

Sentiment crunched again but it is approaching a supportive trend line

It had to happen eventually. Now the share prices of the leading gold producers are starting to capitulate. For many months their share prices defied the falling US\$ gold price, probably because the A\$ gold price was still good. These companies were amongst the best performers in the market for a long time but now, especially in the last two weeks, we are seeing breaches of uptrends.

It is not only the gold producers that came under pressure last week. A number of other leading mining stocks gave up their uptrends, pushing the Sentiment Oscillator Index even lower. Maybe they are playing catch up with the junior stocks, which have been in recess for quite a few months already. The wheels are not falling off on the economic front, but the mining sector is not attracting any new money. When the buyers go away it is inevitable that the share prices will fall.

But there may be good news just around the corner. The acceleration of the decline in the Sentiment Oscillator is quickly taking it down to a supportive trend line. The odds are that it will bounce off this line and the trend will turn positive. This could happen over the next month, with a bit of luck.

Another disappointment from Blackstone (BSX)

The quarterly report from Blackstone included more disappointing drill results from the Little Gem Co/Au project in Canada. Narrow intercepts returned only modest grades. It seems like only two of the incremental holes had any grades worth mentioning, but the 0.12% and 0.06% cobalt grades reported bear no correlation to the historical grades spruiked in the promotion. In these latest holes there were reasonable gold grades in the range of 5-9 gpt, but over narrow widths. There is nothing in the latest figures to suggest that there is anything economically worthwhile, so the evidence is mounting for this being a lemon. The market certainly thinks this given the share price performance.

We are forced to comment again on the timing of the release, which is irregular. The quarterly report is meant to be a summary of what happened during the quarter, as the continuous disclosure requirements mean that material news has to be released post haste and not saved up to be released in the quarterly. Are we to believe that these additional assays were received in the nick of time to be included in the quarterly, so that there was no opportunity to make them public in a specific announcement?

There are still another five holes that we are waiting on. If you believe in fairies you could be hoping that these will provide strong assays, but I'm not holding my breath. As I said above, this is starting to look like a lemon. It is probably time to move onto better situations.

Disclosure: Interests associated with the author own shares in Blackstone and have received capital raising fees.

Orinoco had a tough quarter

The June quarter was one that Orinoco would rather forget. Not only did the Brazilian nationwide trucker's strike hinder mine development and production, leading to a three week forced majeure, but power from the grid failed and there wasn't enough diesel to keep dewatering pumps, so levels 5 and 6 at Mestre flooded. Only 219 ounces were produced in the quarter.

So, what can we expect for the September quarter to restore shareholder confidence? The production target is 1,000 oz per month. That will be the benchmark going forward. If this can be achieved the Company will be back on the road to redemption.

The mine is down to 100m vertical depth now and is starting to come into the primary ore zone that has different metallurgical characteristics, with more fine gold and less gravity gold than in the upper oxidised levels. The Company is a little cautious about being quoted on recovery rates and grade just now, even though there are spectacular sample grades. The issues being experienced are not uncommon with high grade gold mines.

Orinoco has not yet exploited the high grade tailings that have been previously disclosed as the focus has been on optimising the underground workings. If the underground delivers what is optimistically anticipated, it would be better than retreating tailings just yet.

The bottom line is that there is further work required to get operations working smoothly. The potential remains, but it has to be turned into reality.

At the same time the Company is working on achieving sustainable gold production, it is continuing to explore the licenses for additional deposits at Sertão, Antena, Tinteiro, Eliseo, Nena, Estrella and Santa Rita.

Focusing on Sertão, recall that Stages 1-4 and 5 were mined by Troy Resources between 2002-2006, producing 256,000 ounces at an average grade of 25 g/t. A 12 hole drill program is currently underway to test for extensions of these ore shoots. If successful, it would be a major boost to the Company's prospects.

Disclosure: Interests associated with the author own shares in Orinoco and have received capital raising fees.

The placement was “heavily oversubscribed”

How many times have you seen a company do a placement and proudly declare that it was “heavily oversubscribed”? I’m sure you have seen it so many times that it is starting to appear as cliché. It is a hollow statement.

When a company undertakes a placement it is always the first 50% that is hardest to move. When you get over this threshold and it looks like it will be successful, the brokers get all excited and push it even harder. It is a typical tactic for them to increase their effort once the placement is filled and so they start to take overbids, knowing that there will be cut-backs (or the placement will be expanded). There is a theory that investors prefer to suffer some sort of cut-back because it makes them more grateful for what they do get allocated. I don’t subscribe to that.

Those who only come in once they know the placement is over-bid are unlikely to be solid holders. They seek a quick trade. The more loyal shareholders, who were there in the first 50% of the book, usually get cut back to make way for the hot traders. It is not good for a company trying to improve the quality of the register and it displeases the more genuine investors, but what can you do when this methodology is endemic. The number of bids is not a good indicator of subsequent share price movements (depending upon how the allocations are made), so don’t be fooled by the statement that a placement was “heavily oversubscribed”.

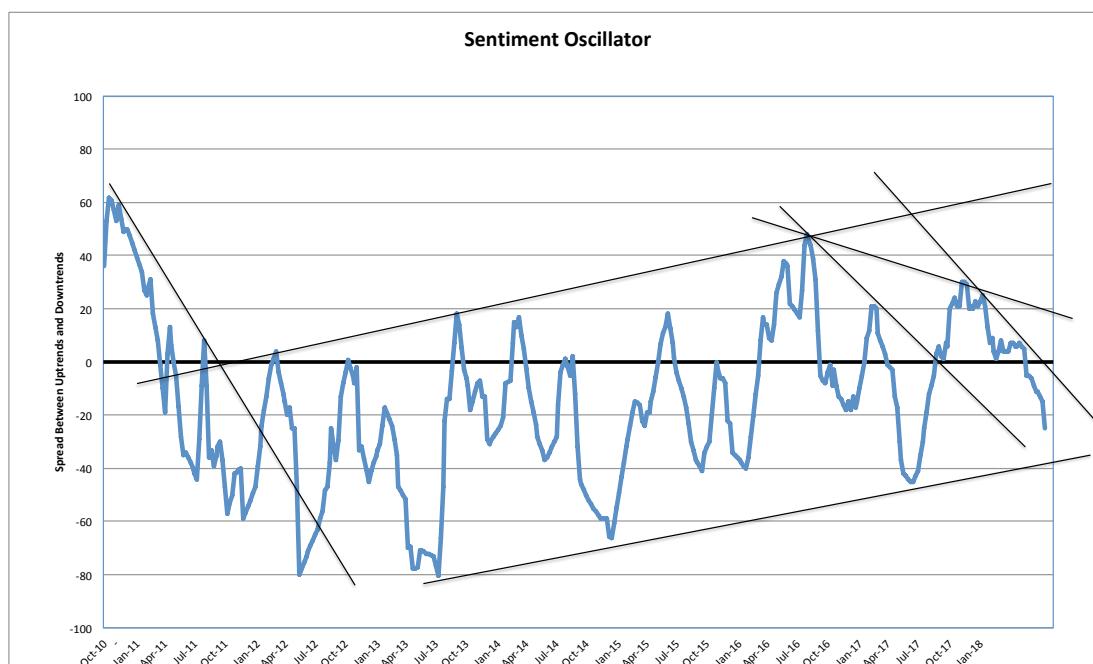
Graphene needed to enhance aircraft and boat composites

Recent models of commercial aircraft have been replacing aluminium alloys with new composite materials, heralding a shift away from fibreglass composites to more advanced carbon laminate and carbon sandwich composites. These offer benefits such as improved strength with reduced weight, they don’t corrode as easily and they don’t crack from metal fatigue. However, there are two ongoing issues that need to be resolved.

The first one concerns how these new composites perform in a fire. They release toxic fumes and micro-particles into the air, and large volumes of smoke. The resin used in the materials weakens at temperature as low as 150 degrees, so structural failure can quickly occur in a fire. So, the hunt is on for an advanced fire retardant. It is believed that a graphene-based retardant could alleviate the issue.

The second issue is the water absorption over time and the resultant increase in weight. Tests are showing that this can result in an increase in the weight of the components by up to 15%, which is a significant step backwards in the weight reduction campaign. Tests are showing that a graphene barrier will mitigate these water problems.

When it comes to boats, be they leisure craft or sporting sailing vessels, the same science can be applied whether they are made out of the more modern composite materials or those that are fibreglass-based. It is also understood that the hydrophobic qualities of graphene could assist a boat with gliding properties through water, but research is still being conducted.




Sentiment Indicator: Sentiment was hit hard last week; 24% (28%) of the charts were in uptrend and 49% (43%) in downtrend on Friday’s close. It is rapidly approaching support levels.

Detailed Chart Comments























NB. Only the bold comments have been updated. Comments in grey type are from previous weeks and will be less relevant. Please note that this list is a cross section of the market. It IS NOT a list of recommendations.

Indices	Code	Trend Comment	
All Ordinaries	XAO	at highs	
Metals and Mining	XMM	rallying	
Energy	XEJ	off high	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Adriatic Resources	ADT	steep rise	zinc
Aeon Metals	AML	correcting below resistance line	copper + cobalt
Alacer Gold	AQG	back to recent highs	gold – production
Alkane Resources	ALK	breached long term support line	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Alchemy Resources	ALY	base forming	nickel, cobalt
Alicanto Minerals	AQI	down	gold exploration
Allegiance Coal	AHQ	holding LT uptrend	coal
Alliance Resources	AGS	continuing down	gold exploration
Altech Chemicals	ATC	holding on support line	industrial minerals - synthetic sapphire
Anova Metals	AWV	new low on poor production report	gold
Apollo Consolidated	AOP	down	gold exploration
Archer Exploration	AXE	breach of support	magnesite, graphite
Argent Minerals	ARD	down	polymetallic
Aurelia Metals	AMI	new high	gold + base metals
AusTin	ANW	new low	tin, cobalt
Australian Bauxite	ABX	but a new low	bauxite
Australian Potash	APC	testing downtrend	potash
Australian Mines	AUZ	down	cobalt/nickel
Australian Vanadium	AVL	new high	vanadium
Azure Minerals	AZS	new low	silver
Bounty Coal	B2Y	recent listing	coal
BHP	BHP	back to high	diversified
Base Resources	BSE	sideways through downtrend	mineral sands
Bathurst Resources	BRL	sideways	coal
Battery Minerals	BAT	collapse to new low	graphite
BBX Minerals	BBX	down	gold
Beach Energy	BPT	near highs	oil and gas
Beadell Resources	BDR	another new low	gold
Bellevue Gold	BGL	down (was Draig)	gold
Berkeley Energia	BKY	down	uranium
Berkut Minerals	BMT	new low	cobalt
Blackham Resources	BLK	down again	gold
Blackstone Minerals	BSX	new low	gold, cobalt
Broken Hill Prospect.	BPL	down	minerals sands, cobalt
Buru Energy	BRU	slump	oil
Cardinal Resources	CDV	testing uptrend, down	gold exploration
Cassini Resources	CZI	sideways	nickel/Cu expl.
Celsius Resources	CLA	back in downtrend	copper/cobalt
Chalice Gold	CHN	testing downtrend	gold
Cobalt Blue	COB	free fall on study results	cobalt

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Comet Resources	CRL		down	graphite/graphene
Crusader Resources	CAS		new low	gold/iron ore
Dacian Gold	DCN		struggling	gold exploration
Danakali	DNK		rising again	potash
Doray Minerals	DRM		trying to hold uptrend	gold
Eden Innovations	EDE		down	carbon nanotubes in concrete
Egan Street Resources	EGA		softer	gold
Emerald Resource	EMR		surge out of downtrend	gold
Evolution Mining	EVN		down	gold
Excelsior Gold	EXG		down	gold
FAR	FAR		uptrend emerging	oil/gas
First Cobalt	FCC		new low	cobalt
First Graphene	FGR		holding uptrend	graphite
Frontier Diamonds	FDX		new low	diamonds
Fortescue Metals	FMG		rallied out of steepest, but still in LT downtrend	iron ore
Galaxy Resources	GXY		longer term downtrend confirmed	lithium
Galilee Energy	GLL		retaining uptrend	oil and gas, CBM
Gascoyne Resources	GCY		breaching longer term uptrend	gold
Global Geoscience	GSC		breached uptrend	lithium
Gold Road	GOR		new high	gold exploration
Golden Rim	GMR		new low	gold exploration
Graphex Mining	GPX		breaching downtrend	graphite
Heron Resources	HRR		downtrend persisting	zinc
Highfield Resources	HFR		down again	potash
Highlands Pacific	HIG		still in uptrend	copper, nickel
Hillgrove Resources	HGO		sideways	copper
Iluka Resources	ILU		breached support line	mineral sands
Image Resources	IMA		resumed LT uptrend	mineral sands
Independence Group	IGO		breached support line	gold, nickel
Jervois Mining	JVR		strong bounce	nickel/cobalt
Karoo Gas	KAR		new low	gas
Kasbah Resources	KAS		still in downtrend	tin
Kibaran Resources	KNL		sideways	graphite
Kin Mining	KIN		trying to form a base	gold
Legend Mining	LEG		strongly higher	exploration
Lepidico	LPD		continuing down	lithium
Lithium Australia	LIT		testing downtrend	lithium
Lucapa Diamond	LOM		breached downtrend	diamonds
Macphersons Res.	MRP		rallying	silver
Mako Gold	MKG			gold
Marmota	MEU		sideways	gold exploration
MetalsX	MLX		down again	tin, nickel
Metro Mining	MMI		fallen back to support	bauxite
Mincor Resources	MCR		breached uptrend	nickel
Mineral Deposits	MDL		strongly higher on takeover approach	mineral sands
Myanmar Minerals	MYL		downtrend breached	zinc
MZI Resources	MZI		bounced off low	mineral sands
Neometals	NMT		down	lithium
Northern Cobalt	N27		down again	cobalt
Northern Minerals	NTU		rallied back to resistance line	REE

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Northern Star Res.	NST		at highs	gold
NTM Gold	NTM		continuing downtrend	gold
Oceana Gold	OGC		rising again	gold
Oklo Resources	OKU		down	gold expl.
OreCorp	ORR		breached downtrend	gold development
Orinoco Gold	OGX		down	gold development
Orocobre	ORE		secondary downtrend	lithium
Oz Minerals	OZL		struggling with uptrend	copper
Pacific American Coal	PAK		strong rise	coal, graphene
Pantoro	PNR		pullback	gold
Panoramic Res	PAN		new high	nickel
Peel Mining	PEX		downtrend confirmed	copper
Peninsula Energy	PEN		risen to resistance line	uranium
Perseus Mining	PRU		breaching uptrend	gold
Pilbara Minerals	PLS		back to support line	lithium/tantalum
PNX Metals	PNX		lower	gold, silver, zinc
Polarex	PXX		testing downtrend	polymetallic
Prodigy Gold	PRX		resting on support line	gold
Red5	RED		struggling	gold
Red River Resources	RVR		down	zinc
Regis Resources	RRL		slump beneath trend line	gold
Resolute Mining	RSG		testing downtrend	gold
RIO	RIO		testing uptrend	diversified
Salt Lake Potash	SO4		re-entering downtrend	potash
Saracen Minerals	SAR		down	gold
St Barbara	SBM		breached uptrend	gold
Sandfire Resources	SFR		down	copper
Santana Minerals	SMI		new low	silver
Santos	STO		back to highs	oil/gas
Sheffield Resources	SFX		rising again	mineral sands
Sino Gas & Energy	SEH		confirming uptrend	gas
Sipa Resources	SRI		sideways	general exploration - Ni,Cu, Co, Au
Stanmore Coal	SMR		new high	coal
Sundance Energy	SEA		testing uptrend	oil/gas
Syrah Resources	SYR		testing downtrend	graphite
Talga Resources	TLG		down	graphene
Tanami Gold	TAM		slump	gold
Tiger Realm	TIG		down	coal
Triton Minerals	TON		down	graphite
Troy Resources	TRY		uptrend breached	gold
Tyranna Resources	TYX		back to lows	gold exploration
Vango Mining	VAN		correcting	gold
Vector Resources	VEC		back to lows	gold
Vimy Resources	VMY		testing downtrend	uranium
Volt Resources	VRC		down	graphite
West African Resources	WAF		breached downtrend, but then a slump	gold
Westwits	WWI		down	gold exploration/development
Western Areas	WSA		down	nickel
White Rock Minerals	WRM		new low	silver
Whitehaven Coal	WHC		new high	coal

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WPG Resources	WPG	■	down again	gold
Wolf Minerals	WLF	■	sideways at lows	tungsten
Totals	24%	34	Uptrend	
	49%	69	Downtrend	
		142	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	23.2%	
Gold Exploration	15	10.6%	
Coal	10	7.0%	
Copper	9	6.3%	
Graphite	9	6.3%	
Oil/Gas	8	5.6%	
Mineral Sands	7	4.9%	
Cobalt	7	4.9%	
Lithium	7	4.9%	
Zinc	6	4.2%	
Silver	5	3.5%	
Nickel	5	3.5%	
Potash/Phosphate	4	2.8%	
Uranium	3	2.1%	
Bauxite	2	1.4%	
Tin	3	2.1%	
Diamonds	3	2.1%	
Iron Ore	1	0.7%	
Other	5		
Total	142		

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