

Weekly Charts & Commentary (on Thursday's close)

Thoughts from the Chairman: warwick.grigor@canaccord.com.au

Gold is helping to shift sentiment as life comes back to the market

Notwithstanding the sell-down in overseas markets on Thursday, it was a good week for mining stocks. The only negative news was the fall in the iron ore price, but this was more than offset by the gold price performing respectably and the falling A\$ lifting margins for producers. The uranium price put in a late performance, rising off the floor to touch US\$37.50/lb.

Corporate Activity in Gold Sector

The gold price continues to look encouraging while the shorters stay on the sidelines. This has promoted enough buying of gold equities to see many of them breach downtrends. Investors are still cautious but money is flowing for sensible business opportunities.

Corporate activity has been the highlight of the week with **Saracen Minerals** buying the mothballed 0.78 Moz (reserve) Thunderbox gold project for a knockdown price of \$23m and **Northern Star** has followed up its \$25m purchase of Plutonic gold mine with the deal to buy the Kanowna operation for \$75m, raising \$100m from shareholders to fund it. Barrick Gold was the seller of both of these mines.

It's interesting that the North Americans are selling out of gold projects that they bought a number of years back at much higher prices – good mines that offer opportunity for the purchasers. When the revival of the gold sector took place in the 1980s, it was based on near surface gold amenable to low cost CIL recovery. The tax-exempt status of gold encouraged maximisation of throughput to recover as much gold as possible before the inevitable – the removal of the tax exemption.

As we moved into the 1990s and the open pit lives began to expire, projects needed to change the style of operation to that of underground extraction. Different technical skills were needed and the large CIL treatment plants were not suited to lower volume underground mines that presented different metallurgical issues. In some cases the grades improved, but they needed to if profit margins were to be maintained. Capital expenditure requirements escalated with more investment in underground development required.

At around this time we started to see Canadians and Americans come in with their better access to funding. Their superior experience in underground gold mining was a distinct advantage, but we are now seeing a reversal of the corporate flows as the North Americans are tightening their belts in response to the lower gold price.

There are always opportunities at the bottom of commodity price cycles. Assuming we are at, or near, the

bottom of the gold price bear market, it is a great time to be buying assets. Most companies are either too scared to commit to acquisitions or don't have access to the funding. Those companies that are prepared to act will be the leaders in the market in the next cycle. As they say, fortune favours the brave.

Charting Observations

It can often be a trap when stocks come off their lows and seem to be breaking downtrends. If the move is vertical it can be too aggressive and this brings about selling both from traders who bought at the bottom, eager to cash in on a quick trade, and from those investors that didn't get a chance to sell out on the way down and are relieved that they can move on for a smaller loss than appeared likely.

We have been watching a number of charts that have wanted to break out. Pleasingly, many of these have survived the period of circumspection that occurs with the penetration of downtrend resistance, and they have decided to keep moving higher. Uptrends are being confirmed.

Why should money come back into the resources sector? There is a market related answer and a fundamental answer and these work in tandem. Firstly, the selling eventually exhausts itself and the downward pressure eases. This is what we saw in the middle of 2013. Secondly, the outlook is never as bad as the pessimists predict. The anticipation is always more extreme than the reality. We can see today that the economics of mining projects, particularly those already financed and in production, are sustainable. With the exception of iron ore, there is no commodity out there that forecasters are expecting significant downward adjustments in prices. Although it is a misuse of the noun, the risk is on the upside. Interruptions to supply are less predictable than scheduled expansions or mine openings. (It is better to say that the surprise will be on the upside).

Uranium Showing First Sign of a Recovery

Uranium stocks are showing a bit more life. The **Paladin Energy** sale of 25% of Langer Heinrich to the Chinese for US\$190m has taken the pressure off that company and the shares are now in uptrend. The uranium price kicked up to US\$37.50/lb overnight. Stocks are starting to perform with **Laramide** jumping from 50¢ to 66¢ on Wednesday and a favourite with the traders, **Bannerman**, jumped 20% in Thursday. Nuclear energy is still the most environmentally friendly source of base power loads. The next two uranium producers listed on the ASX are **Alliance Resources** and **Peninsula Energy**. Being in the development and construction phase both of these stand

out ahead of the dozens of explorers and wannabes.

Exploration Stories Continue to Deliver

Exploration success begins with a discovery. You can say this is the first sign of mineralisation and grade in sampling or trenching, but until you have a three dimensional perspective that drilling gives you, it doesn't amount to anything more than encouragement.

A discovery sounds exciting but it doesn't always ignite the market on the first hole, or even the first drill program. Establishing an orebody is like assembling a jigsaw puzzle. You don't know which piece you are going to turn over first, and you don't whether it is the main feature or just the background.

The reaction of the market can depend upon the sentiment at the time. A subdued market sentiment will lead to greater circumspection. Traders might be immured to opportunity and analysts will be more cautious, requesting further information before giving an opinion that clients can act upon. At other times, when the market is hot, punters don't get much past the headline of an ASX release before they press the buy button as they want to buy first just in case someone else is on the same wavelength. Thinking takes too much time.

We are still in a subdued market for mining and exploration. Money is drifting back, aided by the better performance of gold, but responses to exploration news continues to be somewhat muted. Some market players will react, but there are also plenty of stale bulls that see news as liquidity events that facilitate an exit. This is the reason why new exploration stories will achieve more traction as the market turns.

That said, sometimes it will be the previously announced discoveries that bring the best news, confirming and expanding the prospect, that offer the greatest surety and lower risk opportunities and they can often be overlooked as they are not new. They don't give the same feeling as winning the lottery but they are nonetheless great opportunities. The opposite can be the case though. The follow-up drilling might not meet the initial enthusiasm and promotion, meaning that the opportunity to get rich quick is replaced by the reality of a hard slog to define and commercialise a somewhat more modest deposit.

Three Recent Exploration Successes

There have been three exploration successes that have caught our eye. Most recent was the reporting by **Oklo Resources** of the first few drill holes from the Dandoko gold prospect some 30 km east of Papillon's Fekola gold project, which boasts 5 Moz of gold. The first three drill holes at the Disse target came in with 17m at 2.30 gpt including 4m at 5.46 gpt, and 3m at 3.88 gpt. These holes showed deep extensions beneath the artisanal workings. The first hole in the Diabarou target return multiple intercepts from 3m to 20m, at grades of 1.44 gpt to 3.72 gpt. Of course, this is the first piece of the jigsaw puzzle,

but it is very promising to hit intercepts like these in the first few holes.

The location is close to the 5 Moz Fekola discovery, but the geology seems to be more similar to that of the 11 Moz Loulo project, located 50 km to the NNW. Either way, Oklo has made two new discoveries in a very rich gold province. Drilling is continuing, and with it we will learn how big these could be.

Turning to diamonds, which seem to be more in vogue now judging by the stunning performance of **Kimberley Diamonds** in the market, **Lucapa Diamond** announced the recovery of a huge 95 carat diamond at its Lulo concession in Angola. It has previously reported diamond recoveries and sales as it seeks to prove its alluvial deposits, and we know it to host high grade and high value stones, but this latest one is amazing. Persistence is paying off for Miles Kennedy, the most successful veteran of the diamond business amongst ASX-listed companies. Coincidentally, he was the man behind the discovery and development of the Ellendale diamond project that is now underpinning Kimberley's share price.

Tin is forecast to have a good year in 2014, with supply shortages expected to underpin a stronger price, so we should be looking around for tin companies. From left field has come a new player – **Trafford Resources** – with the discovery of a high grade, good width skarn-hosted tin discovery at Wilcherry Hill about 100 km NW of Whyalla in South Australia (not a traditional tin area).

IronClad Mining originally drilled this for iron in 2012, to test outcropping haematite. While the iron results didn't stack up, there was tin found in the samples. Re-assaying by Trafford found 7m at 3.28% Sn from 52m, including 1m at 6.8% Sn. Trafford then conducted an eight hole RC program that was only partially successful (due to drilling conditions and skills of the drillers). Nevertheless, notable intersections included 5m at 2.3% Sn and 3m at 0.75% Sn.

At the end of 2013, a DD hole returned 12m at 1.1% Sn from 99m. So far the strike length is around 250m and open. The width can vary with the cut-off grade, but a reasonable estimate would be 5m at 1% Sn (still high grade). The orebody comes to surface but it is open at depth below 175m vertical. It seems metallurgically simple so far with the tin appearing mostly in cassiterite.

One can calculate about 5,000 t of contained tin from the parameters released so far, but if extensions to strike and depth are factored in the resource could be 10x the size, or even bigger. This would make it a serious contender, especially if the grade stays up there. The next 9 RC holes are due to be reported in mid-February. If these deliver good results then it is "game on".

We have added Trafford Resources to the chart coverage, to better monitor the progress regarding the tin discovery.

Sentiment Indicator: 31% (23%) of the stocks are in uptrend and 39% (44%) are in downtrend. There was a healthy swing to the positive sentiment during the week, though on balance the bears still dominate. Most of the improvement can be attributed to the gold sector with many gold companies passing through resistance lines to confirm new downtrends.

Detailed Chart Comments

NB: Only the bold comments have been updated. Comments in grey type are from previous weeks and will be less relevant.

Stock			Trend Comment (updated comments in bold)	Main Interest
ABM Resources	ABU		Downtrend breached	gold exploration
Alacer Gold	AQG		rising	gold – production
Alicanto Minerals	AQI		sideways	gold exploration
Alkane Resources	ALK		uptrend	gold, zirconia
Alliance Resources	AGS		Testing downtrend	uranium
Acacia Resources	AJC		sideways	coal
African Energy	AFR		down	coal
Alara Resources	AUQ		down	zinc
Altona Mining	AOH		sideways	copper
Amex Resources	AXZ		uptrend	iron sands
Anova Metals	AWV		At lows	gold
Antipa Minerals	AZY		down	copper expl
Atlas Iron	AGO		Heading for support line	iron ore
Attila Resources	AYA		Down through support line	coal
Atrum Coal	ATU		Turned down again	coal
Aura Energy	AEE		Surge out of downtrend, then collapse to lows	uranium
Ausenco	AAX		New low	engineering
Australian Bauxite	ABZ		rising	bauxite
Avenco Resources	AVB		Hitting resistance of ST downtrend	copper
AWE	AWE		sideways	oil and gas
Azumah Resources	AZM		Sideways through downtrend	gold
BHP	BHP		Rising again	diversified
Bandanna Energy	BND		Down again	coal
Bannerman Res.	BMN		At lows	uranium
Base Resources	BSE		Rising, but pullback	mineral sands
BC Iron	BCI		Off its highs	Iron ore
Beach Energy	BPT		sideways	oil and gas
Beadell Resources	BDR		rising	gold
Berkeley Resources	BKY		Regained early uptrend	uranium
Blackthorn Resources	BTR		Up from its lows	zinc/copper
Boart Longyear	BLY		New uptrend	mining services
Buccaneer Energy	BCC		New low	oil & gas
Buru Energy	BRU		Risen strongly off support line	oil
Carnegie Wave	CWE		holding uptrend	wave energy
Centaurus Metals	CTM		Holding support	iron ore
Chalice Gold	CHN		Testing downtrend	gold
Chesser Resources	CHZ		sideways	gold exploration
Cleveland Mining	CDG		down	gold
Cobar Consolidated	CCU		Testing short term uptrend	silver
Cockatoo Coal	COK		down	coal
Condoto Platinum	CPD		New low	PGM, gold
Consolidated Tin	CSD		Testing uptrend	tin
Crosslands Metals	CUX		Bounced back to meet resistance line	rare earths
Crusader Resources	CAS		down	gold exploration
Discovery Metals	DML		New low	copper
Doray Minerals	DRM		Strongly higher	gold
Endeavour Mining	EVR		Breached uptrend	gold
Energy Resources	ERA		Recovered, but still in downtrend	uranium
Equatorial Resources	EQX		Wedge forming	iron ore
Evolution Mining	EVN		Recovered, but still in downtrend	gold
Finders Resources	FND		Breached uptrend	copper
First Australian	FAR		rising	oil/gas
Fortescue Metals	FMG		Breaching uptrend	iron ore
Gippsland	GIP		New low	tantalum
Gold Road	GOR		Rising	gold exploration

Gryphon Minerals	GRY	rising	gold
Havilah Resources	HAV	Testing downtrend	copper
Highfield Resources	HFR	Testing downtrend	potash
Highlands Pacific	HIG	Breached downtrend	copper, nickel
Hillgrove Resources	HGO	Breaching final resistance line	copper
Hot Chili	HCH	rising	copper
Iluka Resources	ILU	Down, but off its lows	mineral sands
Independence	IGO	bounced	gold, nickel
Indochine Mining	IDC	Rising steeply	gold
Jameson Resources	JAL	Back to lows	coal
Karoon Gas	KAR	Back to recent lows	gas
Kasbah Resources	KAS	Trying to recover	tin
KBL Mining	KBL	Still in downtrend	copper/gold/zinc
Kimberley Diamonds	KDL	New high	diamonds
Kingsgate	KCN	Breaching downtrend	gold
Kula Gold	KGD	down	gold
Lachlan Star	LSA	Testing short term uptrend	gold
Laramide Resources	LAM	Testing downtrend	uranium
Lucapa Diamond	LOM	Gently rising	diamonds
Lynas Corp.	LYC	Testing downtrend	rare earths
Macphersons Res.	MRP	Rising off low	silver
Medusa Mining	MML	uptrend	gold
MetalsX	MLX	uptrend	tin, gold
Metminco	MNC	lower	copper
Middle Island	MDI	New low	gold exploration
Mincor Resources	MCR	Breached uptrend	nickel
Mount Gibson	MGX	Off its high	Iron ore
Neon Energy	NEN	Collapse on plugged and abandoned well	oil/gas
Newcrest	NCM	Bounced from low	gold
Northern Minerals	NTU	downtrend	REE
Northern Star Res.	NST	rising	gold
Norton Gold Fields	NGF	sideways	gold
Oceana Gold	OGC	Breaching downtrend	gold
Oklo Resources	OKU	sideways	gold expl.
OM Holdings	OMH	New uptrend starting	manganese
Orbis Gold	OBS	Testing downtrend	gold expl'n
Orinoco Gold	OGX	Testing uptrend	gold expl'n
Orocobre	ORE	rising	lithium
Orpheus Energy	OEG	New high	coal
Oz Minerals	OZL	Hitting resistance line of downtrend	copper
Pacific Niugini	PNR	down	gold
Paladin Resources	PDN	breached downtrend, tentative uptrend	uranium
PanAust	PNA	Good bounce	copper/gold
Pancontinental Pet.	PCL	Down heavily	Oil/gas expl.
Panoramic Resources	PAN	Breached uptrend	nickel
Panterra Gold	PGI	New low	gold production
Papillon Resources	PIR	rising	gold exploration
Paringa Resources	PNL	Testing ST downtrend	coal
Peel Mining	PEX	Recovering from lows	copper
Peninsula	PEN	sideways	uranium
Perseus Mining	PRU	Bounced from lows	gold
Platina Resources	PGM	Bounced from lows	PGMs, gold
PMI Gold	PVM	Bounced from lows	gold
Predictive Discovery	PDI	Back to lows	gold exploration
Ramelius	RMS	Bounced from lows	gold
Red Fork Energy	RFE	New low	gas
Regis Resources	RRL	New low	gold
Renaissance Min.	RNS	Bounce from low	gold
Resolute Mining	RSG	Short term uptrend	gold
Rex Minerals	RXM	Risen off lows	copper
RIO	RIO	Uptrend hitting resistance	diversified
Robust Resources	ROL	Back into LT downtrend	zinc/lead
Saracen Minerals	SAR	New uptrend	gold
St Barbara	SBM	Starting uptrend	gold
Sandfire Resources	SFR	rising	copper
Santos	STO	Shallow Downtrend	oil/gas
Senex Energy	SXY	down	oil/gas

Silver Lake Resources	SLR		Breaking out upside	gold
Sino Gas & Energy	SEH		uptrend	gas
Sirius Resources	SIR		Risen to hit resistance line., then down again	nickel expl.
South Boulder	STB		sideways	potash
South American Ferro	SFZ		rising	Iron ore
Sthn Hemisphere	SUH		testing downtrend	copper
Strike Energy	STX		testing downtrend	gas
Sun Resources	SUR		Breached support	oil/gas
Sunbird Energy	SNY		Breached uptrend	gas/CBM
Sundance Energy	SEA		Struggling to hold uptrend	oil/gas
Talga Resources	TLG		Base forming	graphite
Tap Oil	TAP		Through downtrend, then pullback	oil/gas
Tawana Resources	TAW		Breached downtrend	iron ore
Tiger Resources	TGS		uptrend	copper
Tigers Realm	TIG		Uptrend being tested	coal
Trafford Resources	TRF		Testing uptrend	tin exploration
Troy Resources	TRY		New uptrend	gold/silver
UraniumSA	USA		Secondary downtrend	uranium
Venture Minerals	VMS		down	tin, iron
Westwits	WWI		But correcting	gold exploration
Western Areas	WSA		ST uptrend turned down at resistance line	nickel
World Titanium Res.	WTR		heavy slump	mineral sands
YTC Resources	YTC		uptrend	gold/base metals
Totals	31%	46	Uptrend	
	39%	56	Downtrend	
		145	Total	

Split of Companies Amongst Commodities (approx.)

Gold	34 (23%)
Copper	18 (12%)
Oil/gas	17 (12%)
Gold exploration	13 (9%)
Coal	10 (7%)
Uranium	10 (7%)
Iron ore	8 (5.5%)
Tin	5 (3.4%)
Nickel	4 (2.8%)
Zinc	2 (1.4%)
Diamonds	2 (1.4%)
Rare earth	2 (1.4%)
Silver	2 (1.4%)
Other	18
Total	145

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.
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Global Stock Ratings
(as of 28 June 2013)

Rating	Coverage Universe		IB Clients	
	#	%		%
Buy	568	59.1%		36.6%
Speculative Buy	58	6.0%		60.3%
Hold	288	30.0%		11.1%
Sell	47	4.9%		6.4%
	964*	100.0%		

*Total includes stocks that are Under Review

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Company	Disclosure
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Oklo Resources	1,2,3,7,8
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