

Profit taking drives market lower

There has been some profit taking in many stocks in the last week, as people have been coming back from their holidays. Mining stocks were hit particularly hard at the end of the week, but there has not been anything of great concern. Softness in lithium stocks may have been a response to expanding supply forecast (see below), or just plain profit taking. The risks of operating in the DRC have escalated with recent tax changes, keeping the positive outlook for cobalt prices (see below).

The strength of the Aussie dollar has been most noticeable this month, as the US\$ has been nudging three year lows. This will claw back some of the profits of exporting mining stocks, such as the gold producers, but it will also be providing currency gains for US\$ denominated investors in Australian stocks. The gold price itself has been a robust performer in recent weeks as well, but it is too early to say anything more than it is near the highs of recent trading ranges.

Trumps tax cut is benefiting workers too

Whatever your political leanings are with respect to the USA, whether you like Donald Trump or not, you would have to agree that his style is anomalous. He certainly didn't go to a Presidential finishing school. Yet, his tax cuts have been an inspiration to business following eight years of Barak Obama, during which big business went into its shell.

The dropping of corporate tax rate from 35% to 21% is a real game changer. It is not an exercise in buying votes by giving a bit back. It represents a major shift in taxation policy that is already providing a great stimulus to the US economy with money quickly flowing back to workers.

American Airlines is handing out a bonus of \$1,000 to each of its employees. Similar payments are being made by AT&T, Bank of America, Nationwide Insurance, Comcast, JetBlue Airways and US Bancorp. In fact, more than 100 companies have announced some kind of financial benefit for employees resulting from the tax cut according to the conservative group Americans for Tax Reform. Waste Management became the latest large company to announce bonuses. It said it would hand out \$2,000 for up to 34,000 employees.

AT&T was the first company to go public with its plans to pass along coming tax savings to workers, saying once the tax bill is passed it would pay a special \$1,000 bonus to more than 200,000 of its non-management workers. Front-line managers, the company said, will also be included in the bonus pool.

It is not just about bonuses though. Many companies have also announced that they will be boosting the minimum wages for employees. AT&T has confirmed it will invest \$1 billion more in the USA, in 2018. Perhaps the most dramatic development has been the news that Apple is going to spend US\$350bn on hiring 20,000 new employees, making US\$38bn in on-time tax payments on money it is bringing back home to the US and purchases

off US-based suppliers. Other companies are revealing plans to build new manufacturing plants in the USA rather than continuing in countries such as Mexico. It all adds up to powerful stimulus for the US domestic economy.

Lithium supply response gathering momentum

The lithium bubble has been growing from strength to strength in recent months, as the most powerful thematic in the market has been the battery input stocks. We have been warned that there will be a strong supply response, and now we see that response it is starting to quantify itself.

Following years of bitter dispute with Chilean authorities, the operator of one of the world's richest lithium deposits, Soc. Quimica & Minera de Chile SA (SQM), has been cleared to ramp up production. Development agency Corfo and SQM signed an agreement on Wednesday covering royalties, investments and corporate governance which will govern production from the Santiago-based company. The deal, which looks to more than double the production quota for the Salar de Atacama brine project.

SQM's initial quota of 1 million tonnes of lithium carbonate was expected to run out by 2022. Now the quota has been raised to 2.2 million tonnes through 2030.

The increased quota allows SQM to boost capacity from 66,000 tpa of lithium carbonate to as much as 216,000 tpa by 2025, or more if it made additional investments and approvals. The move is expected to boost output from Chile, with combined production across SQM and Albemarle reaching as much as 500,000 tonnes of lithium. The boost in production from Chile could supply as much as 90% of global lithium demand, with Deutsche Bank forecasting 534,000 tonnes of consumption in 2025.

The end of the dispute also opens the option for SQM to partner with state-owned copper producer, Codelco, to extract lithium from one of the world's highest-grade discoveries from the Maricunga salt flat in northern Chile. Both companies hold large properties in the salt flat and a partnership would allow economically viable production.

It is no coincidence that the lithium share prices were hit hard on the release of this news. Batteries will still be the key thematic but don't be surprised if money moves out of lithium into other products.

Political risk in the DRC re cobalt

The obvious other battery commodity to be looking at is cobalt, as there is no immediate supply response possible due to cobalt being a co-product or by-product. The DRC could be the earliest source of increased supply, but news of changes in royalties and the government take will cause companies to be more cautious about going there.

The National Assembly of the DRC has introduced legislation that provides for a broadening of the tax base and raising of mining royalties. It sets out taxes increases of up to 5% on strategic minerals – most likely including cobalt, and 6% on precious stones. It also raises the

percentage of ownership of the State in capital of mining companies, and outsourcing tasks related to the industry are restricted to firms in which the majority of the capital is owned by Congolese nationals. Moving the goalposts will make existing operators very nervous and it will discourage any new investments. Good cobalt projects outside of the DRC will take priority.

McPhersons is moving towards resource calculation

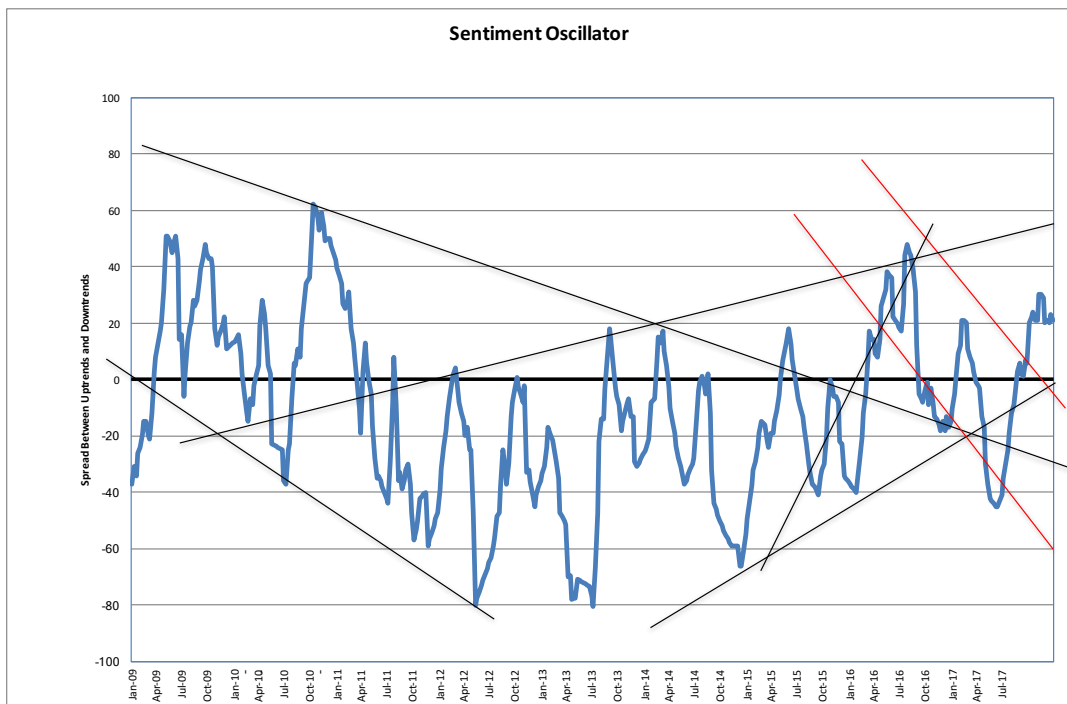
MacPhersons Resources (MRP) has been coming up with excellent drill results from its Boorara gold project for many months now, but still the market doesn't seem to appreciate what it has. We have covered it on a number of occasions and we have been on site, 8 km east of Kalgoorlie, forming the view that there could easily be 0.5-1.0 mill. oz of gold in geology that shows remarkably similar characteristics to that of the Mt Charlotte gold mine. That mine, located on Kalgoorlie's Golden Mile, has had an endowment of approximately six million ounces of gold.

After drilling 31,000m, MRP has made the decision to proceed to the resource calculation stage. The starting point is a pre-existing JORC resource of 232,000 oz, but

we should be expecting something much larger when the numbers come back from Cube Consulting in March. The proximity of Boorara to Kalgoorlie means that it should be classified as a brownfields project. As such its capital and infrastructure costs will be much lower than for a more remote project. There should also be plenty of options for treating the ore through nearby plants, to the obvious benefit of shareholders through reduced need for start-up capital.

The MRP share price has been in a long term downtrend at a time when most other stocks have been rising. The spike last Friday, on the announcement of further good drill results, may be pointing to a breach of the downtrend and a return to favour.

Disclosure: Interests associated with the author owns shares in MacPhersons.



























Sentiment Indicator: Sentiment is essential steady, but with a slight decrease in stocks in downtrends. There were 51% (51%) of the charts in uptrend and 28% (30%) 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.

Indices	Code	Trend Comment	
All Ordinaries	XAO	off a new high	
Metals and Mining	XMM	surged o a new high	
Energy	XEJ	surged to a new high	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
ABM Resources	ABU	continuing in downtrend	gold
Aeon Metals	AML	correcting from new high	copper + cobalt
Alacer Gold	AQG	holding uptrend	gold – production
Alkane Resources	ALK	down after hitting LT resistance	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Aguia Resources	AGR	downtrend, wedge forming	phosphate
Alicanto Minerals	AQI	shallow uptrend emerging	gold exploration
Allegiance Coal	AHQ	testing downtrend	coal
Alliance Resources	AGS	spiked higher on drill results	gold exploration
Altech Chemicals	ATC	heavy correction	industrial minerals - synthetic sapphire
Anova Metals	AWV	falling again	gold
Antipa Minerals	AZY	sideways	gold
Apollo Consolidated	AOP	hugging uptrend line	gold exploration
Archer Exploration	AXE	breaching support line	magnesite, graphite
Argent Minerals	ARD	still in downtrend	polymetallic
Artemis Resources	ARV	down	gold, nickel
Aspire Mining	AKM	off its low	coal
Alta Zinc	AZI	sideways at lows	zinc
Aurelia Metals	AMI	correcting from new high	gold + base metals
Aus Tin	ANW	spiked higher	tin, cobalt
Australian Bauxite	ABX	continuing in downtrend	bauxite
Australian Potash	APC	wedge forming	potash
Australian Mines	AUZ	re-approaching highs	cobalt/nickel
Australian Vanadium	AVL	continuing with steep rise	vanadium
Avanco Resources	AVB	sideways to lower	copper
AWE	AWE	new high	oil and gas
Azure Minerals	AZS	down	silver
BHP	BHP	new high	diversified
Base Resources	BSE	weakening	mineral sands
Bathurst Resources	BRL	new high	coal
Battery Minerals	BAT	rallying	graphite
BBX Minerals	BBX	testing uptrend	gold
Beach Energy	BPT	new high	oil and gas
Beadell Resources	BDR	around lows again	gold
Berkeley Energia	BKY	uptrend	uranium
Berkut Minerals	BMT	spiked to new high, then heavy fall	cobalt
Blackham Resources	BLK	new low	gold
Blackstone Minerals	BSX	consolidating near highs	gold, cobalt
Broken Hill Prospect.	BPL	strongly higher	minerals sands, cobalt
Buru Energy	BRU	strongly higher	oil
Canyon Resources	CAY	fallen back to support line	bauxite
Cardinal Resources	CDV	breached uptrend	gold exploration

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Cassini Resources	CZI		rising	nickel/Cu expl.
Chalice Gold	CHN		on support line	gold
Cobalt Blue	COB		near highs again	cobalt
Comet Resources	CRL		near highs	graphite/graphene
Consolidated Zinc	CZL		continuing weakness	zinc
Corizon Mining	CZN		testing downtrend	cobalt
Crusader Resources	CAS		new low	gold/iron ore
Dacian Gold	DCN		new high	gold exploration
Danakali	DNK		testing uptrend	potash
Doray Minerals	DRM		testing downtrend	gold
Draig Resources	DRG		new high	gold
Eden Innovations	EDE		testing downtrend	carbon nanotubes in concrete
Emerald Resource	EMR		sideways to higher	gold
Evolution Mining	EVN		gently stronger	gold
Excelsior Gold	EXG		slump, testing uptrend	gold
Finders Resources	FND		stronger	copper
FAR	FAR		sideways	oil/gas
First Cobalt	FCC		sideways	cobalt
First Graphene	FGR		strong rise	graphite
Fortescue Metals	FMG		wedge forming	iron ore
Galaxy Resources	GXY		breached uptrend in heavy pullback	lithium
Galilee Energy	GLL		breached uptrend	oil and gas, CBM
Gascoyne Resources	GCY		testing steeper downtrend	gold
Global Geoscience	GSC		new high	lithium
Gold Road	GOR		uptrend continuing	gold exploration
Graphex Mining	GPX		testing uptrend	graphite
Heron Resources	HRR		still down	zinc
Highfield Resources	HFR		rallying	potash
Highlands Pacific	HIG		correcting from recent high	copper, nickel
Hillgrove Resources	HGO		back to highs	copper
Iluka Resources	ILU		surged higher	mineral sands
Image Resources	IMA		sideways within uptrend	mineral sands
Independence Group	IGO		rallied to new high	gold, nickel
Intrepid Mines	IAU		sideways	copper
Karoo Gas	KAR		new uptrend started	gas
Kasbah Resources	KAS		in secondary downtrend	tin
Kibaran Resources	KNL		sideways	graphite
Kin Mining	KIN		breached ST uptrend	gold
Legend Mining	LEG		spiked on promising intercept	exploration
Lepidico	LPD		back to near highs	lithium
Lithium Australia	LIT		rising again	lithium
Lucapa Diamond	LOM		rally on new discovery	diamonds
Macphersons Res.	MRP		downtrend	silver
Marmota	MEU		softer	gold exploration
MetalsX	MLX		new high	tin, nickel
Metro Mining	MMI		at highs	bauxite
Mincor Resources	MCR		holding uptrend	nickel
Mineral Deposits	MDL		uptrend steepening	mineral sands
Myanmar Minerals	MYL		breached uptrend	zinc
MZI Resources	MZI		falling again	mineral sands

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Northern Cobalt	N27		fallen to support line	cobalt
Northern Minerals	NTU		down again	REE
Northern Star Res.	NST		rising again	gold
NTM Gold	NTM		surged out of wedge to confirm uptrend	gold
Oceana Gold	OGC		down after steep fall	gold
Oklo Resources	OKU		new high	gold expl.
Orecorp	ORR		strong rally	gold development
Orinoco Gold	OGX		steep uptrend	gold development
Orocobre	ORE			lithium
Oz Minerals	OZL		continuing in uptrend	copper
Pacific American Coal	PAK		testing new uptrend	coal, graphene
Pantoro	PNR		sideways to higher	gold
Panoramic Res	PAN		on support line	nickel
Peel Mining	PEX		consolidating outside of trend	copper
Peninsula Energy	PEN		testing recent uptrend	uranium
Perseus Mining	PRU		breached downtrend	gold
Pilbara Minerals	PLS		correcting from highs	lithium/tantalum
PNX Metals	PNX		ticked higher	gold, silver, zinc
Red River Resources	RVR		holding longer term uptrend	zinc
Regis Resources	RRL		near highs again	gold
Resolute Mining	RSG		rallying off lows	gold
RIO	RIO		new high	diversified
Salt Lake Potash	SO4		less steep downtrend	potash
Saracen Minerals	SAR		uptrend	gold
St Barbara	SBM		strong	gold
Sandfire Resources	SFR		rising	copper
Santana Minerals	SMI		new low	silver
Santos	STO		steeply higher	oil/gas
Sheffield Resources	SFX		testing downtrend	mineral sands
Silver Lake Resources	SLR		breached downtrend	gold
Silver Mines	SVL		down again	silver
Sino Gas & Energy	SEH		confirming uptrend	gas
Southern Gold	SAU		drifting lower	gold
Stanmore Coal	SMR		rising	coal
Sundance Energy	SEA		confirming uptrend	oil/gas
Syrah Resources	SYR		new high then heavy correction	graphite
Talga Resources	TLG		improving	graphene
Tanami Gold	TAM		down	gold
Tempo Australia	TPP		testing downtrend	mining services
Tiger Realm	TIG		spiked higher, off lows	coal
Torian Resources	TNR		new low	gold expl'n
Triton Minerals	TON		uptrend being tested	graphite
Troy Resources	TRY		back in downtrend	gold
Tyranna Resources	TYX		breached steepest downtrend	gold exploration
Vango Mining	VAN		but having a good rally	gold
Vimy Resources	VMY		new uptrend confirmed	uranium
West African Resources	WAF		uptrend	gold
Westwits	WWI		sideways	gold exploration/development
Western Areas	WSA		rallying	nickel
White Rock Minerals	WRM		new low	silver

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Whitehaven Coal	WHC		gently higher	coal
WPG Resources	WPG		down again	gold
Wolf Minerals	WLF		new low	tungsten
Totals	51%	74	Uptrend	
	28%	41	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	32	22.2%
Gold Exploration	15	10.4%
Copper	11	7.6%
Coal	9	6.3%
Oil/Gas	9	6.3%
Mineral Sands	7	4.9%
Graphite	8	5.6%
Zinc	7	4.9%
Silver	6	4.2%
Lithium	6	4.2%
Nickel	4	2.8%
Potash/Phosphate	5	3.5%
Cobalt	6	4.2%
Uranium	3	2.1%
Bauxite	3	2.1%
Tin	3	2.1%
Diamonds	2	1.4%
Iron Ore	1	0.7%
Other	7	
Total	144	

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