

Updates on a few stocks in a quiet market

Traders are desperate to introduce some volatility to the markets as it is hard for them to make money in becalmed waters. They even went so far as to attempt to resuscitate the European financial crises based on messy Italian politics, but that is likely to remain a domestic concern.

The US economy is powering along with unemployment rates down to 3.8% in May, the lowest level seen in 18 years. While this may put pressure on interest rates, there hasn't been much concern expressed recently in this regard. In many respects the markets are looking rather boring without any dominant economic theme. Volatility is more likely to be coming from geopolitical events than any other source. So, it continues to be a stock pickers market.

Santana Minerals moving to a gold focus in Chile

SMI has been a disappointing performer in the market recently notwithstanding its good backing and geological merit with a silver play in Mexico. It seems that the market timing was not right for silver, even where all the exploration firmed up the interpretation of the potential for 100 Moz at 80-100 gpt Ag. What can you do, other than try and find a project with more market appeal? That happens to be gold.

Santana has bought into the Becker gold project in Chile, via a 100% ownership of the company that has the right to earn up to 85% of the project. Becker was discovered by Arauco Resources in 1995, with 11 steeply dipping high grade quartz veins having been identified at widths of 0.5-7.5m. SMI plans to drill 10 diamond holes to test the Lajuelas and Guindos prospects using the funds being raised in the current \$1.5m, 3 for 5 rights issue to shareholders, at 0.8c per share.

Acquisition terms are 10 mill. shares in SMI, repayment of a \$500,000 loan, \$850,000 on definition of a one million ounce resource and \$425,000 of each additional 500,000 oz. These payments go to Collierina, as payment for the company that itself has obligations to make cash payments of US\$100,000 p.a. in years one and two, US\$200,000 in year three, US\$250,000 in year four and US\$300,000 in year five.

We haven't gone through the geology in detail yet, but with a market capitalisation of \$3.1m pre-issue, the shares look cheap. There can't be much downside from here with the 10 hole drill program coming up. Shareholders may be disappointed with the recent share price performance, but at least they get another bite at a very low price with the rights issue. Here's hoping for better luck this time around.

Disclosure: Interests associated with the author own shares in SMI. FEC has received capital raising fees in the past.

Draig successfully hits Bellevue extensions

Even though there wasn't much response from the share price last week, DRG reported that it had successfully intersected the extensions of the Bellevue underground gold mine with hits of 3.4m at 10.4 gpt and 0.3m at 44 gpt, from 575.3m and 584.3m respectively. These were 190m distant from the historical workings in what has been interpreted as offset extensions. These results are in addition to the Tribune drilling, which is shaping up as another potential ore source. So far so good for this gold play.

Blackstone gets it wrong with premature release

BSX was a big disappointment last week, not because of bad results, but because of the way it has handled the news flow and mismanaged shareholders' expectations. It has drilled three holes in the Little Gem project, with a range of results. The first one reported back in January was excellent. The second two reported last week were 50:50 - one a duster and one with good, though not brilliant grades. In terms of drill results, two out of three ain't bad. So why did the share collapse 25%?

We all need to remember that honesty and accuracy are rare commodities in the market. Honesty is relative and accuracy, based on data, is a moving feast. Yet, we repeatedly go in to speculative situations because there are some seriously profitable opportunities for those that get in and out at the right times. Punters are skittish by their very nature, always on the lookout for a company that might have sold them a "pup", especially when a project looks almost too good to be true. They will abandon ship quickly if they get the wrong signal. That is why management of information and shareholder expectations is so critical.

Looking at BSX; the bar was set pretty high at the outset with some of the best grades you will see in the cobalt world, and high gold grade to add to the lustre. The first hole reported in January was 4.3m at 1% Co and 15 gpt gold (with a high grade core of 1.1% Co and 44 gpt gold). Excellent. It is not unusual for companies to carefully locate the first hole to repeat historical data, to give a good initial result, so sometimes this is not necessarily representative (though I'm not suggesting this happened here).

Since then we have been waiting for the field season to commence. On 24th April, BSX announced it had commenced a six holes program to test the original 300m long target zone. We should have a much better picture when these six holes have been received and analysed. So, from that point it was a waiting game to see if the project was as good as has been promoted.

For some strange reason BSX decided to make an early release of the first two holes, even though it is foolish to be taking these out of context of the complete six hole program. Maybe a premature release could be warranted if there had been something out of the ordinary, whereby

continuous disclosure had forced the company's hand, but there is no evidence of this here. There were two holes; one was a duster and one had 3.m at 0.8% Co and 4 gpt gold (including 1m at 1.2% Co and 5 gpt gold). Releasing these first two holes in isolation was not a smart thing to do because it can result in the drawing of false conclusions.

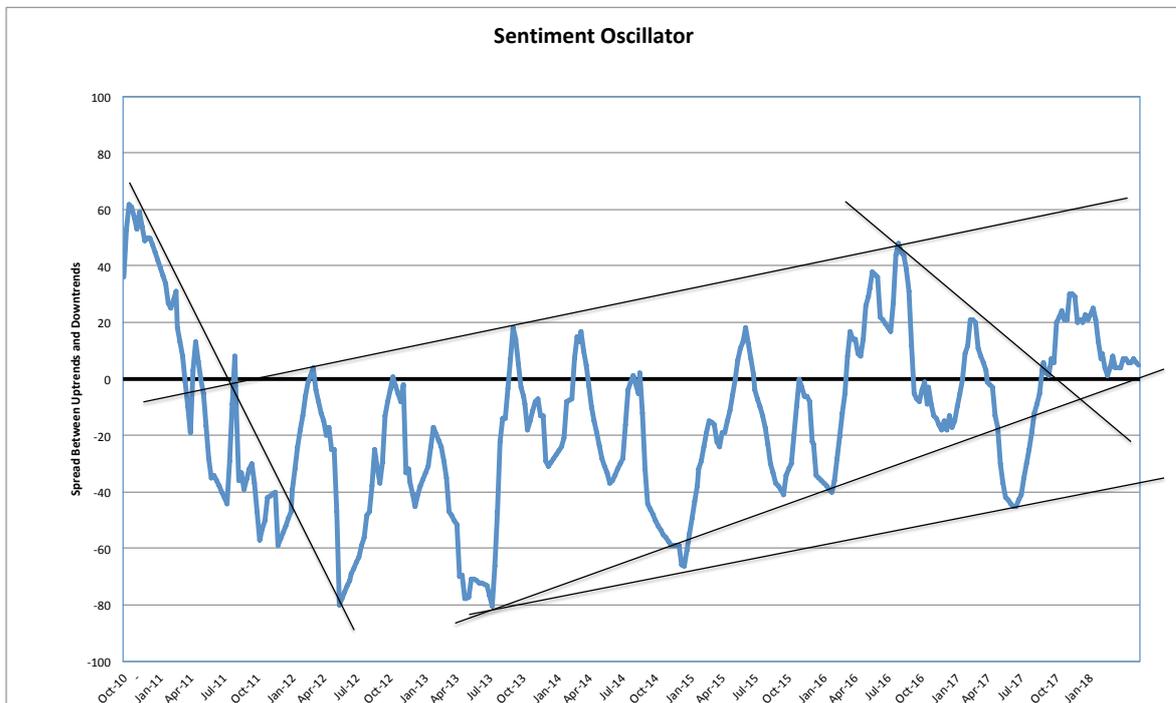
What are the warning signs that resonated with the sellers? There are a number that go to behavioural patterns seen many times in the past, in many companies.

1. Restatement of previously released, excellent drill results to take focus away from the latest holes.
2. Lack of a narrative to explain why one hole had nothing (I have been told that there can be an absence of mineralisation when the vein orientation periodically changes, in this structure).
3. Expansion of the story to introduce new optimism based on geological interpretation. Here, it was

reference to a significantly larger alteration zone. This is not synonymous with a narrow high grade story.

Whether reasonable or not, the market has spoken with its feet. The credibility of this high grade cobalt play has been severely damaged due to the handling of the ASX release and premature disclosure. Maybe the subsequent holes will turn the story around if the grades are good, but from this point there will be a strong headwind for the share price. Maybe it remains just another cobalt play. The honeymoon is certainly over though. However, I am not giving up. I'd rather be a buyer at these levels than a seller.

Disclosure: Interests associated with the author hold shares in Blackstone Resources and FEC has received capital raising fees.



Sentiment Indicator: Sentiment didn't really change last week; 36% (36%) of the charts in uptrend and 31% (30%) in downtrend on Friday's close. It is unusual, looking at the chart above, to have such a boring time.

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	consolidating near highs	
Metals and Mining	XMM	pullback from high	
Energy	XEJ	correction from high	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Aeon Metals	AML	rising again	copper + cobalt
Alacer Gold	AQG	surge higher	gold – production
Alkane Resources	ALK	down after hitting LT resistance	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Agua Resources	AGR	weaker	phosphate
Alchemy Resources	ALY	base forming	nickel, cobalt
Alicanto Minerals	AQI	down	gold exploration
Allegiance Coal	AHQ	breached support	coal
Alliance Resources	AGS	continuing down	gold exploration
Altech Chemicals	ATC	holding on support line	industrial minerals - synthetic sapphire
Anova Metals	AWV	sideways through downtrend	gold
Antipa Minerals	AZY	new low	gold
Apollo Consolidated	AOP	slump	gold exploration
Archer Exploration	AXE	stronger but met resistance	magnesite, graphite
Argent Minerals	ARD	still in downtrend	polymetallic
Aurelia Metals	AMI	new high	gold + base metals
AusTin	ANW	down	tin, cobalt
Australian Bauxite	ABX	sideways	bauxite
Australian Potash	APC	down	potash
Australian Mines	AUZ	down	cobalt/nickel
Australian Vanadium	AVL	correcting	vanadium
Azure Minerals	AZS	new low	silver
BHP	BHP	pullback from high	diversified
Base Resources	BSE	sideways through downtrend	mineral sands
Bathurst Resources	BRL	sideways	coal
Battery Minerals	BAT	down	graphite
BBX Minerals	BBX	down	gold
Beach Energy	BPT	correction from high	oil and gas
Beadell Resources	BDR	another new low	gold
Berkeley Energia	BKY	down	uranium
Berkut Minerals	BMT	sideways through downtrend	cobalt
Blackham Resources	BLK	correcting lower again	gold
Blackstone Minerals	BSX	collapse	gold, cobalt
Broken Hill Prospect.	BPL	sideways	minerals sands, cobalt
Buru Energy	BRU	new high	oil
Cardinal Resources	CDV	testing uptrend	gold exploration
Cassini Resources	CZI	sideways	nickel/Cu expl.
Celsius Resources	CLA	off high after placement	copper/cobalt
Chalice Gold	CHN	heading lower	gold
Cobalt Blue	COB	correcting but still in uptrend	cobalt
Comet Resources	CRL	heavy slump	graphite/graphene
Consolidated Zinc	CZL	continuing weakness	zinc
Crusader Resources	CAS	new low	gold/iron ore
Dacian Gold	DCN	off its highs	gold exploration
Danakali	DNK	weakness confirms downward direction	potash
Doray Minerals	DRM	resumed uptrend	gold

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Draig Resources	DRG		testing uptrend	gold
Eden Innovations	EDE		down	carbon nanotubes in concrete
Egan Street Resources	EGA		sideways	gold
Emerald Resource	EMR		testing downtrend	gold
Evolution Mining	EVN		new high	gold
Excelsior Gold	EXG		slump, testing uptrend	gold
FAR	FAR		risen to meet long term resistance line	oil/gas
First Cobalt	FCC		new low	cobalt
First Graphene	FGR		strong rise	graphite
Frontier Diamonds	FDX		down after IPO	diamonds
Fortescue Metals	FMG		rallied out of steepest, but still in LT downtrend	iron ore
Galaxy Resources	GXY		rising again	lithium
Galilee Energy	GLL		pullback	oil and gas, CBM
Gascoyne Resources	GCY		holding longer term uptrend	gold
Global Geoscience	GSC		new high	lithium
Gold Road	GOR		new high	gold exploration
Golden Rim	GMR		breached downtrend	gold exploration
Graphex Mining	GPX		breaching downtrend	graphite
Heron Resources	HRR		downtrend persisting	zinc
Highfield Resources	HFR		rally within long term downtrend	potash
Highlands Pacific	HIG		sideways	copper, nickel
Hillgrove Resources	HGO		sideways	copper
Iluka Resources	ILU		new high	mineral sands
Image Resources	IMA		resumed LT uptrend	mineral sands
Independence Group	IGO		rising, but with a pullback	gold, nickel
Jervois Mining	JVR		sideways through downtrend	nickel/cobalt
Karoo Gas	KAR		at lows	gas
Kasbah Resources	KAS		still in LT downtrend	tin
Kibaran Resources	KNL		gently lower	graphite
Kin Mining	KIN		down heavily	gold
Legend Mining	LEG		surge higher, now correcting	exploration
Lepidico	LPD		breached uptrend	lithium
Lithium Australia	LIT		breached uptrend	lithium
Lucapa Diamond	LOM		breached downtrend	diamonds
Macphersons Res.	MRP		Spike though downtrend, then pullback	silver
Marmota	MEU		sideways	gold exploration
MetalsX	MLX		rising again	tin, nickel
Metro Mining	MMI		downtrend	bauxite
Mincor Resources	MCR		uptrend	nickel
Mineral Deposits	MDL		strongly higher on takeover approach	mineral sands
Myanmar Minerals	MYL		downtrend breached	zinc
MZI Resources	MZI		testing downtrend	mineral sands
Neometals	NMT		down	lithium
Northern Cobalt	N27		down again	cobalt
Northern Minerals	NTU		rallied back to resistance line	REE
Northern Star Res.	NST		off its high	gold
NTM Gold	NTM		breached downtrend	gold
Oceana Gold	OGC		breached downtrend	gold
Oklo Resources	OKU		downside break from wedge	gold expl.
OreCorp	ORR		breached recent uptrend	gold development
Orinoco Gold	OGX		testing correcting pattern	gold development
Orocobre	ORE		upside breakout from downtrend	lithium
Oz Minerals	OZL		continuing in uptrend	copper
Pacific American Coal	PAK		strongly higher	coal, graphene

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Pantoro	PNR		new high	gold
Panoramic Res	PAN		on support line	nickel
Peel Mining	PEX		surge to new high, then pullback	copper
Peninsula Energy	PEN		sideways through downtrend	uranium
Perseus Mining	PRU		breached downtrend	gold
Pilbara Minerals	PLS		rallying	lithium/tantalum
PNX Metals	PNX		sideways	gold, silver, zinc
Prodigy Gold	PRX		name change from ABM Resources	gold
Red5	RED		down	gold
Red River Resources	RVR		fallen to support line	zinc
Regis Resources	RRL		new high	gold
Resolute Mining	RSG		sideways	gold
RIO	RIO		new high	diversified
Salt Lake Potash	SO4		breached downtrend	potash
Saracen Minerals	SAR		new high	gold
St Barbara	SBM		strong	gold
Sandfire Resources	SFR		new high	copper
Santana Minerals	SMI		new low	silver
Santos	STO		new high	oil/gas
Sheffield Resources	SFX		rising again	mineral sands
Sino Gas & Energy	SEH		confirming uptrend	gas
Sipa Resources	SRI		sideways	general exploration - Ni,Cu, Co, Au
Stanmore Coal	SMR		correcting lower	coal
Sundance Energy	SEA		testing uptrend	oil/gas
Syrah Resources	SYR		back to downtrend	graphite
Talga Resources	TLG		breaching resistance line	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		uptrend	gold
Tyranna Resources	TYX		back to lows	gold exploration
Vango Mining	VAN		surge to new high	gold
Vector Resources	VEC		near lows	gold
Vimy Resources	VMY		down	uranium
Volt Resources	VRC		uptrend	graphite
West African Resources	WAF		uptrend being tested	gold
Westwits	WWI		sideways	gold exploration/development
Western Areas	WSA		rising again	nickel
White Rock Minerals	WRM		new low	silver
Whitehaven Coal	WHC		new high	coal
WPG Resources	WPG		down again	gold
Wolf Minerals	WLF		sideways at lows	tungsten
Totals	36%	52	Uptrend	
	31%	44	Downtrend	
		143	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.

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- 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	23.1%
Gold Exploration	16	11.2%
Copper	8	5.6%
Coal	8	5.6%
Oil/Gas	8	5.6%
Graphite	9	6.3%
Mineral Sands	7	4.9%
Cobalt	7	4.9%
Zinc	6	4.2%
Lithium	7	4.9%
Silver	5	3.5%
Nickel	5	3.5%
Potash/Phosphate	5	3.5%
Uranium	3	2.1%
Bauxite	2	1.4%
Tin	3	2.1%
Diamonds	3	2.1%
Iron Ore	1	0.7%
Other	7	
Total	143	

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