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After Monday's stock rally failed in the last hour of the day, boy the market needed good news Tuesday so the U.S. propaganda machine cooked it up on High!!

The Conference Board said Tuesday that its index of consumer confidence increased to 101.5 in August, up from a revised July reading of 91.0. It was the best showing since January. Wow very impressive. The cut off was Aug 13th before the market down turn, but I doubt that would matter much.

But if you look beyond the main stream media to independent data – Brand new ball game!

The University of Michigan's preliminary index of sentiment decreased to 92.9 in August from 93.1 in July, the lowest level since November.

And

According to non-government-sponsored Gallup, US Consumer's Economic Outlook collapsed to its lowest in a year. Gallop says *the average was the result of 37% of Americans saying the economy is "getting better" and 58% saying it is "getting worse."*

Also on Tuesday, the department said new-home sales rose 5.4% percent last month to a seasonally adjusted annual rate of 507,000, compared with June's revised annualized rate of 481,000. Economists were expecting to see a pickup in sales data, with consensus forecasts calling for an annual rate of 512,000 units.

While the headline sounds good they did not meet consensus. The rate of sales in July is in line with the average over the past six months, suggesting that while sales of new homes are holding on to previous gains they are failing at the moment to make any further upward move

And now for perhaps a small sweet breeze for the miners.

Fund raising by miners are also picking up compared to a dismal 2014. According to EY Total proceeds of \$2.2bn were raised by TSX- and TSXV-listed mining companies during the quarter. While that is down 28% compared to Q1 2015, it represents a jump of 62% as compared to the same period a year ago. TMAC Resources had a successful IPO to raise \$135 million for its Hope Bay gold project, Largo Resources raised \$75.2m in a private placement for the development of its Brazilian vanadium mine, Trevali Mining secured \$30.6m in a secondary public offering destined for its Caribou Zinc Mine in New Brunswick, Rubicon Minerals executed a \$30.2m private placement towards Canadian exploration expenses while First Majestic Silver raised a similar amount privately to advance its Mexican properties.

Commodities have taken it on the chin with this latest deflation wave spreading around the Globe, but many commodities have unique characteristics that can make them long term strategic investments. Graphite prices have languished in the face of a strong US dollar, the slowdown in China and the

lack of economic growth in the US/Europe/Japan, particularly as it relates to the steel industry..

However Graphite has strong growth potential in the tech, auto and electrical energy markets. It is the main component that makes up the anode of the Lithium ion battery used in smart phones, laptops and pretty much all portable technology. Society continues to mobilize so this sector will continue to see growth.

Where the real growth story begins is in two other sectors where Tesla Motors (NASDAQ:TSLA) is a market leader.

Tesla is well known for their high quality electric cars and these cars use a lot of Lithium ion batteries, hence graphite. Electric cars are not going to take over any time soon, but just small growth can have a big impact on graphite.

Tesla delivered 10,030 cars in Q1 of 2015, a 55% increase over Q1 2014 and in Q2 2015 it was 11,507 up 52% from Q2 2014. They have very strong growth and have an ambitious goal with a annual sales target of 500,000 cars.

To give you an idea how that relates to graphite - it would require four or six new graphite mines.

Perhaps 500,000 cars sounds like a lot but it is only 1% of the annual new car market. And keep in mind we are talking only one car company.

Tesla produces Battery only cars- but add in Hybrids that use electric and internal combustion the battery demand is much more. According to the Electric Drive Transportation Association, end of July YTD a total 350,688 electric cars including hybrids have been sold in the U.S. alone

<http://electricdrive.org/index.php?ht=d/sp/i/20952/pid/20952>

The electric car market in China is probably bigger than the U.S. just depending what you count as an electric car.

That aside Tesla will also drive demand in home power or off grid battery applications. This year they announced their new Powerwall home battery that greatly brings down the cost of storing Grid or Solar power. Certainly it is significantly bringing down the initial cost of a battery \$3,000 for the 7 kWh and \$3,500 for 10 kWh.

During Tesla's Q1 earnings call, CEO Elon Musk just announced that the company has so far taken 38,000 reservations for its Powerwall home battery. "The response has been overwhelming. Like, crazy," Musk said

Since then Tesla has announced two collaboration deals with Sunrun and LichtBlick. Sunrun is the largest dedicated residential solar company in the U.S. and LichtBlick is an energy and IT company. In Germany, over one million people - the "LichtBlickers" - already set store by the pure energy of the pioneer and market leader for green electricity and gas.

Tesla is starting construction of their battery Gigafactory with planned production for 2017. Before too long Tesla will have to negotiate an off take agreement with somebody to source graphite to accommodate the growth of Tesla and their Gigafactory.

There has been much speculation among graphite Investors and graphite junior miners on who that might be. In a recent Corporate update, Greg Bowes of Northern Graphite says a potential catalyst would be a strategic partner/off take agreement or a decision in the Tesla "*beauty contest*".

Bowes goes on to say *“What Tesla wants is no secret. Low cost, near term supply, preferably North American, and mining and processing with a small environmental footprint. Tesla is all in with a very aggressive business plan and represents one catalyst that could stimulate the development of a new graphite mine in the very short term. What Tesla decides remains to be seen but Northern ticks all the boxes in terms of their requirements and might be the only graphite company that does.”*

Bowes calls it a Beauty contest but I think it might be one that is already won?

Northern Graphite **TSXV:NGC** **OTCQX:NGPHF** **Recent Price \$0.33**
Entry Price \$1.10 **Opinion – buy , average down**

It has been a while since I updated NGC but some news out over the summer makes this a very compelling buy.

Jeff Dahn is recognized as one of the pioneering developers of the lithium-ion battery that is now used worldwide in laptop computers and cell-phones. Dahn's recent work has concentrated on the application of Combinatorial Materials Science methods to battery and fuel cell materials problems. He is the author of over 500 refereed journal papers and co-inventor of 58 inventions with patents issued or filed. Jeff Dahn was born in Bridgeport, Conn. in 1957 and emigrated with his family to Nova Scotia, Canada in 1970. He obtained his B.Sc. in Physics from Dalhousie University (1978) and his Ph.D. from the University of British Columbia in 1982. Dahn then worked at the National Research Council of Canada (82-85) and at Moli Energy Limited (85-90) before taking up a faculty position in the Physics Department at Simon Fraser University in 1990. He returned to Dalhousie University in 1996.

Jeff Dahn? So what is the significance?

Lets put a few pieces together

In May, NGC announced they were providing the first commercial samples of its coated spherical graphite to potential customers. SPG is the anode material used in lithium-ion batteries and is manufactured from flake graphite concentrate produced by graphite mines. Coated SPG sells for \$10,000 per tonne to \$20,000 per tonne compared with \$1,100 per tonne for large flake graphite.

Northern has manufactured SPG from a representative sample of its mine concentrate and purified and coated it using the company's proprietary technologies. LIB cell testing indicates that Northern's SPG has a higher total capacity and better first-cycle efficiency than commercial samples. The reversible capacity is 365 milliamp-hours per gram, which is very close to the theoretical maximum of 372 milliamp-hours per gram, and the first-cycle efficiency is 92 per cent to 94 per cent.

Dr. Edward Buiel, founder of Coulometrics LLC and Northern's chief technology officer, stated that: *“Large flake graphite from the Bissett Creek deposit has a uniquely pristine crystal structure. The low degree of disorder creates very high reversible capacity without the need for thermal processing, and the material can be easily purified without acid washing, both of which result in a much smaller environmental footprint than competing products.”*

Dr. Ed Buiel got his PhD (“Development of Carbon Anode Materials for Lithium Ion Battery Applications”) under Jeff Dahn of Dalhousie University and has co-authored patents with Dahn. Buiel has many patents, publications and conference publications of his own. He is an expert and a colleague of Dahn.

Now where it gets very interesting, about 6 weeks ago Tesla announced that they have entered into an exclusive agreement with Dr. Jeff Dahn, a Li-ion battery researcher at Dalhousie University in Halifax, Nova Scotia. After his current work ends Dahn will be exclusive to Tesla for 5 years

<http://ecomento.com/2015/06/22/tesla-links-up-with-battery-scientist-jeff-dahn/>

If you care here is a video of one of Dahn's lectures, kind of long over an hour and boring unless you have an interest in batteries

<https://m.youtube.com/watch?v=9qi03QawZEK>

According to the Tesla web site they are beginning construction of the battery gigafactory with planned production for 2017. Before too long Tesla will have to negotiate an off take agreement with somebody to source graphite.

http://www.teslamotors.com/sites/default/files/blog_attachments/gigafactory.pdf

We know NGC has supplied samples to potential customers so no doubt one of them is Tesla. We have Buiel at NGC as their Chief Technology Officer and now his colleague Dahn is at Tesla.

A person can easily join the dots here and conclude that the odds have to be high that NGC will be supplying graphite to Tesla.

Tesla just announced a \$500 million stock offering and would have no trouble financing mine construction at NGC's Bisset Creek. I think an announcement will have to be made soon so Bisset Creek can be built in time to provide graphite to Tesla.

News of a deal between Tesla and NGC would no doubt send NGC stock soaring



About all I can say on the chart, is the correction of the last few months in the mining sector made this ridiculously cheap

<http://www.northerngraphite.com>

NewGold

TSX and NY :NGC

Recent Price C\$2.80

I am getting pretty disgusted of being stopped out of our Gold stocks time and time again but it is limiting losses and protecting profits.

We got stopped out of NewGold at \$3.70 and it is now \$2.80 so we can now enter back in at much lower prices

Shares outstanding 509 million - Market cap C\$1.4 B or US\$1.1 B

NGD has a portfolio of four producing assets and three significant development projects. The New Afton Mine in Canada, the Mesquite Mine in the United States, the Peak Mines in Australia and the Cerro San Pedro Mine in Mexico, provide the company with its current production base and solid foundation. In addition, New Gold owns 100% of the Rainy River and Blackwater projects, both in Canada.

It remains a favorite for a number of reasons

Costs are low, All-in sustaining costs of \$922/ounce, including total cash costs of \$410/ounce;

It's mines in Canada and Australia are benefiting from the low currency in both countries;

Last qtr. cash flow from operations before changes in working capital of \$63-million, or \$0.12/ share;

New Afton mill expansion successfully commissioned, ahead of schedule and under budget, resulting in increased recoveries of gold and copper as planned;

June 30, 2015, cash balance of \$327-million;

Strong financial flexibility by previously announced \$175-million Rainy River streaming transaction with Royal Gold:

This week monetized their 30% interest in the El Morro project by selling to Goldcorp in exchange for \$90-million (U.S.) in cash and a 4% stream on gold production;

I like this move because El Morro is an iffy project of when it might be put into production. Most likely Goldcorp wanted 100% of the project to make the expenditure more viable.

Profitable New Gold earns \$9.4-million (U.S.) in Q2 ;

Valuation very low at US\$55 per ounce

Still has a large short position of 30.7 million shares on Toronto;

Strong growth with their new Rainy River project coming on stream in 2017.

On July 20th they got a Royalty stream financing before the last metal correction

Royal Gold Inc. entered into \$175-million purchase and sale agreement with New Gold Inc., for a percentage of the gold and silver production from the Rainy River project in Ontario, Canada.

The Rainy River project is located 65 kilometres northwest of Fort Frances in Western Ontario, Canada, just north of the Minnesota border. Over its first nine years of full production, the 21,000 tonne per day, combined open pit-underground operation is scheduled to produce an average of 325,000 ounces of gold per year. Permits to begin major earthworks construction are in place, and, as of mid-2015, detailed engineering is 95 per cent complete and 14 per cent of the total development capital estimate of \$877-million has been spent. Start-up is projected for mid-2017.

Stream transaction details

- Royal Gold will make two advance payments to New Gold, consisting of \$100-million at closing and \$75-million once capital spending on the project is 60 per cent complete (currently expected by mid-2016).
- New Gold will deliver to Royal Gold:
 - 6.5 per cent of the gold produced at Rainy River until 230,000 ounces have been delivered, and 3.25 per cent thereafter;
 - 60 per cent of the silver produced at Rainy River until 3.1 million ounces have been delivered, and 30 per cent thereafter.
- Royal Gold will pay New Gold 25 per cent of the spot price per ounce of gold or silver.

In the pipeline

Blackwater

The company's Blackwater project, located in south-central British Columbia, is expected to produce an average of 485,000 ounces of gold per year at below industry average costs. The current focus at Blackwater is working toward the approval of the environmental assessment.

Summary

Ignoring their 3 billion pounds of copper reserves NewGold has about 18 million Gold equivalent reserves (adding 90 million ounces silver) When you consider Measured and Indicated Resources they have about 26.5 million ounces Gold equivalent (adding silver – ignoring copper)

With a US\$1.1 billion market cap, and add \$360 million for debt less cash, a value of \$1.46 billion on 26.5 million ounces of Gold is only US\$55 per ounce



Like Northern the recent correction makes this ridiculously cheap and we do have a possible double bottom in August at \$2.50

<http://www.newgoldinc.com>

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