

Mining shares looking better as institutions are coming back

The tide is rising in the mining sector

The week opened strongly with the mining index surging ahead again following positive leads from the Dow. This contrasts with early July movements over recent years, when the market was much more wimpish. That is the difference between being in a bull market and a bear market. The strength of the Metals and Mining Index this week is confirmation that the big end of town is re-weighting in mining stocks. The asset allocators have obviously decided that the pickings will be more attractive in mining than they have been.

It's worthwhile flicking through the various commodities to see what recent price movements are telling us. They have all been rising for a few weeks now and this is obviously encouraging investors who have stopped asking "when will the market turn the corner?" It already has, many months ago. If you haven't been making money you have probably missed the best six month period you will see for a long time. Having said that the easy pickings may be over. The easy money has been made as the tide has been rising, but from here on you are going to need to be more selective.

Gold .. the leader of the revival

The performance of the leading gold producers over the last nine months has been powerful. Valuations are getting to be seriously large so you should expect some reluctance for new buying ... unless it comes from institutions that need to keep buying to achieve their desired portfolio weightings. Nevertheless, these big stocks could go much higher, especially if the gold price continues to perform, but the excitement is trickling down to the juniors.

Many stocks that were wondering about their ability to survive this time last year have seen their share prices not just double, but in many cases they are up 200-400%. That doesn't mean that these companies are going to be wonderfully successful miners, because the vast majority of them won't. It doesn't mean they are good fundamental value, because they probably aren't. Yet it does mean that traders want them. The shares are going higher because there is optimism in the market, as evidenced by our Sentiment Index.

The meaning of the Dow at a new high

As the Dow makes new highs the message coming across is loud and clear. There is nothing to fear in the markets (as far as the USA is concerned), but how does that sit with a gold bull market? Are the two compatible given that gold is a safe haven? Why need a safe haven in good times? Maybe everything is not as rosy as the Dow is try to suggest.

The level of the Dow is important for sentiment but it is only a narrow peephole on the world. There is plenty of turmoil in societies with mass killings and bombings, often but not always based on religious conflict. The world society is a very volatile place at the moment. It lacks positive

statesmanship from its leaders with a predominance of indecisive wimps in the box seat, more concerned with what is going around on social media than long term planning (sounds a bit like what has been the stock market).

The dissatisfaction with our leaders is demonstrated by the rise of the more extremists groups in various parliaments as we are all learning that political direction is driven by vocal minority groups rather than the quiet majority. It has been the vocal left leaning groups that have driven the political and social agenda to the left this century. Political correctness has stymied free speech but the pendulum is now swinging the other way with people like Donald Trump in the USA and the revival of Pauline Hanson in Australia. Society is a battlefield today between the passive aggressives and those who are not so passive. What's wrong with taking some comfort in gold?

Even thermal coal is looking better

The early sniffs are coming through on the coal sector. Coal has been totally off the radar for at least a couple of years, but it is time to look its way.

Chinese reform policies are starting to have an impact on an industry that has previously suffered from oversupply. The central government has asked domestic miners to cut output by 16% and reduce their operating days from 330 to 276 days p.a. Approval of new coal mines has been suspended for three years.

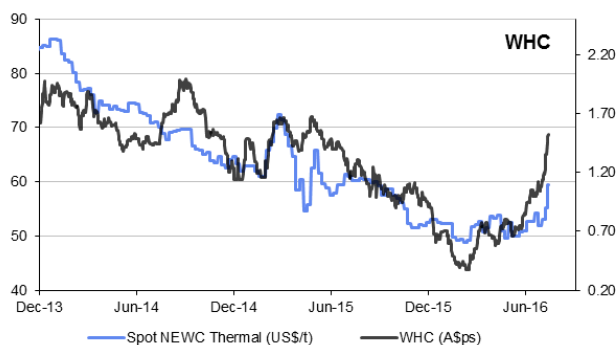
The reforms are actually happening as evidenced by figures showing China's raw coal production in May was down 16% y/y. Output is now expected to fall by more than 250 Mt in 2016, with a target to fall 500 Mt by 2020.

On the other side of the equation China is actually importing more coal. From January to May 2016, imports of 86 Mt were up 4% y/y. The dynamics of the seaborne trade are changing.

The thermal coal price has recently improved by 10%. Japan is looking to increase its thermal coal imports by 50%, no doubt in response to the pushback on nuclear energy following Fukushima. Three new coal fired power stations have been recently approved with another 40 planned over the next 12 years. South Korea is planning to build 20 new coal fired power stations by 2020.

So where does this leave those institutions and investors who thought coal was dead, for environmental reasons? It just goes to show that the World is not about to walk away from coal-fired power stations just because it is dirty or because greenies don't want it. The same greenies don't want nuclear power, which is the cleanest form of base load energy. Maybe they just want us to go back to the Dark Ages.

The chart on page two shows that thermal coal prices are off the bottom, with that having a powerful influence on Whitehaven Coal's share price.



Peninsula Energy recovering on good news flow

While on the subject of nuclear energy, it is worth pointing out the strong performance on Peninsula Energy over the past two weeks. From a low of 49¢ on 1 July, the shares spiked 65% to 80¢ on the 13th July, coinciding with a mini roadshow by the CEO. The presentation released to the ASX showed four months of strong improvement in production as the Lance uranium project continues to ramp up production, exceeding expectations. Even though the uranium spot price has been softer, PEN has been achieving sales at better than US\$60/lb due to long term, 5-10 year contracts with utilities. It is looking good.

More on silver companies

Following last week's note on silver, I have been contacted by a number of readers who have volunteered a few more candidates. The main three are **Azure Minerals (AZS)**, **Argent Minerals (ARD)** and **White Rock Minerals (WRM)**, sporting market capitalisations of \$66m, \$12m and \$10m respectively.

I last looked at Azure a few years back when its main project was Promintorio, in Mexico. This comprised two modest size but good grade copper, gold and silver orebodies. Within Promintorio is Cascada with a quoted resource 2 Mt at 0.9% Cu, 1.6 gpt Au and 27 gpt Ag. (1.9% CuEq). However, since then the project has changed direction when deeper drilling intersected porphyry style mineralisation, encouraging Kennecott (RIO) to strike a deal whereby it could earn 80% by spending US\$45m on exploration and development. To this end Kennecott is currently on the seventh hole in a 10 hole program going down to depths of 1,000-1,500m. It is big picture exploration.

When RIO farms into an exploration project is effectively goes into a black hole. The big company dictates that pace of work according to its own agenda and that is never compatible with a junior's need for constant activity and news flow. Azure had to come up with something else with which to enthuse shareholders. So, It struck a deal to acquire the Alacrán silver-copper-gold project from Teck.

Located in the Laramide Copper Province, 50 km from the USA in the Sonoma County, Mexico, Alacrán is the main reason for the silver tag now on the Company. Azure has announced the Mesa de Plata deposit containing a 26 Moz silver resource at 84 gpt Ag, with a near surface high grade zone of 15 Moz at 220 gpt. The Company is very confident that it will have a mine here with an engineer recently being appointed to carry out a feasibility study. This is planned to be finished by the end of the year.

The mineralisation is found in the top 40 to 70m of a mesa. It is all oxidised and amenable to easy mining with a very low waste to ore ratio. Metallurgical work suggested the silver can be recovered through a leaching and flotation circuit.

Azure is in the final stages of the US\$5m earn-in commitment. Once it completes this spending, in the next few months, Teck then has the right to claw back 65% by spending \$15m. Teck is more interested in copper though. It is unlikely to exercise the claw-back on the basis of a silver orebody. With respect to copper, there is a low grade oxidised copper resource in the order of 100 mt at 0.25%, but that is not enough to excite Teck either.

There is still exploration upside at Alacrán for silver and copper, but the next focus will be on a nearby gold project, also located near surface on the top of a mesa. Named Loma Bonita, this is shaping up as a 1.5 gpt gold resource readily amenable to cyanide leaching.

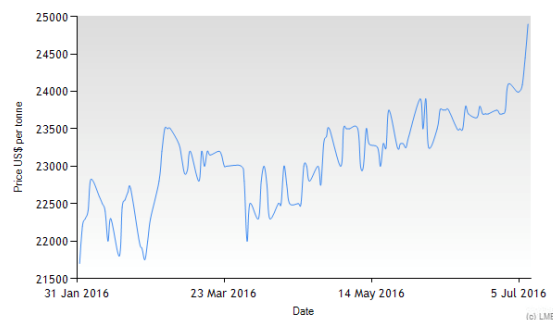
Azure is well funded following a \$16m placement at 3.8¢ per share in late May, and an SPP that brought in \$1.4m. Sprott took \$5m worth of shares in the placement. This looks like a company with plenty of merit.

New week we will provide some comments on Argent Minerals and White Rock.

Cobalt starting to move

Have a look at the cobalt price chart, below. It is starting to move. As we have said previously, cobalt looks like lithium did a year ago.

Historical price graph for Cobalt



Additions and deletions to chart coverage

Aus Tin (ANW) has been added to the chart coverage. It is an emerging tin producer, but the market might be more interested in the cobalt sampling that returned high grades.

Following on the with the silver story we have added Azure Minerals (AZS) and White Rock Minerals (WRM). Manas Resources (MSR) has been added as a prospective gold producer in Kyrgyzstan, though it still needs funding and carries high geopolitical risk.

We have deleted KBL Mining from our chart coverage. It doesn't seem to be going anywhere fast and the blow-out in capital with the recent issue will relegate the stock to the day traders' domain. Sunbird Energy has also been dropped as it is basically a \$5m shell with the imminent sale of its gas interests.

Sentiment Indicator: There was another strong swing to the bullish side of sentiment during the week with 62% (52%) of the stocks in uptrend and 18% (25%) in downtrend. Based on historical observations you would have to say this is an unusually strong market. The closer the sentiment gets to 70%, the greater the likelihood of a blow-out and subsequent correction.

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	strongly above support line	
Metals and Mining	XMM	another strong rise	
Energy	XEJ	sideways	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
ABM Resources	ABU	new high	gold
Aeon Metals	AML	new high	copper + cobalt
Alacer Gold	AQG	rising again	gold – production
Alkane Resources	ALK	testing downtrend after placement of shortfall	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Agua Resources	AGR	surge on positive study results	phosphate
Alicanto Minerals	AQI	new high	gold exploration
Attech Chemicals	ATC	strongly higher	industrial minerals
Anova Metals	AVV	new high	gold
Antipa Minerals	AZY	new high	gold
Archer Exploration	AXE	breached uptrend	graphite
Argent Minerals	ARD	strong rise	polymetallic
Atlas Iron	AGO	down	iron ore
Atrum Coal	ATU	trying to find direction	coal
Aurelia Metals	AMI	new high	gold + base metals
Auroch Minerals	AOU	down on withdrawal from lithium deal	exploration
Aus Tin	ANW	stronger	tin, cobalt
Australian Bauxite	ABX	new uptrend confirmed	bauxite
Avanco Resources	AVB	turning down	copper
AWE	AWE	resistance at 90¢	oil and gas
Azure Minerals	AZS	recapturing uptrend	silver
BHP	BHP	recovering uptrend	diversified
Base Resources	BSE	breached uptrend	mineral sands
Beach Energy	BPT	long term downtrend in play	oil and gas
Beadell Resources	BDR	new high	gold
Berkeley Resources	BKY	new high	uranium
Blackham Resources	BLK	new high	gold
Broken Hill Prospect.	BPL	short term down	minerals sands, cobalt
Buru Energy	BRU	sideways	oil
Canyon Resources	CAY	new high	bauxite
Cardinal Resources	CDV	stepped up	gold exploration
Carnegie Wave	CWE	downtrend	wave energy
Cassini Resources	CZI	chopping around	nickel/Cu expl.
Chalice Gold	CHN	new high	gold
Consolidated Tin	CSD	strong rise then pullback	tin
Consolidated Zinc	CZL	downtrend breached then heavy pullback	zinc
Coventry Resources	CYY	rising again	copper
Dacian Gold	DCN	new high	gold exploration
Danakiali	DNK	rising again	potash
Doray Minerals	DRM	new high	gold
Duketon Mining	DKM	pullback	nickel
Eden Energy	EDE	rallying	carbon nanotubes in concrete

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Energia Minerals	EMX		new high then heavy correction	zinc
Evolution Mining	EVN		new high	gold
Excelsior Gold	EXG		new low	gold
First Australian	FAR		testing downtrend	oil/gas
First Graphite	FGR		pullback	graphite
Fortescue Metals	FMG		new high	iron ore
Galaxy Resources	GXY		breached uptrend	lithium
Galilee Energy	GLL		still down	oil and gas, CBM
Gascoyne Resources	GCY		rising again	gold
General Mining	GMM		testing steep uptrend	lithium
Geopacific Res. Resources	GPR		recovered to hit resistance line	copper/gold exp.
Gold Road	GOR		uptrend	gold exploration
Goldphyre	GPH		breaching uptrend	potash, gold
Graphex Mining	GPX		surge after IPO	graphite
Gryphon Minerals	GRY		new high on takeover bid	gold
Herron Resources	HRR		at highs	zinc
Highfield Resources	HFR		fallen to support line	potash
Highlands Pacific	HIG		sideways around lows	copper, nickel
Hillgrove Resources	HGO		pullback after vertical rise	copper
Hot Chilli	HCH		collapsed	copper
Iluka Resources	ILU		correcting after rise	mineral sands
Independence	IGO		new high	gold, nickel
Intrepid Mines	IAU		sideways - 7¢ capital return proposed	copper
Karoo Gas	KAR		testing downtrend	gas
Kasbah Resources	KAS		sharp rise, and trading halt	tin
Kibaran Resources	KNL		breached downtrend but then a pullback	graphite
Kin Mining	KIN		new high	gold
King Island Scheel.	KIS		new low	tungsten
Kingsgate Consol.	KCN		suspension	gold
Kingsrore Mining	KRM		down	gold
Legend Mining	LEG		gentle downtrend	exploration
Lithium Australia	LIT		breached ST downtrend	lithium
Lucapa Diamond	LOM		higher on big volume	diamonds
Macphersons Res.	MRP		rising	silver
Manas Resources	MSR		rising	gold
Medusa Mining	MML		breached ST downtrend	gold
Metals of Africa	MTA		breached uptrend	zinc expl/graph.
MetalsX	MLX		new high	tin, gold
Mincor Resources	MCR		new high	nickel
MMJ PhytoTech	MMJ		testing downtrend	medical cannabis
Mustang Resources	MUS		new high	diamonds, rubies
MZI Resources	MZI		rising	mineral sands
Northern Minerals	NTU		testing downtrend	REE
Northern Star Res.	NST		new high	gold
Oceana Gold	OGC		new high	gold
Oklo Resources	OKU		rising	gold expl.
OreCorp	ORR		new high	gold development
Orinoco Gold	OGX		rising again	gold development
Orocobre	ORE		through resistance and higher	lithium
Oz Minerals	OZL		new high	copper
Paladin Energy	PDN		new uptrend	uranium
Pacific American Coal	PAK		correcting after rise	coal, graphene
Pantoro	PNR		surge to new high	gold
Panoramic Res	PAN		rising	nickel
Paringa Resources	PNL		down	coal
Peel Mining	PEX		gentle uptrend	copper
Peninsula Energy	PEN		surge off lows	uranium
Perseus Mining	PRU		new high	gold
Pilbara Minerals	PLS		breached uptrend	lithium/tantalum

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Potash West	PWN		meeting resistance line	potash
Red River Resources	RVR		sideways	zinc
Regis Resources	RRL		new high	gold
Renaissance Min.	RNS		still at highs	gold
Resolute Mining	RSG		new high	gold
Reward Minerals	RWD		still down	potash
Rex Minerals	RXM		back to lows	copper
RIO	RIO		testing long term downtrend	diversified
RTG Mining	RTG		steeply higher	copper/gold
Rum Jungle	RUM		new low	quartz
Salt Lake Potash	SO4		uptrend breached	potash
Saracen Minerals	SAR		new high	gold
St Barbara	SBM		new high	gold
Sandfire Resources	SFR		stronger	copper
Santana Minerals	SMI		strong rise	silver
Santos	STO		continuing stronger	oil/gas
Sheffield Resources	SFX		new high	mineral sands
Silver City Minerals	SCI		surge higher	base metals
Silver Lake Resources	SLR		new high	gold
Silver Mines	SVL		surge to new high	silver
Sino Gas & Energy	SEH		new uptrend	gas
Southern Gold	SAU		uptrend continuing	gold
Sundance Energy	SEA		falling again	oil/gas
Syrah Resources	SYR		strongly higher	graphite
Talga Resources	TLG		surge higher, then a placement & pullback	graphene
Tanami Gold	TAM		new high	gold
Tiger Resources	TGS		new low	copper
TNG Resources	TNG		drifting lower	titanium, vanadium
Torian Resources	TNR		rising again	gold expl'n
Toro Energy	TOE		downtrend	uranium
Troy Resources	TRY		rising again	gold
Tyranna Resources	TYX		surge on drilling results	gold exploration
Vimy Resources	VMY		down	uranium
West African Resources	WAF		new high	gold
Westwits	WWI		new uptrend	gold exploration/development
Western Areas	WSA		steep rise to new high	nickel
White Rock	WRM		steep rise	silver
WPG Resources	WPG		ST down	gold
Wolf Minerals	WLF		continuing down	tungsten
Totals	62%	86	Uptrend	
	18%	25	Downtrend	
		139	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

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Weightings of Sectors Represented in the Company Charts			
Sector	No. of Companies	Weighting	
Gold	35	25.2%	
Copper	14	10.1%	
Gold Exploration	11	7.9%	
Oil/Gas	9	6.5%	
Potash/Phosphate	7	5.0%	
Graphite	6	4.3%	
Zinc	6	4.3%	
Silver	6	4.3%	
Nickel	5	3.6%	
Lithium	5	3.6%	
Mineral Sands	5	3.6%	
Uranium	5	3.6%	
Coal	4	2.9%	
Tin	4	2.9%	
Iron Ore	2	1.4%	
Diamonds	2	1.4%	
Bauxite	2	1.4%	
Other	11		
Total	139		

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