

15 July 2017

On Friday's Close

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Mining market is slowly dragging itself off the floor

The market continued to be soft over the week with no new themes coming into play. Again, it is a matter of waiting until volumes start to pick up as the new financial year takes over. There is no FOMO, but there is nevertheless value if you choose wisely. It is a buyers market.

Geopolitical risk in Tanzania will impact graphite

The proposed legislative changes in the ownership and taxation of mining projects in Tanzania are examples of what can go wrong when investing in foreign jurisdictions, when the government moves the goal posts. What can be perfect one day can become a disaster the next.

We have seen the share prices of many Tanzanian-based companies collapse since the changes were announced. One of the hardest hit sectors has been the emerging graphite sector, where a number of ASX listed companies have been heavily promoting their projects. Overnight they have become tainted. Even if there is a moderation of the initiative by the government, the observation of the slump in share prices of the affected companies will be enough to keep most investors away. Tanzania is now a no-go zone.

The corollary of this is that the Mozambique-based projects suddenly become more valuable (assuming that the government there doesn't go down the same path). The Syrah share price has reflected this, having a good spurt in the share price. The risk of oversupply of graphite is reduced somewhat, but the elephant in the room is still Syrah. It could satisfy the market on its own in the event that it has done its technical homework properly and the project commissions successfully. We won't know this for quite a few months from now. Triton might also get a fillip out of this.

FGR planning commercial-scale graphene plant

In a very significant announcement made last week, FGR has revealed that it has received government approvals to construct a commercial scale graphene production facility at its new operations centre in Henderson, a suburb of Perth. This follows a 12 month period of commissioning and optimising the performance of its Graphene Cell. The new facility is expected to be operational Q4 of 2017, which will make FGR the first ASX-listed Australian company to achieve the status of a commercial producer of graphene.

The Company announced that its facility would have a capacity of 20-25 tpa in the first instance, based on a single shift, five day per week operation. If it were to be ramped up to maximum capacity, working 24/7, it could pump out 90 tpa of graphene. However, the reality is that if demand for its product reached this level the Company would install more cells.

That highlights the issue of whether or not the market is big enough to handle this level of production. Given the opaque nature of the market and fractured nature of the suppliers, it is difficult to accurately say what the world-wide graphene production level is, and how much industry

requires. So far the development of the graphene sector has been constrained by supply; the availability of reasonably priced graphene of consistent quality and in sufficient volumes. Nevertheless, it seems that 1,000 tpa of graphene is a reasonable figure to talk about. So, is there room for FGR's graphene?

We can see that FGR could quickly move to supply 10% of the global market for graphene as it will have one of the largest capacity production facilities. There is unlikely to be more than two or three companies that produce larger volumes, but these companies all experience higher costs. The real competitive advantage for FGR comes with the low capital and operating costs. Combine these features with the ability to supply on demand and you will see that FGR is perfectly positioned not only to supply the market, but to stimulate the growth in demand.

You should note that there is graphene and there is graphene. Just like "oils ain't oils", graphene can be variable in thickness, platelet size and quality depending upon the end use for which it is intended. Invariably customers will choose a cheaper price as a tradeoff for quality, in the first instance.

FGR will start off with the largest platelet size, lowest defect and few-layer graphene readily available in the market. It will then use secondary processing methods to tailor the graphene to suit individual customer needs. This may involve sonication by conventional methods but the Vortex Fluidic Device, under licence from Flinders University, may prove to be even more efficient. The more the Company deals with customers in this activity, the better it will get to know the market and the more beneficial will be the first mover advantage. This is the start of what promises to be a long and prosperous growth curve, provided that sales can be achieved.

FGR has been actively supplying samples to potential buyers of graphene all around the world. It is optimistic that this will lead to evergreen sales contracts. It has enlisted the services of international trading firm, Traxys, to assist in getting the market penetration in what continues to be an embryonic industry.

Another point to be made is that FGR is not intending to depend totally on sales of graphene to third parties. It is actively involved in the development of new applications for graphene, such as fire retardants and coatings. Thus it is actively stimulating demand for graphene. This is all part of the strategy to be vertically integrated through the entire graphene value chain.

The main point in all of the above is that FGR is actually doing it, not just promoting and promising. It has been granted mining licences to facilitate the production of the essential raw material - vein graphite. It has mitigated supply risk by securing an offtake agreement with the government mine in Sri Lanka. It has developed and optimised its graphene production technology and applied

for patents to protect its IP. It is now about to enter the market place with a commercial production facility. It is almost astonishing that FGR has reached this juncture in such a short period of time, as it is about to become one of the largest graphene producers in the world with a very significant first mover advantage.

Santana drilling delivers strong silver extensions

SMI is continuing to return good silver intercepts from its drilling program at the Mojardina project, at the Cuitaboca Project in Mexico. The first few holes reported late in June, confirmed mineralisation at the southern end of Mojardina that equaled or exceeded surface channel grades. Intercept included 53m at 47 gpt Ag (incl. 8m at 157 gpt), 15m at 100 gpt Ag (incl. 5m at 157 gpt) and 7m at 53 gpt, from surface.

A subsequent release on 11th July, reported 6m at 100 gpt and 12m at 148 gpt, 32m at 104 gpt (incl. 19m at 153 gpt, 12m at 118 gpt, and 5m at 121 gpt).

All of these holes were expanding the boundaries of the known mineralisation, confirming the size potential of the project. That remains in the order of 80-100 Mt at 80-100 gpt silver, with higher grade zones included. Everything is on track and looking good. The shares started to break out of their downtrend last week.

Orinoco coming back from the precipice

OGX is a company that has had a near death experience, so it wasn't worth mentioning for a while, notwithstanding the excellent geology with high grades. The Company embarked upon the development of the underground Cascavel gold mine in Brazil with insufficient working capital. Inexperienced management and Brazilian cultural issues all played a part in bringing the company to its knees. Development operations were suspended late in 2016.

Something had to give, and as it turns out it was the management and board. In April 2017, the founding managing director, Mark Papendiek resigned, as did John Hannaford, the founding chairman. Ian Finch also resigned from the board. Two new directors were appointed, including Hèlcio Guerra, a mining engineer with over 30 years experience in Brazil.

Prior to these resignations, in late March, a mining engineer named Craig Dawson was appointed CEO. Richard Crew, a UK mining engineer with about 15 years experience operating in Brazil, has been appointed General Manager of Operations.

The quality of the geology would have been instrumental in getting AngloGold onto the register last year, with a 17% shareholding at a cost of \$5.9m. AngloGold has also committed to a US\$9.5m regional exploration joint venture to earn 70% (excluding Cascavel), though it does have an option to buy 50% of that mine.

Last week the share price of OGX kicked higher, breaching its downtrend. The catalyst for this was an ASX release stating that development was going well, ahead of the planned re-commencement of operations.

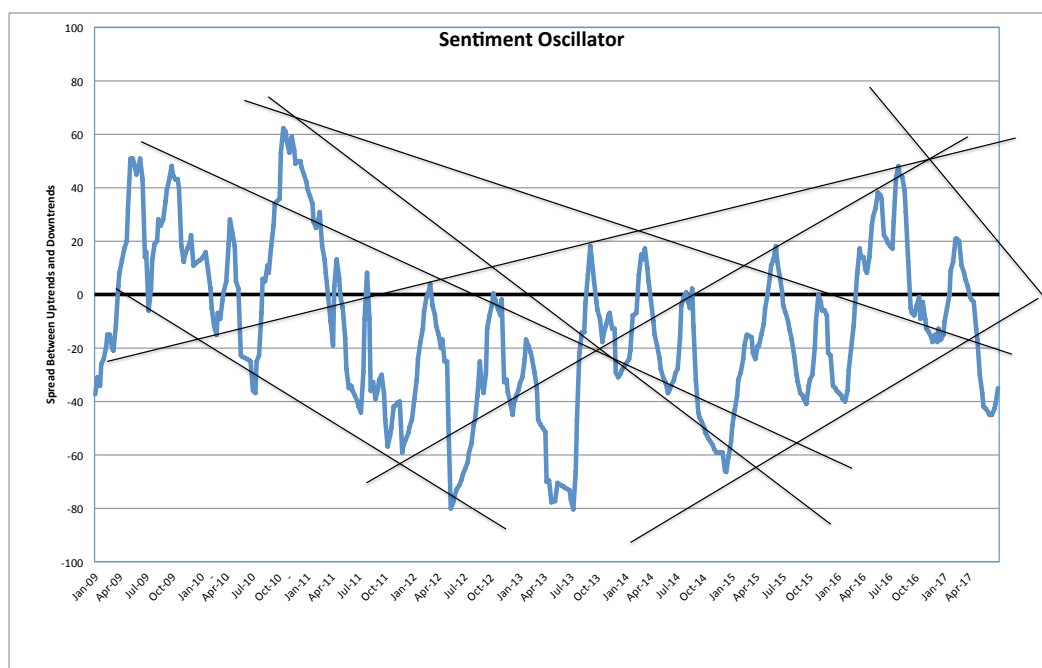
OGX has a market capitalisation of \$30m, so it is still a penny dreadful. At least it now has a stronger operational board and management, and a cornerstone shareholder in AngloGold. The challenge for the the board will be to retain as much value as it can for shareholders on the path to recovery. At least there is light at the end of the tunnel.

Coventry Resources - copper/gold in Alaska

Last week I received a presentation on Coventry Resources (CYY), a company in suspension while it raises up to \$10m in support of a gold/copper project in Alaska. While I am on record as saying that Australian companies have never had a commercial success in Alaska, that doesn't mean to say that there is anything wrong with the geology. It is usually the management of the junior companies that is incomplete. White River's zinc-rich project has been in the headlines recently with a healthy valuation. Coventry's project includes copper and gold.

CYY is merging with a private company, Vista Minerals, doubling its market capitalisation. Its revised portfolio will include both deposits and exploration ground. **Caribou Dome** has a JORC resource of 2.8 Mt at 3.1% Cu, including 935,000 t at 4.4% Cu in the top 150m, with mineralisation open in a number of directions (earning 80% equity). **Zackly** is an advanced stage copper/gold skarn with 1.7 Mt at 4.5 gpt Au and 2.9% copper (non JORC), within a 4-5 km long zone of prospectively.

The deal is conditional upon CYY raising \$10m, which it is close to achieving. In the event that it falls a little short, provision is being made to reduce the hurdle to \$7m. Having already reached the lower level, we expect that the shares will be trading again by the end of next week. This will be a company to keep an eye on incoming months, as the Alaskan field season is well underway. *If investors want to participate in this placement they should contact FEC before the close of business on Monday 17th July.*



Sentiment Indicator: Sentiment continued to improve gently as the charts are starting to go through the process of transitioning from downtrends into more positive territory; fewer downtrends but no change in the uptrend count. There were 17% (17%) of the charts in uptrend and 52% (58%) 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	continuing in downtrend	
Metals and Mining	XMM	surging after breached short term downtrend	
Energy	XEJ	short term downtrend being tested	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
ABM Resources	ABU	downtrend	gold
Aeon Metals	AML	sideways	copper + cobalt
Alacer Gold	AQG	falling from rally	gold – production
Alkane Resources	ALK	testing downtrend	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Agua Resources	AGR	testing resistance line	phosphate
Alicanto Minerals	AQI	sideways at lows	gold exploration
Alliance Resources	AGS	sideways	gold exploration
Alltech Chemicals	ATC	down	industrial minerals
Anova Metals	AWV	strong rebound	gold
Antipa Minerals	AZY	short term uptrend being breached	gold
Apollo Consolidated	AOP	new low	gold exploration
Archer Exploration	AXE	continuing down	magnesite, graphite
Argent Minerals	ARD	sideways	polymetallic
Aspire Mining	AKM	testing downtrend	coal
Atrum Coal	ATU	new low	coal
Aurelia Metals	AMI	down	gold + base metals
Auroch Minerals	AOU	down	exploration
Aus Tin	ANW	softer	tin, cobalt
Australian Bauxite	ABX	breached downtrend	bauxite











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Australian Potash	APC		breaching uptrend	potash
Australian Mines	AUZ		gentle uptrend commenced	cobalt/nickel
Australian Vanadium	AVL		down	vanadium
Avanco Resources	AVB		down	copper
AWE	AWE		down again	oil and gas
Azure Minerals	AZS		sideways through downtrend	silver
BHP	BHP		risen to meet resistance line	diversified
Base Resources	BSE		breaching uptrend	mineral sands
Bathurst Resources	BRL		continuing higher	coal
Battery Minerals	BAT		down	graphite
Beach Energy	BPT		testing long term support	oil and gas
Beadell Resources	BDR		new low	gold
Berkeley Resources	BKY		risen to meet resistance line	uranium
Berkut Minerals	BMT		new low	cobalt
Blackham Resources	BLK		testing downtrend	gold
Broken Hill Prospect.	BPL		testing downtrend	minerals sands, cobalt
Buru Energy	BRU		sideways at lows	oil
Canyon Resources	CAY		new low	bauxite
Cardinal Resources	CDV		breaching uptrend after placement	gold exploration
Carnegie Clean Energy	CCE		testing uptrend	wave energy
Cassini Resources	CZI		breached uptrend	nickel/Cu expl.
Chalice Gold	CHN		holding uptrend	gold
Cobalt One	CO1		rally on change of name (from Equator)	cobalt
Cobalt Blue	COB		down	cobalt
Comet Resources	CRL		sideways near highs	graphite/graphene
Consolidated Zinc	CZL		downtrend	zinc
Corizon Mining	CZN		breached downtrend	cobalt
Crusader Resources	CAS		breached downtrend	gold/iron ore
Dacian Gold	DCN		breached downtrend	gold exploration
Danakali	DNK		still in uptrend	potash
Doray Minerals	DRM		back in downtrend	gold
Duketon Mining	DKM		still in downtrend	nickel
Eden Innovations	EDE		breached short term downtrend	carbon nanotubes in concrete
Energia Minerals	EMX		fallen out of bed	zinc
Evolution Mining	EVN		testing uptrend	gold
Excelsior Gold	EXG		testing uptrend	gold
Finders Resources	FND		breached downtrend	copper
First Australian	FAR		testing uptrend	oil/gas
First Graphite	FGR		testing downtrend	graphite
Fortescue Metals	FMG		new downtend	iron ore
Galaxy Resources	GXY		strong rise to meet resistance	lithium
Galilee Energy	GLL		down	oil and gas, CBM
Gascoyne Resources	GCY		breached uptrend	gold
Geopacific Res. Resources	GPR		new low	copper/gold exp.
Global Geoscience	GSC		correcting lower	lithium
Gold Road	GOR		uptrend continuing	gold exploration
Graphex Mining	GPX		new low then strong recovery	graphite
Heron Resources	HRR		drifting lower	zinc
Highfield Resources	HFR		continuing down	potash
Highlands Pacific	HIG		down	copper, nickel
Hillgrove Resources	HGO		testing uptrend	copper
Iluka Resources	ILU		surged higher	mineral sands
Image Resources	IMA		testing uptrend	mineral sands
Independence	IGO		stronger	gold, nickel
Intrepid Mines	IAU		sideways	copper
Karoo Gas	KAR		breached support line	gas
Kibaran Resources	KNL		testing downtrend	graphite
Kin Mining	KIN		surge on gold discovery announcement	gold

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Legend Mining	LEG		sideways	exploration
Lithium Australia	LIT		strong rise t	lithium
Lucapa Diamond	LOM		down	diamonds
Macphersons Res.	MRP		downtrend	silver
Medusa Mining	MML		downtrend	gold
MetalsX	MLX		back into downtrend	tin, nickel
Metro Mining	MMI		sideways to higher	bauxite
Mincor Resources	MCR		breached downtrend	nickel
Mineral Deposits	MDL		on support line	mineral sands
Mustang Resources	MUS		breached downtrend	diamonds, rubies
MZI Resources	MZI		down	mineral sands
Northern Minerals	NTU		down	REE
Northern Star Res.	NST		rising	gold
NTM Gold	NTM		breached uptrend	gold
Oceana Gold	OGC		pullback within uptrend	gold
Oklo Resources	OKU		trying to break downtrend	gold expl.
Orecorp	ORR		down	gold development
Orinoco Gold	OGX		breached downtrend	gold development
Orocobre	ORE		under longer term downtrend	lithium
Oz Minerals	OZL		testing downtrend	copper
Pacific American Coal	PAK		down	coal, graphene
Pantoro	PNR		new high	gold
Panoramic Res	PAN		downtrend	nickel
Peel Mining	PEX		pullback	copper
Peninsula Energy	PEN		down	uranium
Perseus Mining	PRU		new low	gold
Pilbara Minerals	PLS		heavy fall	lithium/tantalum
PNX Metals	PNX		down	gold, silver, zinc
Red River Resources	RVR		holding longer term uptrend	zinc
Regis Resources	RRL		confirming uptrend	gold
Resolute Mining	RSG		testing short term downtrend	gold
Reward Minerals	RWD		testing downtrend	potash
RIO	RIO		recovery	diversified
RTG Mining	RTG		testing downtrend	copper/gold
Salt Lake Potash	SO4		down	potash
Saracen Minerals	SAR		holding long term uptrend	gold
St Barbara	SBM		breached uptrend	gold
Sandfire Resources	SFR		breached uptrend	copper
Santana Minerals	SMI		back in downtrend	silver
Santos	STO		under long term support line	oil/gas
Sheffield Resources	SFX		still in downtrend	mineral sands
Silver Lake Resources	SLR		heavy fall	gold
Silver Mines	SVL		down again	silver
Sino Gas & Energy	SEH		down	gas
Southern Gold	SAU		resuming uptrend	gold
Stanmore Coal	SMR		breaching long term support	coal
Sundance Energy	SEA		down	oil/gas
Syrah Resources	SYR		strong rise	graphite
Talga Resources	TLG		breached uptrend, but trying to recover	graphene
Tanami Gold	TAM		short term down	gold
Tempo Australia	TPP		breached downtrend	mining services
Teranga Gold	TGZ		strong rally	gold
Tiger Realm	TIG		down	coal
Tiger Resources	TGS		suspended	copper
TNG Resources	TNG		testing short term downtrend	titanium, vanadium
Torian Resources	TNR		downtrend	gold expl'n
Toro Energy	TOE		down	uranium
Troy Resources	TRY		secondary downtrend	gold

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Tyranna Resources	TYX		down	gold exploration
Vango Mining	VAN		uptrend	gold
Vimy Resources	VMY		testing downtrend	uranium
West African Resources	WAF		strong rise	gold
Westwits	WWI		slump	gold exploration/development
Western Areas	WSA		breached downtrend	nickel
White Rock Minerals	WRM		down	silver
Whitehaven Coal	WHC		breached downtrend	coal
WPG Resources	WPG		still down	gold
Wolf Minerals	WLF		down	tungsten
Totals	17%	24	Uptrend	
	52%	75	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.

Weightings of Sectors Represented in the Company Charts			
Sector	No. of Companies	Weighting	
Gold	33	22.8%	
Copper	12	8.3%	
Gold Exploration	14	9.7%	
Coal	9	6.2%	
Oil/Gas	9	6.2%	
Potash/Phosphate	6	4.1%	
Mineral Sands	7	4.8%	
Graphite	7	4.8%	
Silver	6	4.1%	
Zinc	6	4.1%	
Lithium	5	3.4%	
Nickel	5	3.4%	
Uranium	4	2.8%	
Cobalt	4	2.8%	
Tin	2	1.4%	
Bauxite	3	2.1%	
Diamonds	2	1.4%	

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Weightings of Sectors Represented in the Company Charts			
Iron Ore	1	0.7%	
Other	10		
Total	145		

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