

Gold is the main driver of mining sentiment

Aussie interest rate games

Even though Australia's economy is performing well relative to most other countries, the Reserve Bank went ahead with a cut in the Australian interest rate. This immediately sent a signal to the market that the economy was looking vulnerable, so the market was sold off heavily. Is the economy really that sick that it needs a boost?

There is no doubt that the Reserve Bank was hoping to bring the A\$ down a peg, thereby assisting our export industries, but it went up instead. There are no brownie points for the Reserve Bank this time around.

On the broader scale of international economics, one of the biggest concerns is the trend towards negative interest rates. Central banks have backed themselves into a corner by cutting rates so low, thereby limiting their options going forward. They are becoming impotent on monetary policy just as governments are failing on fiscal policy. Through all of this bumbling gold's credibility is enhanced ... and that explains what is happening in Kalgoorlie as we see the beginnings of a revival in the gold industry not seen since the 1980s. It doesn't need the gold price to jump to new highs. Being at or around these levels is enough to underwrite the profitability.

Gold, Kalgoorlie and Diggers & Dealers

There was a very clear message at Diggers and Dealers this year. The return of the bull market in gold is the strongest driving force in Australia's mining sector at present. There were 43 presenters at the conference and 29 of them were gold companies.

Everyone who has invested in gold companies should have made healthy profits over the last 6-12 months. When there is such a strong generator of profits the sentiment inevitably flows over into other commodities as investors start to adopt the glass half full perspective ... and so the cycle rolls on to the next phase.

Gold is the best commodity for a junior company. It is the least demanding technically. It is the easiest commodity to sell. There is an enormous range of gold projects with differing grades and dimensions. The low tonnage high grade mines are good for smaller companies while the large tonnage low grade mines that require much higher capital expenditure are best tackled by large companies. There is something for everyone. There is no risk that any one gold mine, or group of gold mines, will flood the market and drive the price down.

There can be dozens of companies running around taking advantage of booms in individual commodities such as graphite, lithium, rare earths, uranium or any other exotic metal without any real likelihood that there will be more than a handful that make it into production, but with gold the conversion rate is usually much higher.

It is difficult to keep up with the vast number of gold plays in the market today. There are literally hundreds of historical workings that are coming back onto the radar with gold at A

\$1,800/oz. In many cases I am seeing the third iteration of the same gold projects. Maybe they have produced before and closed down due to changing economics or depletion of mining reserves. Maybe they never even started production or they started and failed. The challenge is to look at them again, placing the history in perspective with the present. What was a dog previously might be a real chance now for a number of reasons that include better management, new ore positions and better infrastructure, all combined with a better gold price.

Even though gold is easier than many other commodities there will still be many operators who stuff it up. Good management is still essential. Beware of those who are less experienced and are clearly promoters just trying to get onto the bandwagon.

Some of the best money will be made long before a mine goes into production. The exploration, discovery and expansion of orebodies will create the greatest excitement. Diggers has confirmed the return of the gold bull market not just on the bourse but also in the field. There is something for everyone in this market.

What was the best story? Pantoro Limited (PNR)

Attendees of Diggers, or any conference for that matter, are asked "what was the best story". Last year it was Dacian and we have seen its share price go up 10 times since then. It is a very hard act to follow, but the story I liked the most was Pantoro, the small high grade gold miner working Nicolsons near Hall Creek. (I'll admit I am talking my own book here as I have been accumulating shares for the past 12 months, but I like it so much that I picked up a few more last week).

Nicolsons has been around for a long time. It was first mined in modern times in the early 1990s when the project was known as Palm Springs, a small but high grade open pit. However, it never really progressed. It later ended up in the hands of Bulletin Resources, who intended to extend the open pit deeper with a waste to ore ratio of around 30:1, but could never get the funding arranged for what was essentially a small show. Enter Pacific Nuigini, a company with experienced underground mining personnel and management, and a technically more challenging underground mine was embarked upon.

It is not unusual for an underground mine to throw up unexpected problems. Nicholson was no different. The development of the decline cost a few million dollars more than expected due to bad ground conditions at the start and this necessitated another round of capital raising at low share prices. However, since then the project has gone from strength to strength.

Late last year it became apparent that the geologists had grossly underestimated the grade. Pantoro (the company's new name) was recovering twice as much gold that it expected, causing it to revise its estimates to 700 oz per vertical metre (opvm). As the months passed by Pantoro

started to conduct more underground exploration. Most recently it has announced the discovery of splay structures between the two main lodes that now suggest 1,200-1,400 opvm as a minimum.

So far Pantoro has been processing mostly development ore and reporting cash costs of \$1,100-1,200/oz. As it shifts to greater proportions of stope production ore this cash cost figure will fall well below \$1,000/oz. The plant is being expanded from 130,000 to 200,000 tpa to accommodate ore from three new open pits that are about to be developed. What started out as a small 30,000 oz pa operation now has 50-60,000 oz in its sights, and might eventually get up to 80,000 oz p.a. There is a fair bit of crystal ball gazing here but it certainly smells good from where I sit. I view it as a growth stock as opposed to a short term trade.

It is a reaffirming coincidence that Pantoro was awarded the Digger’s Emerging Company of the Year award. All the boxes are being ticked.

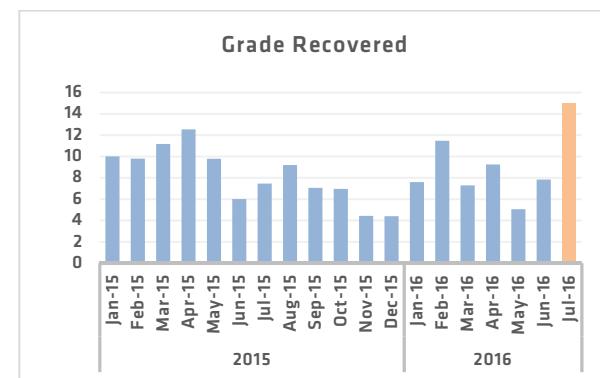
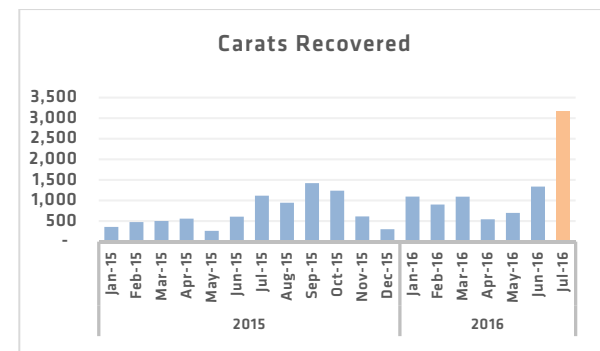
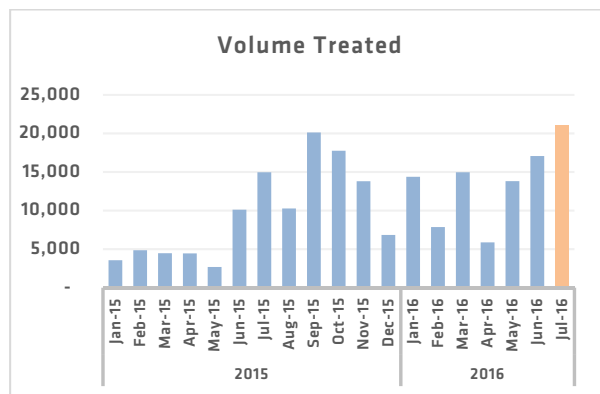
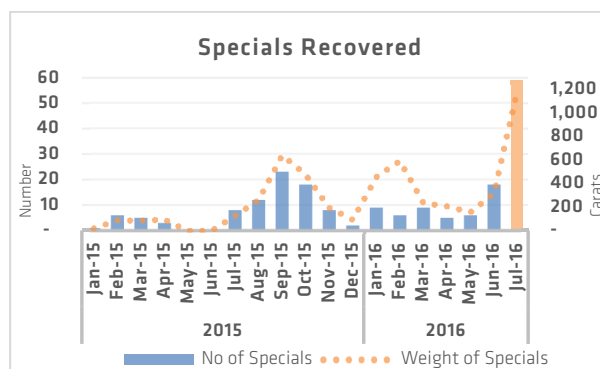
Lucapa is breaking all records

Readers will be aware that one of my favourite companies is Lucapa Diamond Company (LOM), the operator of the best diamond project I have seen on the ASX in over three decades. After a number of years as a heavily traded speculative stock we are seeing less volatility and minimal day trading taking place. Some shareholders have expressed concern and asked what is wrong, but as I have said recently, there is nothing wrong. The Company wants investors to see it as a responsible mining company. It wants to avoid the noise of too many announcements in favour of issuing guidance and only releasing material changes to guidance and news that is necessary under continuous disclosure standards. Maybe this doesn’t suit day traders but it creates a better environment for institutional investors.

The announcement last week was an example of what we can be looking forward to in the future. It was all about breaking records. Lucapa continued to recover large numbers of Special diamonds (> 10.8 carats), achieving record monthly production of 3,164 carats at its best grade of 15 cphm³. Throughput was another record at 21,114 bcm for the month of July.

LOM is drilling target L259 to define the shape of the pipe and confirm that it is actually the source pipe we think it is. Drilling seems to be going well. A second rig is being brought to site to accelerate this exercise.

A new zone of terrace gravels 3 km upstream is adding to the resource base. Named E41, alluvial gravels have been identified over a 1.6km area. Pitting and trenching is underway. The charts opposite give a graphical representation of performance in July.



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De Grey - an example of a junior company making a comeback

An interesting little company that dropped by my booth at Diggers was De Grey Mining (DEG), capitalised at \$12m. It is another one of those companies that fell off the radar in the downturn. Its portfolio comprises useful gold resources in the Pilbara, close to Port Hedland. The Turner gold project comprises 6.7 Mt at 1.6 gpt for 346,000 oz. When it was first announced some years ago the grade disappointed the market, but its worth having another look at with the gold price around A\$1,800/oz. In addition it recently announced good RC drill results at the Discovery Prospect in the same region. Maybe the name will end up being confusing as DEG will always be talking about Discovery, so I look forward to it changing the name to the Development Project.

It is a VMS style deposit with gold, zinc, lead, copper and silver. The existing resource is still modest in size, coming to 2.9 Mt when added to the nearby Orchard Tank resource. The grade at Discovery is 0.8 gpt Au, 87 gpt Ag, 2.3% Zn and 0.94%, and not dissimilar at Orchard Tank. These aren't particularly exciting, but the recent round of RC drilling provided significantly better grades.

Focusing only on the silver, there are intercepts of 8m at 105 gpt, 8m at 172 gpt, 24m at 290 gpt, 16m at 146 gpt and 16m at 125 gpt. Gold grades are in the range of 1-3 gpt per tonne in most holes. The zinc and lead grades are in the range of 4-8% combined while copper is around 0.2%. The combined value would be rather tidy, with the

silver grades qualifying it for the consideration as a silver stock.

DEG is worth putting under chart coverage while we learn what the true potential is, but there is a concern that needs to be addressed before a chart can be expected to give any meaningful signals. There are 2.8 bill. shares on issue and the share price is 0.2-0.4¢. Too many traders will buy at 0.3 and immediately place an order to sell at 0.4¢. Any good news flow will be wasted on churners of the stock and serious investors are unlikely to be bothered until there is a share consolidation. Still, it is worth watching. The shares are not expensive.

DRC - another civil war is on the cards

You should be keeping an eye on the DRC as President Kabila seeks to avoid a presidential election. He has already been in the seat for two terms and the constitution prevents him from standing again, so he thinks the best way to stay as president is to stop the election. This will inevitably result in conflict of some sort and this will not assist any of the mining companies in the DRC. Tiger Resources is one such company.

Any conflict in the DRC is going to provide a boost to the cobalt price. We are already expecting a shortfall in supply which will take the cobalt price higher, but a civil war that interrupts exports could really cause a spike in the price. Speculators will invariably pile into stocks like Broken Hill Prospecting (BPL), which has the Thackaringa cobalt-pyrite project near Broken Hill.

Sentiment Indicator: Sentiment was basically steady with 61% (62%) of the stocks in uptrend and 17% (17%) 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	continuing strength	
Metals and Mining	XMM	correction during the week	
Energy	XEJ	sideways	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
ABM Resources	ABU	slumped to support line	gold
Aeon Metals	AML	new high	copper + cobalt
Alacer Gold	AQG	rising again	gold – production
Alkane Resources	ALK	late surge to confirm trend	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Aguia Resources	AGR	struggling to hold these levels	phosphate
Alicanto Minerals	AQI	new high	gold exploration
Altech Chemicals	ATC	pullback	industrial minerals
Anova Metals	AWV	new high	gold
Antipa Minerals	AZY	breached support line	gold
Archer Exploration	AXE	breached uptrend	graphite
Argent Minerals	ARD	pullback	polymetallic
Atlas Iron	AGO	down	iron ore
Atrum Coal	ATU	strong rise	coal
Aurelia Metals	AMI	new high	gold + base metals
Auroch Minerals	AOU	down on withdrawal from lithium deal	exploration
Aus Tin	ANW	stronger	tin, cobalt

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Australian Bauxite	ABX		new uptrend confirmed	bauxite
Australian Vanadium	ABX		testing uptrend	vanadium
Avanco Resources	AVB		turning down	copper
AWE	AWE		pullback	oil and gas
Azure Minerals	AZS		trying to hold uptrend	silver
BHP	BHP		hugging trendline	diversified
Base Resources	BSE		breached uptrend, but rallying	mineral sands
Beach Energy	BPT		long term downtrend in play	oil and gas
Beadell Resources	BDR		correcting after rise	gold
Berkeley Resources	BKY		surge to new high	uranium
Blackham Resources	BLK		correcting after rise	gold
Broken Hill Prospect.	BPL		short term down	minerals sands, cobalt
Buru Energy	BRU		sideways	oil
Canyon Resources	CAY		breached steep uptrend	bauxite
Cardinal Resources	CDV		new high	gold exploration
Carnegie Wave	CWE		downtrend	wave energy
Cassini Resources	CZI		stronger	nickel/Cu expl.
Chalice Gold	CHN		new high	gold
Consolidated Zinc	CZL		downtrend breached then heavy pullback	zinc
Coventry Resources	CYY		ST down	copper
Dacian Gold	DCN		new high	gold exploration
Danakali	DNK		rising again	potash
De Grey	DEG		rising	gold
Doray Minerals	DRM		testing uptrend	gold
Duketon Mining	DKM		new high	nickel
Eden Energy	EDE		correcting	carbon nanotubes in concrete
Energia Minerals	EMX		rising again	zinc
Evolution Mining	EVN		new high	gold
Excelsior Gold	EXG		new low	gold
First Australian	FAR		sideways	oil/gas
First Graphite	FGR		pullback	graphite
Fortescue Metals	FMG		new high	iron ore
Galaxy Resources	GXY		breached uptrend	lithium
Galilee Energy	GLL		still down	oil and gas, CBM
Gascoyne Resources	GCY		rising again	gold
General Mining	GMM		steep uptrend breached	lithium
Geopacific Res. Resources	GPR		breached downtrend	copper/gold exp.
Global Geoscience	GSC		steep uptrend	lithium
Gold Road	GOR		new high	gold exploration
Goldphyre	GPH		short term down	potash, gold
Graphex Mining	GPX		surge after IPO	graphite
Gryphon Minerals	GRY		new high on takeover bid	gold
Herron Resources	HRR		at highs	zinc
Highfield Resources	HFR		fallen to support line	potash
Highlands Pacific	HIG		sideways around lows	copper, nickel
Hillgrove Resources	HGO		new high	copper
Hot Chilli	HCH		new low	copper
Iluka Resources	ILU		correcting after rise	mineral sands
Image Resources	IMA		up, but heavy pullback	mineral sands
Independence	IGO		new high	gold, nickel
Intrepid Mines	IAU		sideways - 7¢ capital return proposed	copper
Karoo Gas	KAR		testing downtrend	gas
Kasbah Resources	KAS		continuing vertical rise	tin
Kibaran Resources	KNL		breached downtrend but then a pullback	graphite
Kin Mining	KIN		heavy correction	gold
King Island Scheel.	KIS		new low	tungsten
Kingsgate Consol.	KCN		suspension	gold
Kingsrose Mining	KRM		down	gold

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Legend Mining	LEG		gentle downtrend	exploration
Lithium Australia	LIT		breached ST downtrend	lithium
Lucapa Diamond	LOM		holding uptrend	diamonds
Macphersons Res.	MRP		rising	silver
Manas Resources	MSR		rising	gold
Medusa Mining	MML		breached ST downtrend	gold
Metals of Africa	MTA		breached uptrend	zinc expl/graph.
MetalsX	MLX		new high	tin, gold
Metro Mining	MMI		uptrend	bauxite
Mincor Resources	MCR		new high	nickel
Mineral Deposits	MDL		spiked out of downtrend	mineral sands
MMJ PhytoTech	MMJ		testing downtrend	medical cannabis
Mustang Resources	MUS		new high	diamonds, rubies
MZI Resources	MZI		rising	mineral sands
Northern Minerals	NTU		testing downtrend	REE
Northern Star Res.	NST		heavy correction	gold
Oceana Gold	OGC		heavy correction	gold
Oklo Resources	OKU		correction	gold expl.
Orecorp	ORR		new high	gold development
Orinoco Gold	OGX		rising again	gold development
Orocobre	ORE		testing uptrend	lithium
Oz Minerals	OZL		new high	copper
Paladin Energy	PDN		new uptrend	uranium
Pacific American Coal	PAK		testing uptrend	coal, graphene
Pantoro	PNR		surge to new high	gold
Panoramic Res	PAN		rising	nickel
Paringa Resources	PNL		down	coal
Peel Mining	PEX		gentle uptrend	copper
Peninsula Energy	PEN		surge off lows	uranium
Perseus Mining	PRU		new high	gold
Pilbara Minerals	PLS		falling	lithium/tantalum
Potash West	PWN		meeting resistance line	potash
Red River Resources	RVR		surge to new high	zinc
Regis Resources	RRL		new high	gold
Renaissance Min.	RNS		still at highs	gold
Resolute Mining	RSG		new high	gold
Reward Minerals	RWD		still down	potash
Rex Minerals	RXM		back to lows	copper
RIO	RIO		testing long term downtrend	diversified
RTG Mining	RTG		correcting	copper/gold
Rum Jungle	RUM		sideways	quartz
Salt Lake Potash	SO4		uptrend recaptured	potash
Saracen Minerals	SAR		new high	gold
St Barbara	SBM		new high	gold
Sandfire Resources	SFR		stronger	copper
Santana Minerals	SMI		strong rise	silver
Santos	STO		breaching uptrend	oil/gas
Sheffield Resources	SFX		new high	mineral sands
Silver City Minerals	SCI		down	base metals
Silver Lake Resources	SLR		new high	gold
Silver Mines	SVL		surge to new high	silver
Sino Gas & Energy	SEH		new uptrend	gas
Southern Gold	SAU		uptrend continuing	gold
Sundance Energy	SEA		testing downtrend	oil/gas
Syrah Resources	SYR		breached secondary uptrend	graphite
Talga Resources	TLG		surge higher, then a placement & pullback	graphene
Tanami Gold	TAM		new high	gold
Tiger Resources	TGS		back to lows	copper

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TNG Resources	TNG	■	drifting lower	titanium, vanadium
Torian Resources	TNR	■	rising again	gold expl'n
Toro Energy	TOE	■	downtrend	uranium
Troy Resources	TRY	■	rising again	gold
Tyranna Resources	TYX	■	surge on drilling results	gold exploration
Vimy Resources	VMY	■	down	uranium
West African Resources	WAF	■	new high	gold
Westwits	WWI	■	new uptrend	gold exploration/development
Western Areas	WSA	■	heavy correction	nickel
White Rock	WRM	■	steep rise	silver
WPG Resources	WPG	■	ST down	gold
Wolf Minerals	WLF	■	continuing down	tungsten
Totals	61%	88	Uptrend	
	17%	24	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.
- 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	36	25.0%	
Copper	14	9.7%	
Gold Exploration	11	7.6%	
Oil/Gas	9	6.3%	
Potash/Phosphate	7	4.9%	
Mineral Sands	7	4.9%	
Graphite	6	4.2%	
Zinc	6	4.2%	
Silver	6	4.2%	
Lithium	6	4.2%	
Nickel	5	3.5%	
Uranium	5	3.5%	
Coal	4	2.8%	
Tin	3	2.1%	

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Weightings of Sectors Represented in the Company Charts			
Bauxite	3	2.1%	
Iron Ore	2	1.4%	
Diamonds	2	1.4%	
Other	12		
Total	144		

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