

Trying to make sense of what is a bear market for mining

Early in the week the All Ords pushed to a new high and then had its worst day in six weeks: action and reaction, perhaps. The Metals and Mining Index has confirmed a breach of the uptrend. Does this tell us that the overall Australian economy is doing well, but the mining sector is struggling to make a profit? From where I sit, neither of these suggestions are water-tight. The economy is not doing poorly, but it is not shooting the lights out. The mining sector is making good profits across many commodities, particularly gold. There is no overriding pessimism on commodity prices, so why are mining stocks so mundane at present?

I opine that the answer lies in the difference between investing and trading. Money that is going into industrial companies tends to be longer term. It is more patient. Mining stocks on the other hand are very cyclical and attract hot money. In order to stay hot there needs to be consistent excitement being generated. Any loss of momentum will lead to a stalling of the share price performances and this inevitably leads to money flowing out of the sector. Only exceptional stories can buck the trend and can swim against the tide. In this regard the analysis of the market itself is just as important as fundamental analysis of earnings potential. That is the nature of the market and we can't afford to forget it.

So, where are we on this perspective? The tide continues to flow out on mining stocks. The Sentiment Oscillator shows that the recent breach of the support line means we could be in for further falls before the market is ready to turn around. End of financial year tax selling may take it lower, as may the maxim "sell in May and go away". If so, making money in the mining sector for the next few months will not be a lay-down-misère. You need to pick your targets.

The gold price hasn't done anything to assist sentiment during the week. Having failed to push through the US\$1,300/oz level, at which point it would have sucked in more speculators, the traders have decided to test the downside in order to squeeze some profits from shorting. Once again we have seen capitulation in the gold market as its price has fallen back to the mid \$1220s/oz. This may be as far as it is going to fall in the near term but only time will tell. Fundamentals aren't very helpful in this regard.

Nevertheless, it is a great time to get set and buy when there is no competition for stock. But, having done that, you may have to be patient as you wait for everyone else to catch up to your forward thinking.

Recent experience has shown that when the market turns, it can do so aggressively. When it falls away, it has been doing so in a more protracted pattern that isn't always immediately obvious. The current bear market in mining stocks actually started in August last year, but with some good rallies along the way, and specific sectors bucking the trend from time to time e.g. coking coal, cobalt and iron ore.

Further comments on graphene companies

I have been the beneficiary of further information on Talga's graphene capabilities that deserve mentioning in order that we are as accurate as possible.

Although I didn't see it in any dedicated ASX release, the company presentation says that it can achieve 76% conversion of contained carbon into graphene, which is much better than I suggested last week. I'm still not sure whether this is graphene according to the the 10 layers thick definition, or whether this also includes Graphene Nano Platelets (GNPs), which are 10-150 layers thick. If anyone can point me to something in writing that I can rely on, I would be grateful.

But, assuming there is no crossing over of the boundary here, let's see what the 76% conversion rate means in terms of actual graphene production. Talga starts with an ore grade of 25%. A 76% conversion to graphene leads to a 19% yield on the ore into the plant. FGR starts with a 95% grade and gets 90% conversion, so it gets a yield of 85.5% of plant feed to graphene. FGR's yield is > 4x as good as Talga's because of the purity of its ore. The conclusions haven't altered from those of a week ago.

One thing that I would like to see is a specification sheet for the quality of Talga's graphene. I don't believe it has released it. Maybe it thinks it is confidential, but how are we to judge its quality without detail? Are we so confident in a junior company's integrity that we can believe whatever it tells us, without backup? Do we assume it is good quality because we want to think kindly? Let's not get fooled by omissions. I do note that FGR has made its spec sheet available in a recent presentation (which I do believe to be accurate as it was supplied by Adelaide University). It would be good to be able to compare them.

Offshore wind power in the US

There are not many ASX-listed vehicles specialising in wind power so it is not something we look at regularly. Nevertheless, the progress in this form of green energy has implications for other areas of investment such as battery storage.

The wholesale cost of of European offshore wind power has fallen from an average of 20¢/kwh to less than 10¢. In the USA, 23 offshore wind projects with combined capacity of 16 GW (equivalent of 16 average size nuclear power plants) are on the drawing boards. Extend the time frame out to 2050, and the US Department of Energy forecasts that offshore wind will generate 86 GW of power, being 7% of America's current electricity demand. It is a booming industry with expectation of 600,000 jobs being created.

Land-based wind power costs have fallen from 14¢ to 4.7¢/kwh since 2009, according to Lazard, making it cheaper than coal or gas. Offshore wind power is expected to follow a similar trend, especially with the expansion in capacity of the turbines to the 6 and 8 MW sizes, compared to typical land-based turbines of 2-3 MW capacity. Offshore turbines

are believed to be 50% more efficient because they are bigger, taller and located in more windy areas.

If these sorts of costs can be achieved it will be an easy choice for utilities to switch over from other forms of power generation. Nuclear power will be the first competing source to suffer. New York State is closing the Indian Point nuclear power plant, which supplies 25% of New York City's power at present. The trend is apparent.

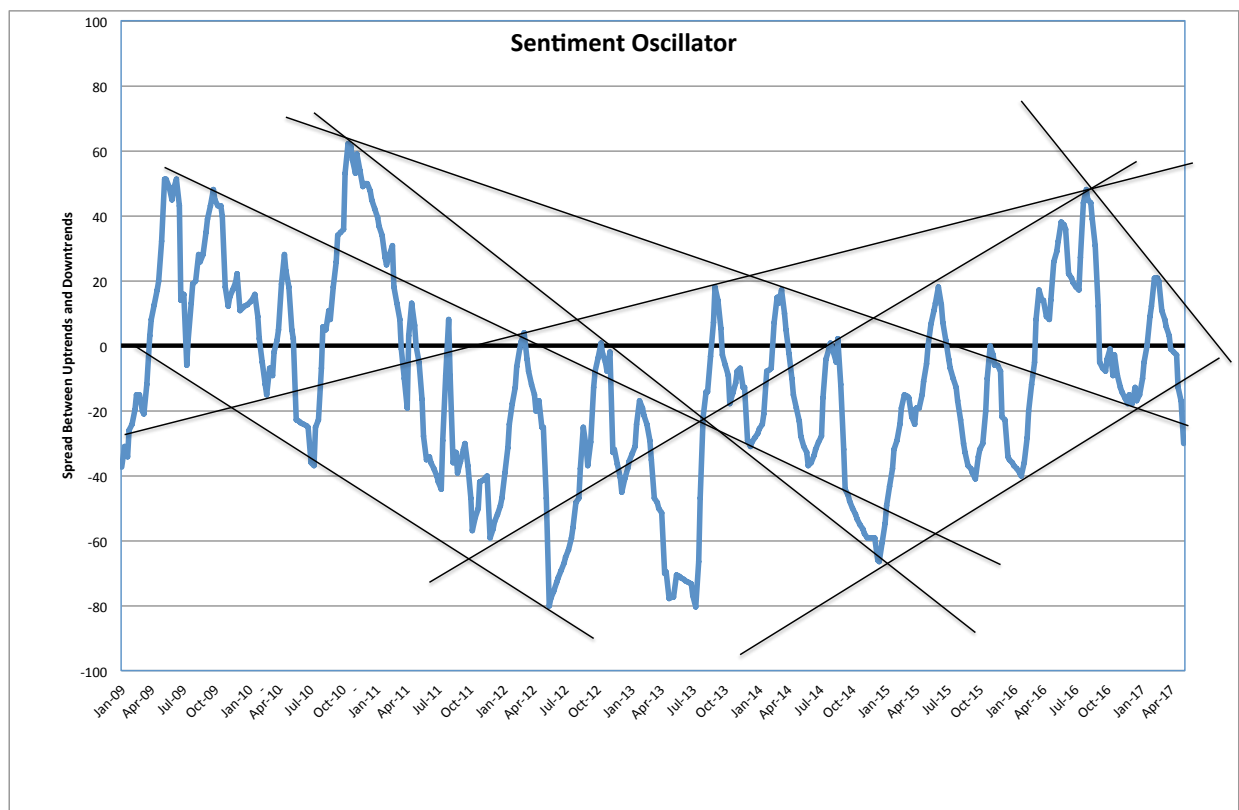
Gender Jihad takes a step too far

The news that Australia's peak superannuation investment body is recommending its members to vote against the re-election of company directors who sit on boards with no women shows an appalling lack of commerciality, and even reality. The response to this should be for people to pull their money out of any superannuation fund that acts on this recommendation, as it is a sure sign that the fund is more interested in playing social issues than making money for its customers. Not only that, but it is perpetrating hypocrisy and blatant sexual discrimination by saying what

it has. The appointment of directors should be based on merit and on no other criterion.

Apart from that, why think that being a company director is something great and something desirable? Do they think that it is the key to riches or power that should be shared equally amongst various social groups? Do they think it confers great status? If they do, then they are sadly misguided fools. With modern laws and regulations the liability of directors is such that it usually isn't worth the pay, so why covert the position?

Being a director can actually be a wealth hazard. If a director owns shares in a company he/she is effectively escrowed, indefinitely. You can't really sell or shareholders squeal like stuck pigs, assuming that the director selling is abandoning the ship. Share prices can perform according to specific company progress over time, but the general market sentiment has a greater immediate effect on the price. Yet a director is not free to manage this element of volatility in a profit maximising fashion. Being a director can often be a pain in the butt.














Sentiment Indicator: Sentiment crashed to new lows in the past week, showing clear failure of the support line. That means it could fall much further, even though fundamentals don't look that bad. There were 18% (22%) of the charts in uptrend and 48% (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	new high then a pullback	
Metals and Mining	XMM	breached trend line	
Energy	XEJ	pullback from its highs	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
ABM Resources	ABU	weaker	gold
Aeon Metals	AML	drifting	copper + cobalt
Alacer Gold	AQG	breached uptrend	gold – production
Alkane Resources	ALK	fallen to new low	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Aguia Resources	AGR	testing resistance line	phosphate
Alicanto Minerals	AQI	sideways at lows	gold exploration
Alliance Resources	AGS	sideways	gold exploration
Alltech Chemicals	ATC	resting on long term supporting trendline	industrial minerals
Anova Metals	AWV	testing downtrend	gold
Antipa Minerals	AZY	sideways	gold
Apollo Consolidated	AOP	new low	gold exploration
Archer Exploration	AXE	continuing down	magnesite, graphite
Argent Minerals	ARD	collapse through trend line	polymetallic
Aspire Mining	AKM	continuing to fall	coal
Atrum Coal	ATU	new low	coal
Aurelia Metals	AMI	down	gold + base metals
Auroch Minerals	AOU	breached uptrend	exploration
Aus Tin	ANW	softer	tin, cobalt
Australian Bauxite	ABX	coming out of downtrend	bauxite
Australian Potash	APC	correcting lower	potash
Australian Mines	AUZ	short term down	cobalt/nickel
Australian Vanadium	AVL	rising gently	vanadium
Avanco Resources	AVB	breached uptrend	copper
AWE	AWE	down again	oil and gas
Azure Minerals	AZS	crunch down on Kennecott withdrawal	silver
BHP	BHP	back into short term downtrend	diversified
Base Resources	BSE	breached steepest uptrend, LT uptrend now	mineral sands
Bathurst Resources	BRL	continuing higher	coal
Battery Minerals	BAT	down	graphite
Beach Energy	BPT	on long term support	oil and gas
Beadell Resources	BDR	new low	gold
Berkeley Resources	BKY	heavy fall, now on long term support	uranium
Berkut Minerals	BMT	down	cobalt
Blackham Resources	BLK	down heavily on production downgrade	gold
Broken Hill Prospect.	BPL	new low	minerals sands, cobalt
Buru Energy	BRU	sideways at lows	oil
Canyon Resources	CAY	new low	bauxite
Cardinal Resources	CDV	breaching uptrend after placement	gold exploration
Carnegie Clean Energy	CCE	testing uptrend	wave energy
Cassini Resources	CZI	new high	nickel/Cu expl.
Chalice Gold	CHN	holding uptrend	gold

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Cobalt Blue	COB		down	cobalt
Consolidated Zinc	CZL		downtrend	zinc
Corizon Mining	CZN		new low	cobalt
Crusader Resources	CAS		breached downtrend	gold/iron ore
Dacian Gold	DCN		secondary downtrend	gold exploration
Danakali	DNK		correcting lower	potash
Doray Minerals	DRM		continuing to fall	gold
Duketon Mining	DKM		breached downtrend	nickel
Eden Innovations	EDE		down	carbon nanotubes in concrete
Energia Minerals	EMX		fallen out of bed	zinc
Equator Resources	EQU		now in a downtrend	cobalt/nickel
Evolution Mining	EVN		surge through downtrend line	gold
Excelsior Gold	EXG		strongly higher	gold
Finders Resources	FND		breached downtrend	copper
First Australian	FAR		new uptrend	oil/gas
First Graphite	FGR		testing downtrend	graphite
Fortescue Metals	FMG		new downtrend	iron ore
Galaxy Resources	GXY		breached support line	lithium
Galilee Energy	GLL		testing uptrend	oil and gas, CBM
Gascoyne Resources	GCY		in a wedge	gold
Geopacific Res. Resources	GPR		testing downtrend	copper/gold exp.
Global Geoscience	GSC		new high	lithium
Gold Road	GOR		breached downtrend	gold exploration
Graphex Mining	GPX		heavy fall	graphite
Heron Resources	HRR		drifting lower	zinc
Highfield Resources	HFR		breached downtrend	potash
Highlands Pacific	HIG		edging higher	copper, nickel
Hillgrove Resources	HGO		testing uptrend	copper
Hot Chilli	HCH		testing downtrend	copper
Iluka Resources	ILU		surged higher	mineral sands
Image Resources	IMA		new high	mineral sands
Independence	IGO		down	gold, nickel
Intrepid Mines	IAU		sideways	copper
Karoon Gas	KAR		breached support line	gas
Kibaran Resources	KNL		breached support line	graphite
Kin Mining	KIN		surge on gold discovery announcement	gold
Legend Mining	LEG		sideways	exploration
Lithium Australia	LIT		secondary downtrend	lithium
Lucapa Diamond	LOM		down	diamonds
Macphersons Res.	MRP		sideways through steep uptrend	silver
Medusa Mining	MML		testing downtrend	gold
MetalsX	MLX		testing ST downtrend	tin, nickel
Metro Mining	MMI		testing uptrend	bauxite
Mincor Resources	MCR		breached support line	nickel
Mineral Deposits	MDL		on support line	mineral sands
Mustang Resources	MUS		heavy fall	diamonds, rubies
MZI Resources	MZI		rallied to meet resistance line	mineral sands
Northern Minerals	NTU		sideways	REE
Northern Star Res.	NST		rising	gold
NTM Gold	NTM		breached uptrend	gold

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Oceana Gold	OGC		holding LT uptrend	gold
Oklo Resources	OKU		steeply higher	gold expl.
OreCorp	ORR		breached support line	gold development
Orinoco Gold	OGX		at lows	gold development
Orocobre	ORE		breached downtrend	lithium
Oz Minerals	OZL		down	copper
Paladin Energy	PDN		suspended	uranium
Pacific American Coal	PAK		breached support line	coal, graphene
Pantoro	PNR		new high	gold
Panoramic Res	PAN		downtrend	nickel
Paringa Resources	PNL		breached support line	coal
Peel Mining	PEX		pullback	copper
Peninsula Energy	PEN		down	uranium
Perseus Mining	PRU		new low	gold
Pilbara Minerals	PLS		heavy fall	lithium/tantalum
PNX Metals	PNX		down	gold, silver, zinc
Potash West	PWN		falling	potash
Red River Resources	RVR		ST down	zinc
Regis Resources	RRL		rallying	gold
Resolute Mining	RSG		testing short term downtrend	gold
Reward Minerals	RWD		testing downtrend	potash
RIO	RIO		down	diversified
RTG Mining	RTG		down again	copper/gold
Salt Lake Potash	SO4		breached uptrend	potash
Saracen Minerals	SAR		still under downtrend	gold
St Barbara	SBM		breached resistance line	gold
Sandfire Resources	SFR		breached uptrend	copper
Santana Minerals	SMI		back in downtrend	silver
Santos	STO		under long term support line	oil/gas
Sheffield Resources	SFX		still in downtrend	mineral sands
Silver Lake Resources	SLR		heavy fall	gold
Silver Mines	SVL		down again	silver
Sino Gas & Energy	SEH		down	gas
Southern Gold	SAU		down	gold
Stanmore Coal	SMR		breaching long term support	coal
Sundance Energy	SEA		down	oil/gas
Syrah Resources	SYR		falling heavily	graphite
Talga Resources	TLG		pullback from its highs	graphene
Tanami Gold	TAM		short term down	gold
Tempo Australia	TPP		breached downtrend	mining services
Teranga Gold	TGZ		secondary downtrend	gold
Tiger Realm	TIG		down	coal
Tiger Resources	TGS		suspended	copper
TNG Resources	TNG		hugging support line	titanium, vanadium
Torian Resources	TNR		downtrend	gold expl'n
Toro Energy	TOE		down	uranium
Troy Resources	TRY		secondary downtrend	gold
Tyranna Resources	TYX		sideways	gold exploration
Vango Mining	VAN		uptrend	gold
Vimy Resources	VMY		new low	uranium

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West African Resources	WAF		testing downtrend	gold
Westwits	WWI		slump	gold exploration/development
Western Areas	WSA		back to lows	nickel
White Rock	WRM		hitting resistance	silver
Whitehaven Coal	WHC		a spike and then a pullback	coal
WPG Resources	WPG		still down	gold
Wolf Minerals	WLF		sideways at the lows	tungsten
Totals	18%	27	Uptrend	
	48%	71	Downtrend	
		148	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	22.3%	
Copper	13	8.8%	
Gold Exploration	14	9.5%	
Coal	10	6.8%	
Oil/Gas	9	6.1%	
Potash/Phosphate	7	4.7%	
Mineral Sands	7	4.7%	
Graphite	6	4.1%	
Silver	6	4.1%	
Zinc	6	4.1%	
Lithium	5	3.4%	
Nickel	5	3.4%	
Uranium	5	3.4%	
Cobalt	4	2.7%	
Tin	2	1.4%	
Bauxite	3	2.0%	
Diamonds	2	1.4%	
Iron Ore	1	0.7%	

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Weightings of Sectors Represented in the Company Charts

Other	10		
Total	148		

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