

Cascading downwards in search of a floor

Having crashed through the Sentiment Oscillator support line that could have been the turning point, the market is now cascading lower in search of a base. Sellers dominate the market and buyers are being swamped as market dynamics are overpowering any fundamentals.

The copper price has fallen out of bed since May, falling 20%. However, as the chart below demonstrates, aluminium, nickel and zinc are not that much different in price to a year ago (A\$). The media has picked up on the copper price falling, telling everyone it means bad times are coming. Maybe that helps explain the sentiment, along with the gold price that is falling in both US\$ and A\$.

No-one seems to be talking about a strong Chinese economy any more. It is all about how strong the US\$ and the US economy is looking. This perspective will continue to be the main thematic for a while as it sucks money away from commodities and emerging economies, back to the US.

The US economy is the powerhouse for now as America is becoming great again ...

For all the criticism that the left wing media throws at the Trump administration, for all the blanket negativism thrown in our faces, there is one simple observation that is undeniable. The US economy is the powerhouse that is currently dominating the world of economics, and the US\$ is the strongest currency.

... but a weaker currency can give benefits

There is something in human nature that makes most people think that if something is rising in value it is good (except when talking about prices). The US\$ is rising so the Americans feel powerful. However, when it comes to currencies, a weak currency for any given country is actually a boost for exporters. It is no good if you are importing goods, but for the mining industry that relies on exports, it can offer a boost to income provided the underlying commodity price doesn't fall by a greater amount. Capital costs for any new mines may become more expensive, thereby constraining the development of new or expanding projects that might otherwise add to the supply curve. Local manufacturing that competes with imports will be better off. The net result is that a weaker currency makes a country more competitive.

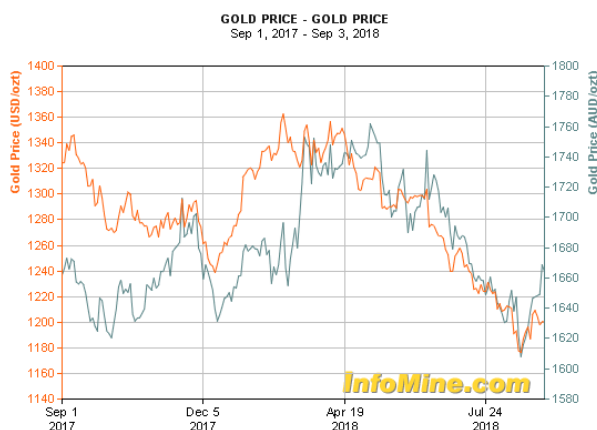
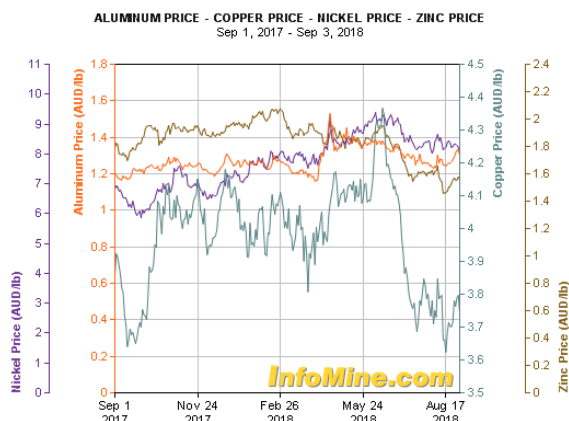
The AUD:USD rate has fallen below 0.72 in recent days, causing the gold price in our local currency to increase from A\$1,620/oz in mid August to A\$1,682 last night, a rise of 3.8%. That is good for our gold producers.

Bellevue Gold is still the go-to exploration stock

It is about a year since we first put Bellevue Gold (BGL) onto our watch list. Since then the price has quadrupled, and that is after having raised \$16m in three placements. In August 2017, the market capitalisation was \$12m. It is now \$80m with a share price of 20¢. What went right? Everything.

While the Company hasn't drilled for the faulted extensions of the Bellevue lode like it said it would, it can be forgiven as it has found easier, very rewarding targets nearby. In July, it announced a JORC Inferred Resource of 1.9 Mt at 8.2 gpt, for 500,000 oz of gold in the Tribune Lode.

In the latest news BGL has reported a new, flat lying structure named the Viago Lode, 150m beneath Tribune. Five holes have been reported with intercepts of 4.3m at 58.8 gpt, 3.4m at 10.4 gpt and 2.5m at 13.1 gpt. The mineralisation appears identical to the Bellevue and Tribune Lodes, but the orientation is flatter, thereby offering a big lift in the ounces per vertical metre. BGL has three drilling rigs working on the Viago with a total of 15 holes scheduled for completion by the end of the month. By the end of October we could have 25 holes drilled on a 80 x 80m pattern, with potential for an additional resource of 200-300,000 oz.



The location of Viago is very interesting as it is less than 200m from the old Bellevue underground workings. This could allow rapid access if the old mine is dewatered (which could take 6-8 months to achieve, when committed to), thereby enabling more efficient drilling from underground stations. While the BLG would need to drive through the Highway Shear zone, being 20m wide, it doesn't expect any difficult ground conditions.

Looking at the big picture, we should be seeing the Bellevue project as the most exciting underground exploration play in Australia. The historically very profitable gold mine has been a pathfinder to much more gold, particularly to the west of the Highway Shear which was previously thought to be uninteresting. Shareholders should be looking for rapid increments to the total gold resource, with one million ounces on the horizon early in Q1 2019.

The Company is spending \$1.2m a month on exploration, meaning the \$6m cash balance will last it into 2019. By then he will need more money but the growing resource will underwrite any raising.

When will there be a mine? Not too soon, I hope. Steve Parsons and his team are proficient at exploration and growing the ounces. He should not worry about fast tracking production because as we know, that is when the share price loses momentum and the dynamics change completely. Knowing this, Steve is of a firm mind to build the resource base with value accretion being the primary objective. The bigger the resource gets the more attractive it is to the cash rich gold producers. Always on the lookout for additional reserves, big gold companies can suffer from FOMO too!

Some perspectives on global political trends

As Steve Bannon so clearly articulated in the Four Corners interview on Monday night, the debate on the trade war is missing the point. It is really an economic war between a totalitarian regime (China) and a democratic regime (USA), though the workings of democracy have disunited the USA. Interestingly, he said that the Republican Party was becoming the voice of the working class, quoting how quantitative easing introduced by Obama and the Democrats played into the hands of the wealthy asset owning class to the detriment of the workers. At the same time the Democrat doves played into the hands of China, not confronting the Chinese for unfair international trade practices but instead, appeasing them. It was a full-on interview worth watching.

If what he says is correct, that the Republicans are the new workers party, how would you characterise the Democrats today? It appears as if their policies are dictated by a global socialist agenda rather than domestic concerns. It has become the favoured party of the left wing liberals who dominate the education system and the media, both social and traditional, with millennials who believe the world owes them a living being the most vocal activists. They are pushing previously esoteric social agendas and seeking to dictate personal behaviour by changing the way people think, rather than confronting the day to day struggle of the average American worker. They are the ones who have come up through a left wing education system that has encouraged them to disrespect democracy when it doesn't work for them. They are the ones who are calling the Republicans fascists while at the same time employing brownshirt tactics, trying to shut down free speech by

violently protesting against any right wing speakers in public forums. Someone should remind them that fascism is an offshoot of socialism. It is incorrect to label the right wing as fascists. Just saying it, just accusing it, doesn't make it true.

So, the Democrats represent a new class of neo-bourgeois that deals in social capital rather than the traditional fiscal capital, while the Republicans represent the proletariat; the workers wanting to put food on the table. Rather than engage in productive labour the neo-bourgeois rely on a culture of handouts as they live their dream in the age of entitlements, without accountability for their actions. We have a class war of a different kind.

On the international political front in democratic countries the political battle is between globalists and nationalists. Angela Merkel, Emmanuel Macron, Justin Trudeau and Malcom Turnbull are all globalists. Brexit and the election of Trump represent a shift back towards nationalism in Britain and the UK, but they are coming up against stiff resistance from the liberals and an extremely biased media. In Australia, the nationalists have exerted their influence to replace the Prime Minister.

However, the less democratic countries are not experiencing the same battlefield. They are unashamedly nationalistic and they are playing the disunity of the democratic countries to their advantage. China and Russia would be the most aggressive on this front. While Western democracies are preoccupied by internal battles, the totalitarian states grow stronger.

Graphene is greatly improving loudspeakers

In the interests of keeping you informed as to the progress of graphene developments in industry, we note that graphene is starting to be used in audio devices such as headphones, earphones and interconnects. A leader in this field is Ora Graphene Audio, in Canada. The co-founder, Ari Pinkas recently commented in an interview;

- there has been a problem in getting a reliable and affordable supply of graphene
- it has been difficult for manufacturers and consumers to distinguish marketing claims (hype) from reality. Adding small mounts of graphene to enhance the product, without doing the science to optimise the effectiveness, doesn't do anyone any good.
- there needs to a classification methodology to distinguish the theoretical from the practical, such as what the University of Manchester and the Graphene Flagship are pioneering
- loudspeakers have been very inefficient in the past, converting less than 1% of the power into sound
- graphene can improve speaker performance by;
 - improving their stiffness, thereby reducing distortion
 - reduction in power consumption due to graphene requiring less energy to move the membrane, meaning better battery life for wireless devices
 - more volume due to higher sound pressure levels, enable speakers to be made even smaller
- a Chinese company is spray coating speakers with graphene, but this doesn't make much difference because the graphene flakes are not bonded together to form a continuous layer of graphene. It achieves 7 GPa in stiffness, whereas Ora Graphene achieves

35-55 GPa in its product, with expectations of 70-100 GPa (Young's Modulus) in its GrapheneQ.

- GrapheneQ is made from over 95% graphene oxide flakes by weight, which are stacked together in a laminate material that preserves the mechanical properties of graphene,

We have previously stated that graphene oxide is difficult and expensive to make, but Ora claims to have an easily scalable process that yields membranes at commercially viable costs. We will dig deeper to try and find out more.

Syrah is showing that graphite isn't always easy

SYR has gone back to the market for another raising, this time being \$94m by way of a placement and an SPP at \$2.23 per share, underwritten by Credit Suisse and UBS. This comes on the back of a loss of \$8m for the June Half, and a negative cash flow of \$54.7m for the same period. That cash outflow has increased to \$99m when the time is extended to August 2018.

The commissioning of the Balama graphite mine was never going to be easy. The financing of the mine development by equity, with no debt, has been a double-edged sword. On the one hand it is good not to have a bank breathing down your neck while you are commissioning, but on the other hand, the project was never subjected to a rigorous due diligence program that comes with bank finance, that might have been useful in fleshing out potential problems. It is 12 months since commissioning commenced and there is still a way to go.

Over the last three years SYR has now raised \$600m in equity, making it a great profit spinner for the brokers raising the capital, but what about shareholders? Syrah has

been one of the most heavily shorted stocks in the market, so the placement would have given some shorters a chance to cover and lock in profits. It will be interesting to see where the share price goes from here and how long it takes to get cash flow positive.

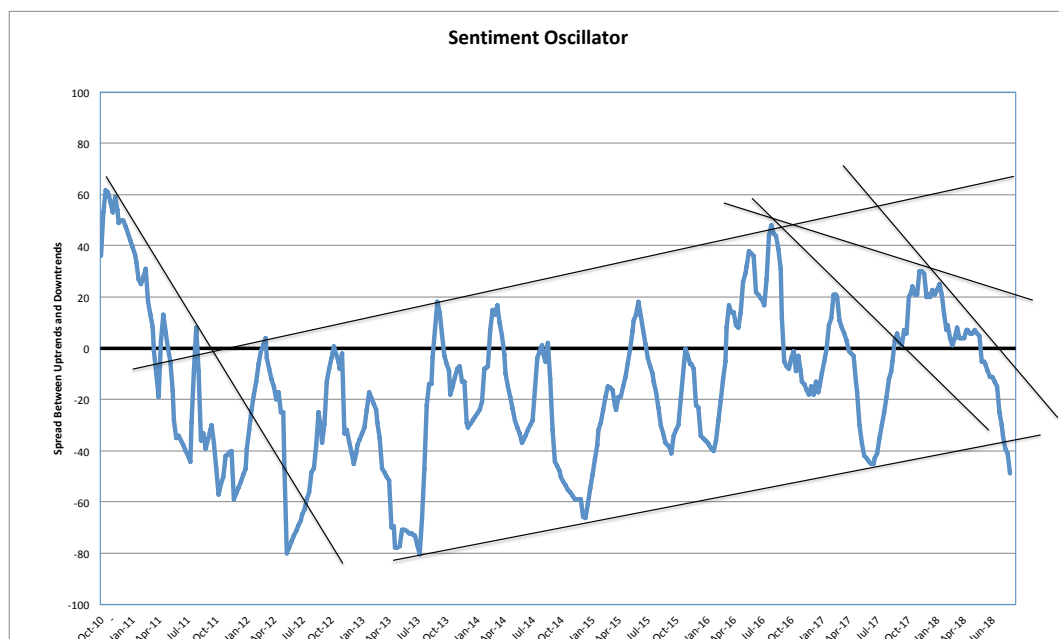
The graphite sector has had the stuffing knocked out of it along with the rest of the mining sector at present. It will continue to be difficult to finance new projects in the near term while we are waiting to see full delivery from Syrah; then it will be a question of whether Syrah floods the market with product.

Pacific American Coal (PSAK) research released

FEC has commissioned independent research report on PAK by Mike Harrowell, a very experienced and highly regarded mining analyst. He has placed a valuation of 30¢ a share on PAK, which is substantially more than the recent price of around 5¢. This will be sent under separate cover. You will note there is no recommendation with this report. It is FEC's philosophy that research should give an accurate perspective but whether or not it is a buy depends on the investment preferences of the reader.

Disclosure: Interested associated with the author are substantial shareholders in Pacific American Coal.

We have added Breaker Resources (gold) Lynas Corporation (rare earths), Technology Metals (vanadium) and Venturex (zinc) to the chart coverage. Mineral Deposits and Sino Gas have been deleted following takeovers.



Sentiment Indicator: As suggested last week, the sentiment continued to fall. So now, 12% (17%) of the charts were in uptrend and 61% (58%) in downtrend on Friday's close.

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	downward break from a rising wedge	
Metals and Mining	XMM	back to downtrend	
Energy	XEJ	breached steepest uptrend	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Adriatic Resources	ADT	down now	zinc
Aeon Metals	AML	sideways	copper + cobalt
Alacer Gold	AQG	heavy fall	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	breached steepest downtrend	gold exploration
Altech Chemicals	ATC	breached support line	industrial minerals - synthetic sapphire
Anova Metals	AWV	new low on poor production report	gold
Apollo Consolidated	AOP	rallying	gold exploration
Archer Exploration	AXE	breach of support	magnesite, graphite
Argent Minerals	ARD	down	silver
Aurelia Metals	AMI	beneath support, testing uptrend	gold + base metals
AusTin	ANW	sideways through downtrend	tin, cobalt
Australian Bauxite	ABX	surged through downtrend	bauxite
Australian Potash	APC	testing downtrend	potash
Australian Mines	AUZ	down	cobalt/nickel
Australian Vanadium	AVL	testing support levels	vanadium
Bounty Coal	B2Y	rallying	coal
BHP	BHP	down again	diversified
Base Resources	BSE	sideways, but softer last week	mineral sands
Bathurst Resources	BRL	slump	coal
Battery Minerals	BAT	sideways at lows	graphite
BBX Minerals	BBX	down	gold
Beach Energy	BPT	near highs	oil and gas
Beadell Resources	BDR	another new low	gold
Bellevue Gold	BGL	testing downtrend	gold
Berkeley Energia	BKY	breached downtrend, but pullback	uranium
Blackstone Minerals	BSX	sideways through steep downtrend	gold, cobalt
Breaker Resources	BRB	testing downtrend	gold
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.

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Celsius Resources	CLA		back in downtrend	copper/cobalt
Chalice Gold	CHN		sideways	gold
Cobalt Blue	COB		free fall on study results	cobalt
Comet Resources	CRL		new low	graphite
Crusader Resources	CAS		spike out of downtrend then pullback	gold
Dacian Gold	DCN		down heavily	gold
Danakali	DNK		breached uptrend	potash
Doray Minerals	DRM		breached uptrend	gold
Eden Innovations	EDE		down	carbon nanotubes in concrete
Egan Street Resources	EGA		new low	gold
Emerald Resource	EMR		breaching ST uptrend	gold
Evolution Mining	EVN		breaching downtrend	gold
Excelsior Gold	EXG		down	gold
FAR	FAR		sideways break through uptrend	oil/gas
First Graphene	FGR		holding uptrend	graphene
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		breached uptrend	oil and gas, CBM
Gascoyne Resources	GCY		down	gold
Global Geoscience	GSC		testing downtrend	lithium
Gold Road	GOR		breached uptrend	gold exploration
Golden Rim	GMR		new low	gold exploration
Graphex Mining	GPX		new low	graphite
Heron Resources	HRR		downtrend persisting	zinc
Highfield Resources	HFR		down again	potash
Highlands Pacific	HIG		breached uptrend	nickel, cobalt
Hillgrove Resources	HGO		sideways	copper
Hipo Resources	HIP		down	battery metals
Iluka Resources	ILU		crunched down	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		breaking higher	graphite
Kin Mining	KIN		trying to form a base	gold
Legend Mining	LEG		heavy correction	exploration
Lepidico	LPD		continuing down	lithium
Lithium Australia	LIT		testing downtrend	lithium
Lucapa Diamond	LOM		breached downtrend	diamonds
Lynas Corp.	LYC		down	rare earths
Macphersons Res.	MRP		rallying	gold/silver
Mako Gold	MKG		good rally	gold

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Marmota	MEU		sideways	gold exploration
MetalsX	MLX		down again	tin, nickel
Metro Mining	MMI		breaching support	bauxite
Mincor Resources	MCR		breached uptrend	gold
Myanmar Minerals	MYL		testing uptrend	zinc
MZI Resources	MZI		bounced off low	mineral sands
Neometals	NMT		down	lithium
Northern Cobalt	N27		down again	cobalt
Northern Minerals	NTU		sideways	REE
Northern Star Res.	NST		still strong	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		down	copper
Pacific American Coal	PAK		breached uptrend	coal
Pantoro	PNR		down	gold
Panoramic Res	PAN		down	gold , nickel
Peel Mining	PEX		downtrend confirmed	copper
Peninsula Energy	PEN		risen to resistance line	uranium
Perseus Mining	PRU		breaching uptrend	gold
Pilbara Minerals	PLS		down	lithium/tantalum
PNX Metals	PNX		lower	gold, silver, zinc
Polarex	PXX		still down	polymetallic
Prodigy Gold	PRX		down	gold exploration
Red5	RED		down	gold
Red River Resources	RVR		down	zinc
Regis Resources	RRL		down	gold
Resolute Mining	RSG		testing downtrend	gold
RIO	RIO		down	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
Sipa Resources	SRI		sideways	general exploration - Ni,Cu, Co, Au
Stanmore Coal	SMR		new high	coal
Sundance Energy	SEA		still in downtrend	oil/gas
Syrah Resources	SYR		new low	graphite
Talga Resources	TLG		down	graphite

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Tanami Gold	TAM		slump	gold
Technology Metals	TMT		short term down	vanadium
Tiger Realm	TIG		down	coal
Triton Minerals	TON		down	graphite
Troy Resources	TRY		down	gold
Tyranna Resources	TYX		back in downtrend	gold exploration
Vango Mining	VAN		correcting	gold
Vector Resources	VEC		strong rally	gold
Venturex	VXR		gently lower	zinc
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
Western Areas	WSA		down	nickel
Whitehaven Coal	WHC		softer	coal
Totals	12%	16	Uptrend	
	61%	84	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.
- 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	40	29.0%	
Gold Exploration	12	8.7%	
Graphite	9	6.5%	
Coal	8	5.8%	
Oil/Gas	7	5.1%	
Lithium	7	5.1%	
Copper	6	4.3%	
Mineral Sands	6	4.3%	

Nickel	6	4.3%	
Cobalt	5	3.6%	
Zinc	5	3.6%	
Potash/Phosphate	4	2.9%	
Silver	3	2.2%	
Tin	3	2.2%	
Uranium	3	2.2%	
Rare Earths	2	1.4%	
Bauxite	2	1.4%	
Diamonds	2	1.4%	
Iron Ore	1	0.7%	
Other	7		
Total	138		

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