regretted my forays into investment properties. They tend to be more of a place to park funds rather than get a serious return on money, but that

is probably because I don't like to borrow. It is a serious policy question for a government; should the taxpayer subsidise speculation on housing by giving tax breaks on interest payments? Should it be subsidising any form of speculation when what we really need is serious investment?

NBN - a disgraceful national disaster

The National Broadband Network is a stark reminder of the foolish recklessness of the previous Labor Government. The AFR ran a story last week quoting a

PwC study that estimates the \$56bn NBN network is now worth only \$29bn. It begs the question. Why should we be hit with increased taxes (disguised as "tax reform") because of the ineptness of government? When did we give that government a mandate to destroy the budget? If it was a private enterprise company reporting this sort of write-down we would sack the board. Hang on, we have done that haven't we, by voting them out of office. The trouble is, we are left holding the bill while these turkeys are still being paid to sit in opposition.

Sentiment Indicator: There was a notable improvement in sentiment with the percentage in downtrend falling significantly. There were 32% (25%) of the stocks in uptrend and 44% (61%) 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	broken important support line	
Metals and Mining	XMM	breakout on the upside	
Energy	XEJ	rally within a downtrend	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
ABM Resources	ABU	new uptrend commenced	gold
Aeon Metals	AQR	New low	copper + cobalt
Alacer Gold	AQG	breached downtrend	gold – production
Alkane Resources	ALK	continuing down	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
African Energy	AFR	still in downtrend	coal
Aguia Resources	AGR	downtrend	phosphate
Altech Chemicals	ATC	breached downtrend	industrial minerals
Anova Metals	AWV	uptrend, but heavy pullback	gold
Antipa Minerals	AZY	breached downtrend	gold
Archer Exploration	AXE	sideways	graphite
Argent Minerals	ARD	testing downtrend	polymetallic
Atlas Iron	AGO	new low	iron ore
Atrum Coal	ATU	testing downtrend	coal
Australian Bauxite	ABX	New low	bauxite
Avanco Resources	AVB	testing downtrend	copper
AWE	AWE	New low	oil and gas
BHP	BHP	rising off lows	diversified
Base Resources	BSE	steep rise from lows	mineral sands
Beach Energy	BPT	testing downtrend	oil and gas
Beadell Resources	BDR	strong rise	gold
Berkeley Resources	BKY	correcting downwards	uranium
Blackham Resources	BLK	steeply higher	gold
Broken Hill Prospect.	BPL	breached downtrend	minerals sands
Buru Energy	BRU	sideways at lows	oil
Canyon Resources	CAY	down	bauxite
Carnegie Wave	CWE	down	wave energy
Cassini Resources	CZI	new low	nickel/Cu expl.
Chalice Gold	CHN	down	gold
Consolidated Tin	CSD	heavy slump	tin
Consolidated Zinc	CZL	breached downtrend	zinc
Coventary Resources	CYY	breached downtrend	copper
Cudeco	CDU	Collapse on relisting	copper
Dacian Gold	DCN	new high	gold exploration
Danakiali	DNK	testing downtrend	potash
Doray Minerals	DRM	new high	gold
Duketon Mining	DKM	new low	nickel

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Eden Energy	EDE	testing resistance	carbon nanotubes
Energia Minerals	EMX	New low	zinc
Energy Resources	ERA	breached downtrend	uranium
Evolution Mining	EVN	new high	gold
Excelsior Gold	EXG	strong rise	gold
First Australian	FAR	recovered but hitting longer term resistance	oil/gas
First Graphite	FGR	sideways to down	graphite
Fortescue Metals	FMG	short term uptrend	iron ore
Galaxy Resources	GXY	testing steep uptrend	lithium
Galilee Energy	GXY	down	oil and gas, CBM
Gascoyne Resources	GCY	uptrend	gold
General Mining	GMM	testing steep uptrend	lithium
Geopacific Res. Resources	GPR	Rise halted by long term downtrend	copper/gold exp.
Gold Road	GOR	uptrend	gold exploration
Goldphyre	GPH	holding flatter uptrend now	potash
Gryphon Minerals	GRY	higher	gold
Herron Resources	HRR	down	zinc
Highfield Resources	HFR	less steep uptrend	potash
Highlands Pacific	HIG	New low	copper, nickel
Hillgrove Resources	HGO	new low	copper
Hot Chili	HCH	new low	copper
Iluka Resources	ILU	surged higher, but at resistance line	mineral sands
Independence	IGO	steep rise	gold, nickel
Intrepid Mines	IAU	sideways	copper
IMX Resources	IXR	down	graphite
Karoo Gas	KAR	at lows	gas
Kasbah Resources	KAS	new low	tin
KBL Mining	KBL	strongly higher	copper/gold/zinc
Kibaran Resources	KNL	breaching support	graphite
Kin Mining	KIN	at lows	gold
King Island Scheel.	KIS	New low	tungsten
Kingsgate Consol.	KCN	surge though downtrend	gold
Kingsrore Mining	KRM	kicked up through downtrend line	gold
Legend Mining	LEG	weaker	exploration
Lithium Australia	LIT	correcting lower	lithium
Lucapa Diamond	LOM	steeply higher on 404 carat diamond	diamonds
Macphersons Res.	MRP	testing downtrend	silver
Medusa Mining	MML	breached downtrend	gold
Metals of Africa	MTA	surged higher, but at resistance line	zinc expl/graph.
MetalsX	MLX	breached downtrend	tin, gold
Mincor Resources	MCR	new low	nickel
MMJ PhytoTech	MMJ	uptrend in play	medical cannabis
Mount Gibson	MGX	sideways	iron ore
Mustang Resources	MUS	heavy fall	diamonds, rubies
MZI Resources	MZI	breached downtrend	mineral sands
Newfield Resources	NWF	down	diamonds
Northern Minerals	NTU	new low	REE
Northern Star Res.	NST	new high	gold
Oceana Gold	OGC	new high	gold
Oklo Resources	OKU	breached downtrend	gold expl.
OM Holdings	OMH	New low	manganese
Orecorp	ORR	back to high	gold development
Orinoco Gold	OGX	softer during rights issue	gold development
Orocobre	ORE	steep short term uptrend	lithium
Oz Minerals	OZL	steeply higher	copper
Paladin Energy	PDN	still in LT downtrend	uranium
Pacific American Coal	PAK	uptrend breached	coal
Pantorro	PNR	rising	gold
Panoramic Res	PAN	new low	nickel
Panterra Gold	PGI	downtrend	gold production
Paringa Resources	PNL	breaching downtrend	coal
Peel Mining	PEX	down	copper
Peninsula Energy	PEN	down	uranium

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Perseus Mining	PRU		down on poor December Qtr production	gold
Pilbara Minerals	PLS		ST downtrend, being tested	lithium/tantalum
Platina Resources	PGM		new low	PGMs, gold
Potash West	PWN		steeply higher	potash
Red River Resources	RVR		rising	zinc
Regal Resources	RER		new low	copper
Regis Resources	RRL		new high	gold
Renaissance Min.	RNS		down again	gold
Resolute Mining	RSG		steeply higher	gold
Reward Minerals	RWD		down	potash
Rex Minerals	RXM		secondary downtrend	copper
RIO	RIO		short term uptrend	diversified
RTG Mining	RTG		breached downtrend	copper/gold
Rum Jungle	RUM		collapse through support	quartz
Salt Lake Potash	SO4		uptrend	potash
Saracen Minerals	SAR		new high	gold
St Barbara	SBM		new high	gold
Sandfire Resources	SFR		breached downtrend	copper
Santos	STO		new uptrend	oil/gas
Sheffield Resources	SFX		down	mineral sands
Silver City Minerals	SCI		heavy fall	base metals
Silver Lake Resources	SLR		new uptrend commenced	gold
Sino Gas & Energy	SEH		new uptrend	gas
Southern Gold	SAU		uptrend	gold
Sthn Hemisphere	SUH		down	copper
Stavely Minerals	SVY		downtrend	copper exploration
Sunbird Energy	SNY		New low	gas/CBM
Sundance Energy	SEA		short term uptrend, approaching resistance	oil/gas
Syrah Resources	SYR		breached resistance line	graphite
Talga Resources	TLG		down	graphene
Tanami Gold	TAM		down	gold
Tiger Resources	TGS		testing downtrend	copper
TNG Resources	TGS		breaching downtrend	titanium, vanadium
Torian Resources	TNR		breaching downtrend	gold expl'n
Toro Energy	TOE		downtrend	uranium
Triton Minerals	TON		Turned down	graphite
Unity Mining	UML		breached downtrend	gold
UraniumSA	USA		Secondary downtrend	uranium
URI	URI		downtrend	uranium
Valence Industries	VXL		down - suspended	graphite
Vimy Resources	VMY		back to downtrend	uranium
West African Resources	WAF		base forming	gold
Westwits	WWI		breached uptrend	gold exploration/development
Western Areas	WSA		New low	nickel
Wolf Minerals	WLF		down	tungsten
Totals	32%	46	Uptrend	
	44%	63	Downtrend	
		144	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.

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- 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	22.9%
Copper	19	13.2%
Oil/Gas	10	6.9%
Gold Exploration	8	5.6%
Uranium	8	5.6%
Graphite	8	5.6%
Potash/Phosphate	7	4.9%
Zinc	6	4.2%
Nickel	5	3.5%
Coal	5	3.5%
Mineral Sands	5	3.5%
Iron Ore	3	2.1%
Tin	3	2.1%
Lithium	4	2.8%
Silver	2	1.4%
Diamonds	3	2.1%
Bauxite	2	1.4%
Other	13	
Total	144	

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