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The Mining Investment Experts

Weekly Commentary

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On Friday's Close

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Markets look set for a good few months

Last week our market was interrupted by the Australia Day holiday on Thursday, meaning an extra long weekend for many people. Additionally, the Chinese New Year on Friday compounded the absenteeism. Seasonal factors always have a strong influence on the markets and whether investors are prepared to buy. A slow deal flow in January leaves brokers cash flows looking weaker, meaning they are eager to get back amongst the money. With February will come a much more active market and in our view, a stronger market.

Last week I suggested a strong buy signal on the charts with sentiment shining to the positive. That doesn't mean the whole of 2017 will be great because everything is sequential. A good few months early in the year will always result in excesses and profit taking.

The buy signal should be put in perspective with the broader market. In the second half of 2016, institutional money kept flowing into the mining leaders as reweighing was taking place. The junior market suffered from the overheating earlier in the year and for most of the December half it was giving up ground. The weakness in the gold price in the last few months of 2016 compounded the downturn.

More recently I have been told of institutions that are relaxing their rules on how far they will come down the ladder to get set in mining stocks. There is a perception that the leaders have run hard and the aggressive funds that are striving for performance are becoming more risk preferring. The Metals and Mining Index has doubled over the last 12 months and continues to make new highs. The trend continues to be our friend.

The Energy Index continues to rise within a sustainable longer term uptrend. At the moment it is nudging the resistance line, so short term weakness is possible, but within a positive medium to longer term channel.

The All Ords has made a significant breakout of a two year downtrend but it now needs to consolidate above the line. There has been a 50% retracement of the breakout already, which is healthy, but a rising wedge means that it needs to build up more steam before going much higher. Nevertheless, the outlook is not bearish.

When a stock breaks a downtrend, especially if it is a strong rise, our comment doesn't automatically call it an uptrend. There is further work required to confirm the breakout before it can be legitimately called an uptrend. That means the inflection point on the market shifting direction is usually when the light goes from red to amber. By the time the uptrend is confirmed you have probably

missed the first 25% of the rise. Buying on the breakout is great, provided it is not a bull trap.

Trump - the anti-politician

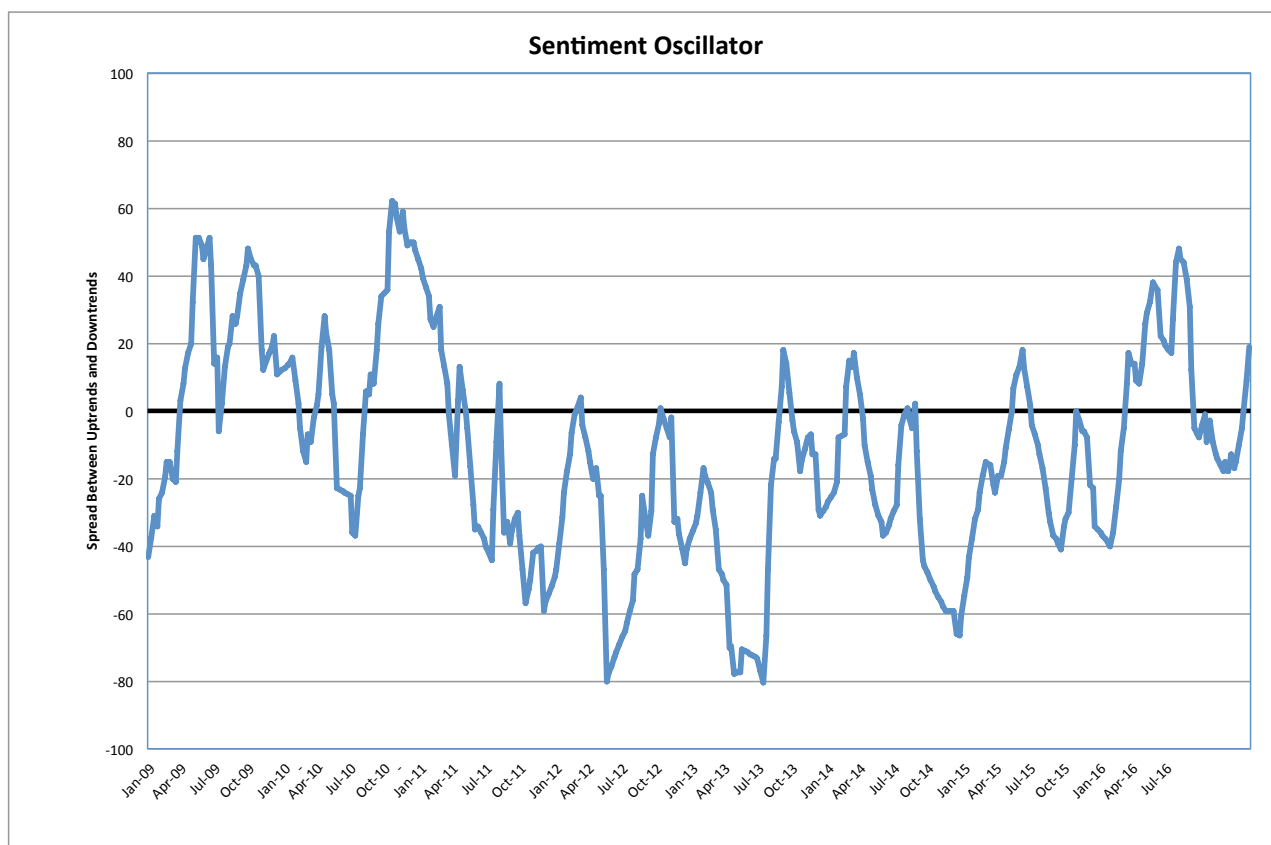
For many years there has been increasing evidence that politicians have been failing us with their ineptness. Our populist style of politics has attracted a class of people that are more interested in self adulation and appeasement of minority interest groups than the basics of good government. The politicians buy votes with the promises of spending money to the benefit of vocal minority interest groups without the disclosure that they are going to have to steal that same money from us, the workers, before they can deliver on those promises. We now have a nation where more than 50% of the population receive more benefits from the government than they pay in taxes. That is a recipe for failure. It will kill the system if it is not corrected.

The papers continue to be chocker block with news and commentaries on President Trump. Perhaps the most important commentaries are those that describe him as an anti-politician. He is rejecting career politicians. He is rejecting the the left-leaning socialistic policies that have been undermining productivity and enterprises. He is hellbent on giving the system, and those who suck off it, a dose of the salts. The media is in the cross hairs as a great propagator of everything that he wants to change.

Many of us look at what Trump says with amazement. "*How can he say that?*" is frequently the first reaction, but then follows "*That needed to be said*" in many instances. We are seeing such a radical change of style that it will take time to understand what is going on. We need to look beyond calling it lunacy just because it is so different and try and see where it is taking us. Quite possibly the world will become much more volatile and unpredictable as it takes us beyond our comfort zones. We will just have to adjust our expectations and actions if we want to be on the winning side.

Do you get compensated or remunerated for work?

Listening to an interview on the ABC radio a female cricketer was questioned about whether her level of compensation was appropriate vis a vis what is paid to men. Without buying into that debate I'm curious to know when this word "compensation" came into the picture. I always thought that if you worked you would be remunerated. Compensation has a completely different connotation, of receiving something to make up for a loss. I suppose the "underpaid" cricketers could go out and get a real job if they think they are losing. But perhaps I am the loser, going to work each day.



Sentiment Indicator: The sentiment continued to improve. There were 41% (35%) of the charts in uptrend and 22% (26%) in downtrend. (NB In last week’s Weekly the figure of 50 referred referred to the number of stocks, not the percentage).

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	in a rising wedge	
Metals and Mining	XMM	another new high	
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	new high	copper + cobalt
Alacer Gold	AQG	rallied to hit resistance line	gold – production
Alkane Resources	ALK	nudging resistance line	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Agua Resources	AGR	down again	phosphate
Alicanto Minerals	AQI	gentle uptrend commenced	gold exploration
Alltech Chemicals	ATC	rising	industrial minerals
Anova Metals	AWV	rising gently	gold
Antipa Minerals	AZY	back in downtrend	gold
Apollo Consolidated	AOP	crunched on preliminary metallurgical tests	gold exploration
Archer Exploration	AXE	breached downtrend	magnesite, graphite


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Argent Minerals	ARD		new uptrend	polymetallic
Aspire Mining	AKM		continuing down	coal
Atrum Coal	ATU		lower	coal
Aurelia Metals	AMI		breaching downtrend	gold + base metals
Auroch Minerals	AOU		improving	exploration
Aus Tin	ANW		down	tin, cobalt
Australian Bauxite	ABX		breaching support	bauxite
Australian Potash	APC		continuing higher	potash
Australian Vanadium	AVL		rising gently	vanadium
Avanco Resources	AVB		rising	copper
AWE	AWE		testing downtrend	oil and gas
Azure Minerals	AZS		crunch down on Kennecott withdrawal	silver
BHP	BHP		strongly higher	diversified
Base Resources	BSE		rising	mineral sands
Bathurst Resources	BRL		correcting lower	coal
Battery Minerals	BAT		sideways	graphite
Beach Energy	BPT		breached uptrend	oil and gas
Beadell Resources	BDR		testing downtrend	gold
Berkeley Resources	BKY		at highs again	uranium
Blackham Resources	BLK		strongly higher	gold
Bligh Resources	BGH		breached downtrend	gold
Broken Hill Prospect.	BPL		breaching downtrend	minerals sands, cobalt
Buru Energy	BRU		testing downtrend	oil
Canyon Resources	CAY		testing downtrend	bauxite
Cardinal Resources	CDV		forming a base	gold exploration
Carnegie Clean Energy	CCE		surge to new high	wave energy
Cassini Resources	CZI		breached downtrend	nickel/Cu expl.
Chalice Gold	CHN		holding uptrend	gold
Crusader Resources	CAS		downtrend	gold/iron ore
Dacian Gold	DCN		rising again	gold exploration
Danakali	DNK		strongly higher	potash
Doray Minerals	DRM		down	gold
Duketon Mining	DKM		testing downtrend	nickel
Eden Energy	EDE		higher	carbon nanotubes in concrete
Energia Minerals	EMX		touching final resistance line	zinc
Equator Resources	EQU		strong rise	cobalt/nickel
Evolution Mining	EVN		testing downtrend	gold
Excelsior Gold	EXG		rising off lows	gold
Finders Resources	FND		breached downtrend	copper
First Australian	FAR		sideways to lower	oil/gas
First Graphite	FGR		breached downtrend	graphite
Fortescue Metals	FMG		hugging uptrend	iron ore
Galaxy Resources	GXY		rising again	lithium
Galilee Energy	GLL		breached uptrend	oil and gas, CBM
Gascoyne Resources	GCY		breached downtrend	gold
Geopacific Res. Resources	GPR		breached downtrend	copper/gold exp.
Global Geoscience	GSC		new high	lithium
Gold Road	GOR		downtrend	gold exploration
Graphex Mining	GPX		breached downtrend	graphite
Heron Resources	HRR		new low	zinc
Highfield Resources	HFR		testing uptrend	potash
Highlands Pacific	HIG		sideways around lows	copper, nickel
Hillgrove Resources	HGO		breached downtrend	copper
Hot Chilli	HCH		testing downtrend	copper

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Iluka Resources	ILU		strongly higher	mineral sands
Image Resources	IMA		building a base	mineral sands
Independence	IGO		ST down	gold, nickel
Intrepid Mines	IAU		sideways	copper
Karoo Gas	KAR		breached downtrend	gas
Kibaran Resources	KNL		breached support line	graphite
Kin Mining	KIN		breached downtrend	gold
Legend Mining	LEG		strong surge, then a slump	exploration
Lithium Australia	LIT		downtrend breached	lithium
Lucapa Diamond	LOM		testing uptrend	diamonds
Macphersons Res.	MRP		down	silver
Medusa Mining	MML		still in long term downtrend	gold
MetalsX	MLX		breached downtrend	tin, nickel
Metro Mining	MMI		rising	bauxite
Mincor Resources	MCR		down	nickel
Mineral Deposits	MDL		rising again	mineral sands
Mustang Resources	MUS		surge on ruby news	diamonds, rubies
MZI Resources	MZI		still in downtrend	mineral sands
Northern Minerals	NTU		breaching uptrend	REE
Northern Star Res.	NST		breached downtrend	gold
NTM Gold	NTM		breached uptrend	gold
Oceana Gold	OGC		breached downtrend	gold
Oklo Resources	OKU		breached downtrend	gold expl.
Orecorp	ORR		breached downtrend	gold development
Orinoco Gold	OGX		down	gold development
Orocobre	ORE		strongly higher	lithium
Oz Minerals	OZL		another new high	copper
Paladin Energy	PDN		surge out of downtrend	uranium
Pacific American Coal	PAK		breached downtrend	coal, graphene
Pantoro	PNR		new high	gold
Panoramic Res	PAN		rising wedge	nickel
Paringa Resources	PNL		strong recovery	coal
Peel Mining	PEX		gentle uptrend	copper
Peninsula Energy	PEN		another strong rise	uranium
Perseus Mining	PRU		rallying	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		breaching resistance line	gold
Resolute Mining	RSG		new short term uptrend	gold
Reward Minerals	RWD		strong rise	potash
RIO	RIO		strongly higher	diversified
RTG Mining	RTG		testing downtrend	copper/gold
Rum Jungle	RUM		sideways	quartz
Salt Lake Potash	SO4		steeply higher	potash
Saracen Minerals	SAR		strong rally	gold
St Barbara	SBM		breached resistance line	gold
Sandfire Resources	SFR		stronger	copper
Santana Minerals	SMI		down	silver
Santos	STO		rising	oil/gas
Sheffield Resources	SFX		rising again	mineral sands
Silver Lake Resources	SLR		rising	gold
Silver Mines	SVL		down	silver

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Sino Gas & Energy	SEH		rising	gas
Southern Gold	SAU		pullback	gold
Stanmore Coal	SMR		breached steep uptrend and turning down	coal
Sundance Energy	SEA		new uptrend confirmed	oil/gas
Syrah Resources	SYR		breaching downtrend	graphite
Talga Resources	TLG		rising	graphene
Tanami Gold	TAM		breached uptrend	gold
Tempo Australia	TPP		breached downtrend	mining services
Teranga Gold	TGZ		surge through downtrend	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		continuing to rise	uranium
Troy Resources	TRY		secondary downtrend	gold
Tyranna Resources	TYX		breaching downtrend	gold exploration
Vimy Resources	VMY		downtrend breached	uranium
West African Resources	WAF		strong breach of downtrend	gold
Westwits	WWI		ST downtrend but rally on Friday	gold exploration/development
Western Areas	WSA		still falling	nickel
White Rock	WRM		breached downtrend	silver
Whitehaven Coal	WHC		rising again	coal
WPG Resources	WPG		testing downtrend	gold
Wolf Minerals	WLF		continuing down	tungsten
Totals	41%	58	Uptrend	
	22%	32	Downtrend	
		143	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	23.1%
Copper	13	9.1%
Gold Exploration	13	9.1%

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Weightings of Sectors Represented in the Company Charts			
Oil/Gas	9	6.3%	
Potash/Phosphate	7	4.9%	
Mineral Sands	7	4.9%	
Graphite	6	4.2%	
Zinc	5	3.5%	
Silver	6	4.2%	
Lithium	5	3.5%	
Nickel	5	3.5%	
Uranium	5	3.5%	
Coal	10	7.0%	
Tin	2	1.4%	
Bauxite	3	2.1%	
Iron Ore	1	0.7%	
Diamonds	2	1.4%	
Other	11		
Total	143		

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