

## Buyers are not back in the market yet, so it continues to fall

### *Accumulating stock in quiet times*

The observation that the markets have receded into a very quiet mode is a reminder that sentiment in the market comes and goes. It behoves the market to be able to hold on to one theme for an extended period of time.

For those companies operating in the real world, requiring periodic financing from equity markets, it may be difficult to understand why investors will be all over them in, say July, but then be totally disinterested only a couple of months later. Real world business conditions may be consistent but investor sentiment will fluctuate dramatically. Investing in the market today, and taking new equity, may be an act of charity when there is no FOMO. Then again, it may well be the smart time to buy - when there is little or no competition from other buyers.

The reality of the market is that most buyers only want something that someone else wants. They lack the fortitude to be able to pick a price level at which probability analysis suggests they should be bought. Similarly, they are reluctant to sell when there is enthusiasm in the markets. It is always a challenge to isolate one's thoughts from the herd mentality, but that is a necessary skill if you want to be a consistent winner in the market. You will have heard this advice many times before, but how often do you act on it?

### *Iron ore improving along with coal outlook*

The most notable news during the week has been the improving iron ore price, assisting the share price of Fortescue in particular. Add to this the better coal prices and you will see that it is just part of the world turning. Nothing stays down forever. While the traders are always wanting quick returns, longer term investors with patience on their side will eventually get it right.

### *Recognising reality in the graphite market ...*

During the week I took a meeting with Archer Exploration (AXE), a company with the Campoona graphite project in South Australia. Not unlike a number of graphite companies in the market, its concentrates have been shown to be suitable for lithium batteries. It is also possible to make graphene out of the concentrates. So, what is special about this graphite company? Well, that is the point. There is nothing unique. It is one of many potential graphite producers. It was refreshing to see that the Company acknowledges this. It didn't try and over promote the merits of Campoona, but instead it described it as a sound project (a view supported by the results of a recent scoping study released by Archer) that needed to be placed in perspective with the rest of the graphite sector.

### *... leads to the focus on a magnesite project*

Recognising this, Archer was more concerned about promoting the Leigh Creek magnesite project, also in South Australia. It has been a while since anyone has tried to talk about a magnesite project in Australia, as there have been quite a few disasters over the last 20 years. At one point it

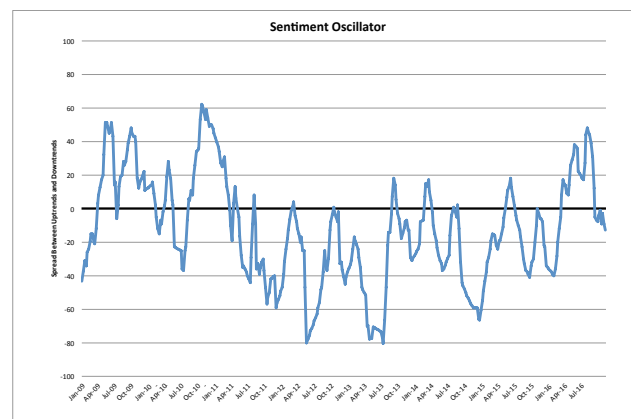
was all about magnesium metal and light weight car components, but the entire subject has been off limits for quite some time.

However, Archer believes it has a much lower risk business plan based on the availability of existing spare kiln capacity in South Australia. It isn't going to concern itself with high capex for metal production. Rather, it is looking at producing a much easier dead burn magnesia and caustic calcine magnesia by toll treating its ore through third party kilns. It needs to conduct some preliminary test work first and then undertake a \$1.5-2m program of pilot treatment work, with the end game being a low capex route to a commercial industrial products business. An important person in the mix will be Paul Rix, who has had 12 years of magnesia marketing experience (ex QMag).

Apart from that my ears pricked up when they mentioned the Cobalt Bull JV, which leaves them with a 25% interest in a JV covering ground prospective for cobalt, copper and gold. If the name is reflective of the commodity i.e. cobalt, there may be a story here.

I need to go back through my memory banks and files to get myself back up to speed on magnesite, but this may be an interesting emerging story with merit. The market capitalisation is a modest \$7m and the shares are drifting in a downtrend, but how many people are aware of the change in focus?

As I added a few coal stocks to the coverage last week, I have swept out a few stocks that don't seem to be worth following just now; King Island Scheelite, Kingsrose Mining, Renaissance Minerals (taken over), Rum Jungle and Silver City.





























**Sentiment Indicator:** Sentiment continued to weaken as the number of stocks in downtrends increased. This week there were 31% (30%) of the charts in uptrend and 44% (39%) 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	testing uptrend	
Metals and Mining	XMM	rising again	
Energy	XEJ	strongly higher	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
ABM Resources	ABU	holding longer term contract	gold
Aeon Metals	AML	ST downtrend	copper + cobalt
Alacer Gold	AQG	correcting lower	gold – production
Alkane Resources	ALK	new high	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Agua Resources	AGR	down again	phosphate
Alicanto Minerals	AQI	heavy correction	gold exploration
Altech Chemicals	ATC	down	industrial minerals
Anova Metals	AWV	new high	gold
Antipa Minerals	AZY	testing downtrend	gold
Archer Exploration	AXE	downtrend	magnesite, graphite
Argent Minerals	ARD	testing downtrend	polymetallic
Aspire Mining	AKM	uptrend reversed	coal
Atrum Coal	ATU	heavy pullback	coal
Aurelia Metals	AMI	testing downtrend	gold + base metals
Auroch Minerals	AOU	rallied to meet resistance line	exploration
Aus Tin	ANW	breached uptrend	tin, cobalt
Australian Bauxite	ABX	turned down at resistance	bauxite
Australian Vanadium	AVL	downtrend	vanadium
Avanco Resources	AVB	hitting resistance line	copper
AWE	AWE	down again	oil and gas
Azure Minerals	AZS	hitting resistance line	silver
BHP	BHP	strongly higher	diversified
Base Resources	BSE	sideways to higher	mineral sands
Bathurst Resources	BRL	strongly higher	coal
Beach Energy	BPT	steeply rise	oil and gas
Beadell Resources	BDR	higher	gold
Berkeley Resources	BKY	new high	uranium
Blackham Resources	BLK	breached support line	gold
Broken Hill Prospect.	BPL	breaching downtrend	minerals sands, cobalt
Buru Energy	BRU	testing downtrend	oil
Canyon Resources	CAY	down	bauxite
Cardinal Resources	CDV	new high	gold exploration
Carnegie Wave	CWE	stronger	wave energy
Cassini Resources	CZI	continuing higher	nickel/Cu expl.
Chalice Gold	CHN	new high	gold
Crusader Resources	CAS	new low	gold/iron ore
Dacian Gold	DCN	testing uptrend	gold exploration
Danakali	DNK	breaching support	potash
De Grey	DEG	sideways	gold
Doray Minerals	DRM	down	gold

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Duketon Mining	DKM		rallying	nickel
Eden Energy	EDE		falling again	carbon nanotubes in concrete
Energia Minerals	EMX		down	zinc
Evolution Mining	EVN		down heavily	gold
Excelsior Gold	EXG		collapse	gold
Finders Resources	FND		strong uptrend	copper
First Australian	FAR		sideways	oil/gas
First Graphite	FGR		testing ST resistance line	graphite
Fortescue Metals	FMG		new high	iron ore
Galaxy Resources	GXY		heavy fall	lithium
Galilee Energy	GLL		breached downtrend	oil and gas, CBM
Gascoyne Resources	GCY		breaching support	gold
Geopacific Res. Resources	GPR		down	copper/gold exp.
Global Geoscience	GSC		heavy fall	lithium
Gold Road	GOR		breached uptrend	gold exploration
Goldphyre	GPH		short term down	potash, gold
Graphex Mining	GPX		breached downtrend	graphite
Herron Resources	HRR		breached uptrend	zinc
Highfield Resources	HFR		rallying	potash
Highlands Pacific	HIG		sideways around lows	copper, nickel
Hillgrove Resources	HGO		ST down	copper
Hot Chili	HCH		testing downtrend	copper
Iluka Resources	ILU		falling	mineral sands
Image Resources	IMA		down	mineral sands
Independence	IGO		rallying	gold, nickel
Intrepid Mines	IAU		sideways - 7c capital return proposed	copper
Karoo Gas	KAR		rise from lows	gas
Kibaran Resources	KNL		breached support line	graphite
Kin Mining	KIN		higher	gold
Legend Mining	LEG		breach of gentle downtrend	exploration
Lithium Australia	LIT		downtrend	lithium
Lucapa Diamond	LOM		recapturing uptrend	diamonds
Macphersons Res.	MRP		sideways	silver
Manas Resources	MSR		rising	gold
Medusa Mining	MML		still in long term downtrend	gold
Metals of Africa	MTA		vertical rise	graphite
MetalsX	MLX		breached support line	tin, gold
Metro Mining	MMI		correcting within uptrend	bauxite
Mincor Resources	MCR		fallen to support line	nickel
Mineral Deposits	MDL		downtrend	mineral sands
Mustang Resources	MUS		at lows	diamonds, rubies
MZI Resources	MZI		still in downtrend	mineral sands
Northern Minerals	NTU		rising	REE
Northern Star Res.	NST		sell down	gold
Oceana Gold	OGC		down	gold
Oklo Resources	OKU		breached downtrend	gold expl.
OreCorp	ORR		on support line	gold development
Orinoco Gold	OGX		down	gold development
Orocobre	ORE		down	lithium
Oz Minerals	OZL		testing uptrend	copper
Paladin Energy	PDN		down again	uranium
Pacific American Coal	PAK		downtrend	coal, graphene
Pantoro	PNR		breached steepest uptrend	gold
Panoramic Res	PAN		rising	nickel

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Paringa Resources	PNL		strong recovery	coal
Peel Mining	PEX		gentle uptrend	copper
Peninsula Energy	PEN		falling again	uranium
Perseus Mining	PRU		stronger	gold
Pilbara Minerals	PLS		falling	lithium/tantalum
PNX Metals	PNX		strong surge	gold, silver, zinc
Potash West	PWN		falling	potash
Red River Resources	RVR		surge to new high	zinc
Regis Resources	RRL		testing uptrend	gold
Resolute Mining	RSG		breached support line	gold
Reward Minerals	RWD		strong rise	potash
Rex Minerals	RXM		back to lows	copper
RIO	RIO		still strong	diversified
RTG Mining	RTG		breached support line	copper/gold
Rum Jungle	RUM		sideways	quartz
Salt Lake Potash	SO4		steeply higher	potash
Saracen Minerals	SAR		down	gold
St Barbara	SBM		down	gold
Sandfire Resources	SFR		stronger	copper
Santana Minerals	SMI		down	silver
Santos	STO		bouncing	oil/gas
Sheffield Resources	SFX		down	mineral sands
Silver Lake Resources	SLR		breached downtrend	gold
Silver Mines	SVL		down	silver
Sino Gas & Energy	SEH		sideways to down	gas
Southern Gold	SAU		uptrend continuing	gold
Stanmore Coal	SMR		steeply higher	coal
Sundance Energy	SEA		new uptrend confirmed	oil/gas
Syrah Resources	SYR		heavy fall	graphite
Talga Resources	TLG		sideways	graphene
Tanami Gold	TAM		new high	gold
Teranga Gold	TGZ		testing uptrend	gold
Tiger Realm	TIG		surging higher	coal
Tiger Resources	TGS		back to lows	copper
TNG Resources	TNG		surge through resistance	titanium, vanadium
Torian Resources	TNR		down	gold expl'n
Toro Energy	TOE		downtrend	uranium
Troy Resources	TRY		secondary downtrend	gold
Tyranna Resources	TYX		pullback	gold exploration
Vimy Resources	VMY		down	uranium
West African Resources	WAF		rallying	gold
Westwits	WWI		breached ST downtrend	gold exploration/development
Western Areas	WSA		breached support	nickel
White Rock	WRM		down	silver
Whitehaven Coal	WHC		new high	coal
WPG Resources	WPG		improving following placement	gold
Wolf Minerals	WLF		continuing down	tungsten
Totals	31%	44	Uptrend	
	44%	62	Downtrend	
		141	Total	

### Guides to Chart Interpretations

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- 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.

<b>Weightings of Sectors Represented in the Company Charts</b>			
<b>Sector</b>	<b>No. of Companies</b>	<b>Weighting</b>	
Gold	34	24.1%	
Copper	14	9.9%	
Gold Exploration	11	7.8%	
Oil/Gas	9	6.4%	
Potash/Phosphate	7	5.0%	
Mineral Sands	7	5.0%	
Graphite	6	4.3%	
Zinc	5	3.5%	
Silver	6	4.3%	
Lithium	5	3.5%	
Nickel	5	3.5%	
Uranium	5	3.5%	
Coal	10	7.1%	
Tin	2	1.4%	
Bauxite	3	2.1%	
Iron Ore	1	0.7%	
Diamonds	2	1.4%	
Other	9		
<b>Total</b>	<b>141</b>		

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