

## Companies need to take care to make accurate ASX releases

### *Markets being reasonably behaved*

It was a week of big events that moved our market one way and then the next. First it was the interest rate cut that caused the All Ords to rise more than 100 points, but that was followed by a 50% retracement the next day as the markets started to digest the budget. The following day the news of the \$58bn law suit against BHP and Vale saw BHP down 9% and the market fall below pre-interest rate cut levels.

At the end of the week the All Ords was a little higher and the upward trend was still in tact. Both the Energy and the Metals and Mining Indices were experiencing pullbacks. The Dow fell earlier in the week but recovered at the end. So the market basically took all of the news in its stride, be it elections, politics or un-extraordinary economic news. There were some rumblings about the explosion in Chinese credit and an eventual day of reckoning, but markets seem happy to leave this issue to another day.

As would have been expected the gold sector opened on a strong note following bullion's strength on the preceding Friday. Many charts showed new highs. Money continues to move in what looks like the most profitable sector of our mining industry which is benefitting from reduced cost pressures at the same time as the US\$ price moves higher. The strength of the A\$ had eroded this a little but there doesn't seem much prospect of a stronger A\$ from here, so that is positive for our gold producers.

### *Beware of the pretenders in the graphene space*

Many companies are more concerned about getting share price catalysts than anything else. That is the nature of the speculative end of the stock market. We have rules and regulations to try to moderate the excesses, but just because we have the rules it doesn't mean that everyone subscribes to them. Rules seem to be taken seriously by law abiding citizens, but less seriously by promoters.

The latest example of a company pushing the envelope is Hexagon Resources Ltd. Last Tuesday it made an ASX release that is misleading on a number of counts. The dubious statements start with the highlights that said a "bulk scale representative sample" of the McIntosh orebody produced graphene. Let me point out;

- it was not a bulk sample of the orebody that was tested in the laboratory (they didn't give a weight). It was a concentrate derived from the orebody. That concentrate was then subjected to a small bench scale test.
- It was not a "representative" sample that was tested. It was a highly concentrated sample taken from an orebody that has a disclosed grade of 4.63% TGC.
- If you read through the release you will see on page two that it actually says the test work was done on "graphite concentrate". That would seem more accurate, but why was this hidden on page two after having left a different impression on page one, twice?

- The release frequently refers to the company's ultra-high purity graphite (99.9% TC), but it is not the orebody that demonstrates this characteristic, it is the concentrate. There is nothing high grade about the orebody. In fact, it is one of the lowest grade orebodies out there.
- The release didn't disclose which university did the work. While you might be able to figure it out, the fact that the university declined to have its name mentioned means that it wasn't happy about some of the wording of the release. Whenever a company releases results done by a third party, without disclosing the name of that third party, it is a warning sign. How are we to determine credibility?

As I have said before, making graphene is not that difficult. You can make it from graphite concentrates, you can make it from hydrocarbons, you can even make it from used car tyres and plastic bottles (after you burn them to create methane). The critical question though, is what does it cost? Do you have to mine, crush, grind and concentrate the graphite, and how many regrind and concentration steps do you have to undertake? What impurities have to be removed through final chemical concentration? It is meaningless just to say that graphene has been produced.

So where are the regulators who are supposed to protect investors from blatantly deficient and arguably misleading releases like this? We have a JORC Code on matters of geology, but there is no similar standard for metallurgical statements. Companies can get away with saying anything. ASX releases are often misleading by what they fail to disclose - misleading by omission. For better or worse it seems to be left to analysts such as myself to try and keep people on the straight and narrow. Some people might like to say that I have a conflict of interest given my involvement in the graphite and graphene sectors, but I would respond by saying that I have experience that I am prepared to share with you. I have done the hard learning.

### *Stunning intercept from First Graphite Resources*

FGR had previously announced an excellent intercept of high grade vein ore at its Aluketiya project in Sri Lanka, being 1.72m of high grade vein ore over 2.8m. During the week the final assays were released with 1.15m of this intercept assaying 99.27% TGC<sub>Loi</sub>. The ability to achieve this sort of grade, without having to undertake any concentrating processes, highlights the value of the Sri Lankan graphite.

Placing this intercept in perspective, FGR has a budget to mine orebodies that average 25-30cm in width. Even at this very narrow range it expects that its all-in-costs will be US \$650-\$700 pt of saleable ore. The market price of lump graphite is about US\$2,000 pt. The economics of a 1m mining width will be significantly better, as will be volumes mined per vertical metre. The location of this intercept, only 40m from where the shaft is being sunk, means that this potentially very profitable width can be accessed with minimal additional capital expenditure. More work is required

to determine the vertical and lateral extent of the body intersected, but so far so good.

This week we have cleared the desk of a few companies under coverage and added one new gold company. African Energy (thermal coal in Botswana), ERA

(uranium), IXR (spinning off its graphite), Mt Gibson (iron ore), Newfield Resources (diamonds in Sierra Leone), OM Holdings (manganese) and Platina Resources (scandium and platinum) have been relegated. WPG Resources has been added as it is about to recommission the Challenger gold mine in South Australia.
























































**Sentiment Indicator:** There was another small improvement in sentiment over the week. There were 51% (47%) of the stocks in uptrend and 19% (18%) 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	strong break out of downtrend	
Metals and Mining	XMM	strong uptrend	
Energy	XEJ	correcting lower	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
ABM Resources	ABU	breached steepest downtrend	gold
Aeon Metals	AML	breaking downtrend	copper + cobalt
Alacer Gold	AQG	strongly higher	gold – production
Alkane Resources	ALK	at resistance line	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Agua Resources	AGR	punched through downtrend, then pullback	phosphate
Alicanto Minerals	AQI	still under secondary downtrend	gold exploration
Altech Chemicals	ATC	rallying in a secondary uptrend	industrial minerals
Anova Metals	AWV	new high	gold
Antipa Minerals	AZY	rising	gold
Archer Exploration	AXE	stronger	graphite
Argent Minerals	ARD	strong rise, then pullback	polymetallic
Atlas Iron	AGO	breached support line	iron ore
Atrum Coal	ATU	breached ST uptrend	coal
Auroch Minerals	AOU	uptrend	exploration
Australian Bauxite	ABX	strongly higher	bauxite
Avanco Resources	AVB	breached ST uptrend	copper
AWE	AWE	breached ST uptrend but rallying	oil and gas
BHP	BHP	breached downtrend	diversified
Base Resources	BSE	steep rise from lows	mineral sands
Beach Energy	BPT	breached secondary downtrend	oil and gas
Beadell Resources	BDR	new high	gold
Berkeley Resources	BKY	rising again	uranium
Blackham Resources	BLK	steeply higher then a pullback	gold
Broken Hill Prospect.	BPL	new high	minerals sands, cobalt
Buru Energy	BRU	new low	oil
Canyon Resources	CAY	rising	bauxite
Cardinal Resources	CDV	stepped up	gold exploration
Carnegie Wave	CWE	breached downtrend	wave energy
Cassini Resources	CZI	new uptrend	nickel/Cu expl.
Chalice Gold	CHN	moved to new high	gold
Consolidated Tin	CSD	strong rise then pullback	tin
Consolidated Zinc	CZL	secondary downtrend	zinc
Coventary Resources	CYY	shallow uptrend	copper
Dacian Gold	DCN	uptrend , at high	gold exploration
Danakiali	DNK	off its lows	potash
Doray Minerals	DRM	new high	gold
Duketon Mining	DKM	new high	nickel

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Eden Energy	EDE		correcting after steep rise	carbon nanotubes in concrete
Energia Minerals	EMX		testing uptrend	zinc
Evolution Mining	EVN		new high	gold
Excelsior Gold	EXG		new low	gold
First Australian	FAR		breached downtrend	oil/gas
First Graphite	FGR		new high	graphite
Fortescue Metals	FMG		correcting	iron ore
Galaxy Resources	GXY		heavy profit taking	lithium
Galilee Energy	GXY		surged higher, then pullback	oil and gas, CBM
Gascoyne Resources	GCY		new high	gold
General Mining	GMM		heavy profit taking	lithium
Geopacific Res. Resources	GPR		heavy fall, testing uptrend	copper/gold exp.
Gold Road	GOR		uptrend	gold exploration
Goldphyre	GPH		higher	potash, gold
Gryphon Minerals	GRY		strongly higher	gold
Herron Resources	HRR		edging higher	zinc
Highfield Resources	HFR		heavy fall	potash
Highlands Pacific	HIG		testing downtrend	copper, nickel
Hillgrove Resources	HGO		rallying off its low	copper
Hot Chilli	HCH		off its lows	copper
Iluka Resources	ILU		down heavily	mineral sands
Independence	IGO		strong rally	gold, nickel
Intrepid Mines	IAU		sideways	copper
Karoo Gas	KAR		bounced	gas
Kasbah Resources	KAS		breached uptrend	tin
KBL Mining	KBL		collapse back to lows	copper/gold/zinc
Kibaran Resources	KNL		breaching support	graphite
Kin Mining	KIN		sideways at lows	gold
King Island Scheel.	KIS		New low	tungsten
Kingsgate Consol.	KCN		improving	gold
Kingsrose Mining	KRM		sideways	gold
Legend Mining	LEG		testing uptrend	exploration
Lithium Australia	LIT		heavy profit taking	lithium
Lucapa Diamond	LOM		in a wedge between uptrend and downtrend	diamonds
Macphersons Res.	MRP		testing uptrend	silver
Medusa Mining	MML		testing uptrend	gold
Metals of Africa	MTA		surged higher, but at resistance line	zinc expl/graph.
MetalsX	MLX		breached downtrend	tin, gold
Mincor Resources	MCR		testing resistance line	nickel
MMJ PhytoTech	MMJ		new low	medical cannabis
Mustang Resources	MUS		new low	diamonds, rubies
MZI Resources	MZI		new low	mineral sands
Northern Minerals	NTU		testing downtrend	REE
Northern Star Res.	NST		rallying	gold
Oceana Gold	OGC		new high	gold
Oklo Resources	OKU		rising	gold expl.
OreCorp	ORR		new high	gold development
Orinoco Gold	OGX		short term down	gold development
Orocobre	ORE		through resistance and higher	lithium
Oz Minerals	OZL		new high	copper
Paladin Energy	PDN		new uptrend	uranium
Pacific American Coal	PAK		new high	coal
Pantoro	PNR		rising	gold
Panoramic Res	PAN		risen strongly from lows	nickel
Panterra Gold	PGI		breached new uptrend	gold production
Paringa Resources	PNL		secondary downtrend	coal
Peel Mining	PEX		breached downtrend	copper
Peninsula Energy	PEN		new low	uranium

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Perseus Mining	PRU		<b>new high</b>	gold
Pilbara Minerals	PLS		<b>new high</b>	lithium/tantalum
Potash West	PWN		breached secondary downtrend	potash
Red River Resources	RVR		<b>new high</b>	zinc
Regal Resources	RER		<b>strong rise</b>	copper
Regis Resources	RRL		<b>new high</b>	gold
Renaissance Min.	RNS		short term higher, with pullback	gold
Resolute Mining	RSG		<b>new high</b>	gold
Reward Minerals	RWD		breaching downtrend	potash
Rex Minerals	RXM		<b>surge through downtrend</b>	copper
RIO	RIO		<b>steep ST uptrend</b>	diversified
RTG Mining	RTG		<b>strongly higher</b>	copper/gold
Rum Jungle	RUM		turned down at resistance line	quartz
Salt Lake Potash	SO4		<b>uptrend</b>	potash
Saracen Minerals	SAR		<b>new high</b>	gold
St Barbara	SBM		<b>new high</b>	gold
Sandfire Resources	SFR		breached ST downtrend	copper
Santana Minerals	SMI		<b>vertical rise then pullback</b>	silver
Santos	STO		<b>rallying</b>	oil/gas
Sheffield Resources	SFX		<b>uptrend in play</b>	mineral sands
Silver City Minerals	SCI		<b>new uptrend</b>	base metals
Silver Lake Resources	SLR		<b>secondary uptrend</b>	gold
Sino Gas & Energy	SEH		<b>new uptrend</b>	gas
Southern Gold	SAU		testing uptrend	gold
Stavely Minerals	SVY		up from lows	copper exploration
Sunbird Energy	SNY		sideways through downtrend	gas/CBM
Sundance Energy	SEA		<b>surge higher</b>	oil/gas
Syrah Resources	SYR		<b>strongly higher</b>	graphite
Talga Resources	TLG		sideways through downtrend	graphene
Tanami Gold	TAM		<b>down</b>	gold
Tiger Resources	TGS		<b>back into downtrend</b>	copper
TNG Resources	TGS		<b>secondary uptrend</b>	titanium, vanadium
Torian Resources	TNR		<b>downtrend</b>	gold expl'n
Toro Energy	TOE		<b>downtrend</b>	uranium
Troy Resources	TRY		<b>uptrend</b>	gold
UraniumSA	USA		<b>Secondary downtrend</b>	uranium
URI	URI		<b>downtrend</b>	uranium
Vimy Resources	VMY		testing uptrend	uranium
West African Resources	WAF		<b>strong rise</b>	gold
Westwits	WWI		breached downtrend then a pullback	gold exploration/development
Western Areas	WSA		<b>uptrend, but heavy fall</b>	nickel
WPG Resources	WPG		<b>uptrend</b>	gold
Wolf Minerals	WLF		<b>down</b>	tungsten
Totals	51%	71	Uptrend	
	19%	26	Downtrend	
		138	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	34	24.6%
Copper	17	12.3%
Oil/Gas	10	7.2%
Gold Exploration	10	7.2%
Uranium	7	5.1%
Graphite	5	3.6%
Potash/Phosphate	7	5.1%
Zinc	6	4.3%
Nickel	5	3.6%
Coal	4	2.9%
Mineral Sands	5	3.6%
Iron Ore	2	1.4%
Tin	3	2.2%
Lithium	5	3.6%
Silver	3	2.2%
Diamonds	2	1.4%
Bauxite	2	1.4%
Other	11	
<b>Total</b>	<b>138</b>	

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