

## Another healthy lift in sentiment notwithstanding profit taking

### *Markets bounce around during the week*

The week opened on a positive note with the All Ords pushing through the downtrend resistance, though not going much higher. The Metals and Mining and Energy indices almost did the same, but faltered. The rest of the week was dominated by a pause in momentum as some profit taking occurred.

The highlight of the week was the 19% spike of the iron ore price at the same time that Fortescue announced a proposal to blend some of its iron ore with higher grade Vale ore. Once again we saw numerous naysayers in an aggressive attack on Andrew Forrest, letting us know that the tall poppy syndrome is alive and well in Australia. The persecution of this outstanding entrepreneur continues, unfortunately.

The move by the EU to drop interest rates to zero and resume QE brought us back to focus on the plight of the European economies which continue to disappoint. The gold price spiked strongly midweek as a result but it gave back these gains on Friday evening, while the Dow and the copper price were both stronger.

Markets are moving around again though not in unison. We are seeing a number of juniors tapping the market, taking advantage of the renewed sentiment. Be selective with these. Make sure you actually want the stock because this strong run in the markets may have a breather about the time you receive tradable shares and in such an event you won't be able to get out. Markets have bounced strongly from oversold positions but we won't be back in bull territory for any great length of time in the absence of good news on economics and fundamentals. Measured optimism is appropriate.

### *How do you tell when a graphite stock is a good one?*

Listening to presentations by a couple of graphite stocks last week led me to ask the question of them "what makes you better than all of these other graphite companies?" The response included comments on grade, waste to ore ratios, locations etc etc. These are the standard parameters that need to be looked at with every mining project, across different commodities. They all affect the cost of achieving an end product, being a saleable concentrate in the case of graphite. If these are the only determinants of whether a company and its project is any good, then you would conclude that the best share to own is that of the company with the lowest (projected) operating costs. That seems logical, but how many projects will be brought on stream and how likely is there to be an oversupply? The probability is high so that it means we will see pressure on the graphite prices. The profits the companies are forecasting will be unattainable. We could have a situation like we have with iron ore - cutthroat competition.

Everyone seems to be assuming that producing graphite is simple. Mine the ore, run it through a crushing and grinding circuit then use flotation to recover a concentrate. Voila! What about the metallurgy? What about the ability to produce a concentrate that suits the end users needs? What about the issues in material handling when you increase the scale from laboratory test work to run-of -mine production? How many times to you have refloat to remove all the impurities? What finishing chemical treatment is required? Is it really just a walk in the park that some companies are implying?

The questions that I ask, and which virtually no-one is able or prepared to answer, relate to metallurgy. What is it about the metallurgy of your product that makes it any better than anyone else's? What deleterious elements do you have, such as vanadium or uranium, which may make your concentrates difficult to market? Having the right metallurgy will be the critical parameter and there is only so far that you can extrapolate laboratory test work.

A graphite ore processing plant can comprise up to six grinding stages and seven flotation stages. Concentrates can be classified as high purity (99.9%), high-carbon (94-99%), medium-carbon (80-94%) and low-carbon (50-80%). Achieving highest grades may involve high temperature, acid pickling processes and high temperature evaporation. Sodium hydroxide and hydrochloric or sulphuric acid may be involved. Care must be taken not to crush and grind too aggressively or the large flake sizes may be compromised. The impurities must be removed via mechanical or chemical methods. Each orebody will be different and this means that there will need to be careful fine tuning on most cases during what could be an extended commissioning period.

Another method of distinguishing between projects is to look at their target markets and the end uses of the product. Is it for use in foundry or spheroidal graphite for batteries? Is it suitable for exfoliation, or even conversion to low cost graphene? What is it apart from flake size that determines suitability? Again, metallurgical analysis can answer these questions.

If it is a race to get into production first, and a company like Syrah swamps the market, why are there so many new arrivals looking to promote their merits? Can't they see that the market is heading for massive over supply? But what if Syrah has bitten off more than it can chew? What if it can't achieve the scale it proposes or it can't produce a saleable product free from contaminants? What collateral damage or benefit will the rest of the sector suffer from through either success or failure of Syrah? We watch and wait.

**Sentiment Indicator:** Sentiment improved again over the week notwithstanding some profit taking. Iron ore came in from the cold and oil stocks followed the oil price higher. There were 45% (39%) of the stocks in uptrend and 28% (31%) in downtrend.

## 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	breaching final resistance	
Metals and Mining	XMM	testing final resistance line	
Energy	XEJ	breaching final resistance	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
ABM Resources	ABU	steep uptrend being tested	gold
Aeon Metals	AML	vertical rise	copper + cobalt
Alacer Gold	AQG	rising	gold – production
Alkane Resources	ALK	continuing down	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
African Energy	AFR	still in downtrend	coal
Agua Resources	AGR	downtrend	phosphate
Altech Chemicals	ATC	breached secondary downtrend	industrial minerals
Anova Metals	AWV	uptrend	gold
Antipa Minerals	AZY	breached downtrend	gold
Archer Exploration	AXE	drifting	graphite
Argent Minerals	ARD	sideways	polymetallic
Atlas Iron	AGO	breached downtrend with vertical rise	iron ore
Atrum Coal	ATU	breached downtrend	coal
Australian Bauxite	ABX	New low	bauxite
Avanco Resources	AVB	ST uptrend	copper
AWE	AWE	ST uptrend	oil and gas
BHP	BHP	strongly higher	diversified
Base Resources	BSE	steep rise from lows	mineral sands
Beach Energy	BPT	testing downtrend	oil and gas
Beadell Resources	BDR	strong rise	gold
Berkeley Resources	BKY	correcting downwards	uranium
Blackham Resources	BLK	steeply higher	gold
Broken Hill Prospect.	BPL	breached downtrend	minerals sands
Buru Energy	BRU	sideways at lows	oil
Canyon Resources	CAY	rising	bauxite
Cardinal Resources	CDV	new uptrend breached	gold exploration
Carnegie Wave	CWE	down	wave energy
Cassini Resources	CZI	new uptrend	nickel/Cu expl.
Chalice Gold	CHN	rising	gold
Consolidated Tin	CSD	heavy slump	tin
Consolidated Zinc	CZL	secondary downtrend	zinc
Coventary Resources	CYY	breached downtrend	copper
Cudeco	CDU	Collapse on relisting	copper
Dacian Gold	DCN	uptrend	gold exploration
Danakiali	DNK	sideways	potash
Doray Minerals	DRM	new high	gold
Duketon Mining	DKM	short term uptrend	nickel
Eden Energy	EDE	strong breakout upside	carbon nanotubes in concrete
Energia Minerals	EMX	strong breach of downtrend	zinc
Energy Resources	ERA	breached downtrend	uranium
Evolution Mining	EVN	new high	gold
Excelsior Gold	EXG	sideways through uptrend line	gold
First Australian	FAR	breached downtrend	oil/gas
First Graphite	FGR	sideways to down	graphite
Fortescue Metals	FMG	huge rise then correction	iron ore
Galaxy Resources	GXY	new high	lithium
Galilee Energy	GXY	surged higher	oil and gas, CBM
Gascoyne Resources	GCY	uptrend	gold

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General Mining	GMM		new high	lithium
Geopacific Res. Resources	GPR		new uptrend	copper/gold exp.
Gold Road	GOR		uptrend	gold exploration
Goldphyre	GPH		holding flatter uptrend now	potash
Gryphon Minerals	GRY		higher	gold
Herron Resources	HRR		down	zinc
Highfield Resources	HFR		breaching uptrend	potash
Highlands Pacific	HIG		testing downtrend	copper, nickel
Hillgrove Resources	HGO		risen to resistance line	copper
Hot Chili	HCH		new low	copper
Iluka Resources	ILU		uptrend	mineral sands
Independence	IGO		steep rise	gold, nickel
Intrepid Mines	IAU		sideways	copper
IMX Resources	IXR		testing downtrend	graphite
Karoo Gas	KAR		at lows	gas
Kasbah Resources	KAS		short term higher	tin
KBL Mining	KBL		collapse back to lows	copper/gold/zinc
Kibaran Resources	KNL		breaching support	graphite
Kin Mining	KIN		at lows	gold
King Island Scheel.	KIS		New low	tungsten
Kingsgate Consol.	KCN		surge though downtrend	gold
Kingsrose Mining	KRM		at resistance	gold
Legend Mining	LEG		breached downtrend	exploration
Lithium Australia	LIT		correcting lower	lithium
Lucapa Diamond	LOM		steeply higher on 404 carat diamond	diamonds
Macphersons Res.	MRP		uptrend	silver
Medusa Mining	MML		uptrend	gold
Metals of Africa	MTA		surged higher, but at resistance line	zinc expl/graph.
MetalsX	MLX		breached downtrend	tin, gold
Mincor Resources	MCR		risen to resistance line	nickel
MMJ PhytoTech	MMJ		uptrend in play	medical cannabis
Mount Gibson	MGX		sideways	iron ore
Mustang Resources	MUS		heavy fall	diamonds, rubies
MZI Resources	MZI		new low	mineral sands
Newfield Resources	NWF		collapse on tiny volume	diamonds
Northern Minerals	NTU		new low	REE
Northern Star Res.	NST		new high	gold
Oceana Gold	OGC		new high	gold
Oklo Resources	OKU		breached downtrend	gold expl.
OM Holdings	OMH		New low	manganese
Orecorp	ORR		back to high	gold development
Orinoco Gold	OGX		softer during rights issue	gold development
Orocobre	ORE		at resistance	lithium
Oz Minerals	OZL		steeply higher	copper
Paladin Energy	PDN		still in LT downtrend	uranium
Pacific American Coal	PAK		strong rise	coal
Pantorro	PNR		rising	gold
Panoramic Res	PAN		hitting resistance	nickel
Panterra Gold	PGI		new uptrend	gold production
Paringa Resources	PNL		breaching downtrend	coal
Peel Mining	PEX		down	copper
Peninsula Energy	PEN		down	uranium
Perseus Mining	PRU		rising again	gold
Pilbara Minerals	PLS		ST downtrend, being tested	lithium/tantalum
Platina Resources	PGM		rising off lows	PGMs, gold
Potash West	PWN		breached uptrend	potash
Red River Resources	RVR		rising	zinc
Regal Resources	RER		rising from lows	copper
Regis Resources	RRL		new high	gold
Renaissance Min.	RNS		short term higher	gold
Resolute Mining	RSG		steeply higher	gold
Reward Minerals	RWD		down	potash
Rex Minerals	RXM		surge through downtrend	copper

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RIO	RIO		steep ST uptrend	diversified
RTG Mining	RTG		<b>strongly higher</b>	copper/gold
Rum Jungle	RUM		breached downtrend	quartz
Salt Lake Potash	SO4		uptrend	potash
Saracen Minerals	SAR		new high	gold
St Barbara	SBM		new high	gold
Sandfire Resources	SFR		up, but meeting resistance	copper
Santos	STO		new uptrend	oil/gas
Sheffield Resources	SFX		down	mineral sands
Silver City Minerals	SCI		heavy fall	base metals
Silver Lake Resources	SLR		new uptrend commenced	gold
Sino Gas & Energy	SEH		new uptrend	gas
Southern Gold	SAU		uptrend, but correcting pattern	gold
Sthn Hemisphere	SUH		down	copper
Stavelly Minerals	SVY		breached downtrend	copper exploration
Sunbird Energy	SNY		New low	gas/CBM
Sundance Energy	SEA		surge higher	oil/gas
Syrah Resources	SYR		uptrend	graphite
Talga Resources	TLG		sideways through downtrend	graphene
Tanami Gold	TAM		down	gold
Tiger Resources	TGS		strong rise to secondary resistance	copper
TNG Resources	TGS		<b>breaching ST uptrend</b>	titanium, vanadium
Torian Resources	TNR		breaching downtrend	gold expl'n
Toro Energy	TOE		downtrend	uranium
Triton Minerals	TON		Turned down	graphite
Unity Mining	UML		breached downtrend	gold
UraniumSA	USA		Secondary downtrend	uranium
URI	URI		downtrend	uranium
Valence Industries	VXL		down - suspended	graphite
Vimy Resources	VMY		back to downtrend	uranium
West African Resources	WAF		new uptrend	gold
Westwits	WWI		back to recent lows	gold exploration/development
Western Areas	WSA		testing downtrend	nickel
Wolf Minerals	WLF		down	tungsten
Totals	45%	65	Uptrend	
	28%	41	Downtrend	
		145	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.

<b>Weightings of Sectors Represented in the Company Charts</b>		
<b>Sector</b>	<b>No. of Companies</b>	<b>Weighting</b>
Gold	33	22.8%
Copper	19	13.1%
Oil/Gas	10	6.9%
Gold Exploration	9	6.2%
Uranium	8	5.5%
Graphite	8	5.5%
Potash/Phosphate	7	4.8%
Zinc	6	4.1%
Nickel	5	3.4%
Coal	5	3.4%
Mineral Sands	5	3.4%
Iron Ore	3	2.1%
Tin	3	2.1%
Lithium	4	2.8%
Silver	2	1.4%
Diamonds	3	2.1%
Bauxite	2	1.4%
Other	13	
<b>Total</b>	<b>145</b>	

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