

The scramble to get set is evolving into a need to deliver

Markets tended to take a step backwards during the week, which was understandable given how well they have performed over such a long period. Quite frankly, it has been stronger for longer than I would have expected, but that is a reflection on how hard the market had been oversold up until February.

It is likely that the first wave of the new bull market in mining stocks has run its course. This is the one where everyone scrambles for a seat at the table. Those who were waiting for a clear signal that the market had bottomed have provided the momentum as they scrambled to recapture sufficient weighting in the sector before they miss out.

During the first wave many hasty investment decisions can be made as optimism overrides caution. Many companies go through a refinancing phase, repairing balance sheets with desperately needed injections of capital. This helps satisfy the need that larger investors have for paper and mitigates against the shortage of stock, for the time being. It also starts the process of rotating out of one company into the next, when a placement is offered at a discount to the market, and funds have to be cleared to take advantage of the new opportunity.

Optimism is still the dominant sentiment as so many more investors have a vested interest in seeing the market move higher, but we are starting to enter the phase where promises need to be delivered upon. Share prices will move more according to news flow and delivery of results. Investors will look more critically to see if they are backing the right companies, and will switch into alternatives that might appear to have better prospects. Thus, promotion will continue to play a big role in attracting funds.

There is no key theme driving markets at present. Everything seems to be under control with panic and greed well matched. Perhaps this is due to the northern hemisphere holiday season and if so, does this mean that we have to wait for the gremlins to come back from leave before we get the destabilisation that provides aggressive trading opportunities? It looks like clear sailing until then.

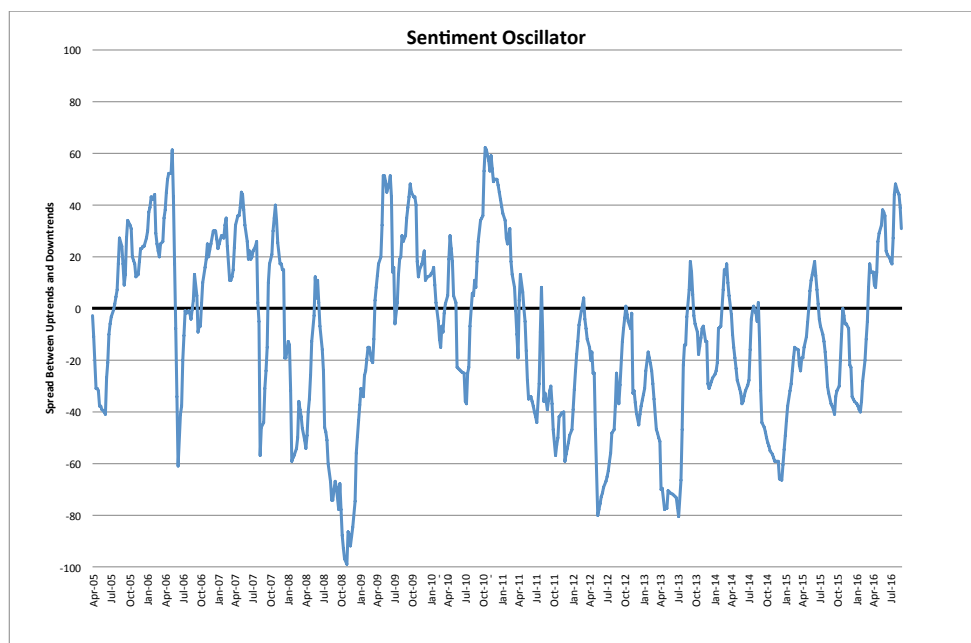
There could be a profit taking wave in the golds

A number of the gold producers have come off their highs and are at or near their support lines. The list includes Evolution, Northern Star and Saracen and Silver Lake, all good institutional size companies. Watch for a sectorial breach of these trend lines as it could be the harbinger of a correcting phase in the gold stocks. If enough institutional investors decide it is time to take profits you could see an aggressive short term sell down as big money moves around. Such an event would not mean the end of the gold bull market. Rather, it could be an opportunity to buy in at lower levels before the next wave takes it higher. It might also mean that smaller stocks are selected as offering better growth opportunities.

Note that there is already one gold producer that has fallen 30% from its high, Doray Minerals, though this may have more to do with company specifics. Another, St Barbara, is down 19% and has breached its uptrend. More could follow.

Oscillator update

We have published the Sentiment Oscillator again this week, showing the pullback in sentiment that comes after a strong rise. The market could go either way from here.



Sentiment Indicator: This is the third week of softer sentiment with 52% (56%) of the stocks in uptrend and 21% (17%) 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	near peak of trading range	
Metals and Mining	XMM	near recent highs	
Energy	XEJ	gently rising	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
ABM Resources	ABU	breached support line	gold
Aeon Metals	AML	new high	copper + cobalt
Alacer Gold	AQG	rising again	gold – production
Alkane Resources	ALK	strong rise	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Agua Resources	AGR	struggling to hold these levels	phosphate
Alicanto Minerals	AQI	new high	gold exploration
Altech Chemicals	ATC	heavy pullback to support line	industrial minerals
Anova Metals	AWV	new high	gold
Antipa Minerals	AZY	breached support line	gold
Archer Exploration	AXE	breached uptrend	graphite
Argent Minerals	ARD	down	polymetallic
Atlas Iron	AGO	down	iron ore
Atrum Coal	ATU	new high	coal
Aurelia Metals	AMI	pullback	gold + base metals
Auroch Minerals	AOU	down on withdrawal from lithium deal	exploration
Aus Tin	ANW	surge higher	tin, cobalt
Australian Bauxite	ABX	at resistance level	bauxite
Australian Vanadium	AVL	breached uptrend	vanadium
Avanco Resources	AVB	turning down	copper
AWE	AWE	pullback	oil and gas
Azure Minerals	AZS	trying to hold uptrend	silver
BHP	BHP	hugging trendline	diversified
Base Resources	BSE	breached uptrend, but rallying	mineral sands
Beach Energy	BPT	long term downtrend in play	oil and gas
Beadell Resources	BDR	correcting after rise	gold
Berkeley Resources	BKY	surge to new high	uranium
Blackham Resources	BLK	new high	gold
Broken Hill Prospect.	BPL	testing ST downtrend	minerals sands, cobalt
Buru Energy	BRU	sideways	oil
Canyon Resources	CAY	sideways breach of pullback pattern	bauxite
Cardinal Resources	CDV	new high	gold exploration
Carnegie Wave	CWE	downtrend	wave energy
Cassini Resources	CZI	stronger	nickel/Cu expl.
Chalice Gold	CHN	new high	gold
Consolidated Zinc	CZL	downtrend breached then heavy pullback	zinc
Coventry Resources	CYY	ST down	copper
Dacian Gold	DCN	new high	gold exploration
Danakali	DNK	rising again	potash
De Grey	DEG	rising	gold
Doray Minerals	DRM	down	gold
Duketon Mining	DKM	new high	nickel
Eden Energy	EDE	correction turning into a downtrend	carbon nanotubes in concrete
Energia Minerals	EMX	struggling	zinc
Evolution Mining	EVN	coming off its highs	gold
Excelsior Gold	EXG	new low	gold

This research report is provided in good faith from sources believed to be accurate and reliable. Far East Capital Ltd directors and employees do not accept liability for the results of any action taken on the basis of the information provided or for any errors or omissions contained therein. Readers should seek investment advice from their professional advisors before acting upon information contained herein.

First Australian	FAR	orange	sideways	oil/gas
First Graphite	FGR	green	break upside to new high	graphite
Fortescue Metals	FMG	green	new high	iron ore
Galaxy Resources	GXY	red	heavy fall	lithium
Galilee Energy	GLL	red	still down	oil and gas, CBM
Gascoyne Resources	GCY	green	rising again	gold
General Mining	GMM	orange	steep uptrend breached	lithium
Geopacific Res. Resources	GPR	green	breached downtrend	copper/gold exp.
Global Geoscience	GSC	green	pullback on placement	lithium
Gold Road	GOR	orange	breached uptrend	gold exploration
Goldphyre	GPH	red	short term down	potash,gold
Graphex Mining	GPX	orange	heavy correction	graphite
Gryphon Minerals	GRY	green	new high on takeover bid	gold
Herron Resources	HRR	green	at highs	zinc
Highfield Resources	HFR	orange	fallen to support line	potash
Highlands Pacific	HIG	orange	sideways around lows	copper, nickel
Hillgrove Resources	HGO	green	coming off high in a retracement	copper
Hot Chilli	HCH	red	new low	copper
Iluka Resources	ILU	green	correcting after rise	mineral sands
Image Resources	IMA	red	down	mineral sands
Independence	IGO	green	new high	gold, nickel
Intrepid Mines	IAU	orange	sideways - 7¢ capital return proposed	copper
Karoo Gas	KAR	orange	testing downtrend	gas
Kibaran Resources	KNL	green	breached downtrend but then a pullback	graphite
Kin Mining	KIN	orange	testing uptrend	gold
King Island Scheel.	KIS	red	new low	tungsten
Kingsgate Consol.	KCN	orange	suspension	gold
Kingsrose Mining	KRM	red	down	gold
Legend Mining	LEG	orange	breach of gentle dwontrend	exploration
Lithium Australia	LIT	orange	breached ST downtrend	lithium
Lucapa Diamond	LOM	green	on support line	diamonds
Macphersons Res.	MRP	orange	sideways	silver
Manas Resources	MSR	green	rising	gold
Medusa Mining	MML	orange	breached ST downtrend	gold
Metals of Africa	MTA	orange	breached uptrend	zinc expl/graph.
MetalsX	MLX	green	new high	tin, gold
Metro Mining	MMI	green	uptrend	bauxite
Mincor Resources	MCR	green	new high	nickel
Mineral Deposits	MDL	green	spiked out of downtrend	mineral sands
MMJ PhytoTech	MMJ	orange	testing downtrend	medical cannabis
Mustang Resources	MUS	orange	breaching support line	diamonds, rubies
MZI Resources	MZI	orange	breached uptrend	mineral sands
Northern Minerals	NTU	green	fallen to support line	REE
Northern Star Res.	NST	green	heavy correction	gold
Oceana Gold	OGC	green	heavy correction	gold
Oklo Resources	OKU	green	correction	gold expl.
OreCorp	ORR	green	new high	gold development
Orinoco Gold	OGX	green	rising again	gold development
Orocobre	ORE	orange	testing uptrend	lithium
Oz Minerals	OZL	green	new high	copper
Paladin Energy	PDN	green	new uptrend	uranium
Pacific American Coal	PAK	orange	breached uptrend	coal, graphene
Pantoro	PNR	green	surge to new high	gold
Panoramic Res	PAN	green	rising	nickel
Paringa Resources	PNL	red	down	coal
Peel Mining	PEX	green	gentle uptrend	copper
Peninsula Energy	PEN	orange	surge off lows	uranium
Perseus Mining	PRU	green	new high	gold

This research report is provided in good faith from sources believed to be accurate and reliable. Far East Capital Ltd directors and employees do not accept liability for the results of any action taken on the basis of the information provided or for any errors or omissions contained therein. Readers should seek investment advice from their professional advisors before acting upon information contained herein.

Pilbara Minerals	PLS		falling	lithium/tantalum
Potash West	PWN		meeting resistance line	potash
Red River Resources	RVR		surge to new high	zinc
Regis Resources	RRL		new high	gold
Renaissance Min.	RNS		new high	gold
Resolute Mining	RSG		on support line	gold
Reward Minerals	RWD		still down	potash
Rex Minerals	RXM		back to lows	copper
RIO	RIO		testing long term downtrend	diversified
RTG Mining	RTG		correcting	copper/gold
Rum Jungle	RUM		sideways	quartz
Salt Lake Potash	SO4		steeply higher	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		recovering uptrend	oil/gas
Sheffield Resources	SFX		new high	mineral sands
Silver City Minerals	SCI		down	base metals
Silver Lake Resources	SLR		new high	gold
Silver Mines	SVL		surge to new high	silver
Sino Gas & Energy	SEH		sideways	gas
Southern Gold	SAU		uptrend continuing	gold
Sundance Energy	SEA		testing downtrend	oil/gas
Syrah Resources	SYR		downtrend	graphite
Talga Resources	TLG		down	graphene
Tanami Gold	TAM		new high	gold
Tiger Resources	TGS		back to lows	copper
TNG Resources	TNG		drifting lower	titanium, vanadium
Torian Resources	TNR		rising again	gold expl'n
Toro Energy	TOE		downtrend	uranium
Troy Resources	TRY		secondary downtrend	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 high	gold exploration/development
Western Areas	WSA		at resistance	nickel
White Rock	WRM		steep rise	silver
WPG Resources	WPG		improving following placement	gold
Wolf Minerals	WLF		continuing down	tungsten
Totals	52%	74	Uptrend	
	21%	30	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.
- 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.

This research report is provided in good faith from sources believed to be accurate and reliable. Far East Capital Ltd directors and employees do not accept liability for the results of any action taken on the basis of the information provided or for any errors or omissions contained therein. Readers should seek investment advice from their professional advisors before acting upon information contained herein.

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	36	25.2%	
Copper	14	9.8%	
Gold Exploration	11	7.7%	
Oil/Gas	9	6.3%	
Potash/Phosphate	7	4.9%	
Mineral Sands	7	4.9%	
Graphite	6	4.2%	
Zinc	6	4.2%	
Silver	6	4.2%	
Lithium	6	4.2%	
Nickel	5	3.5%	
Uranium	5	3.5%	
Coal	4	2.8%	
Tin	2	1.4%	
Bauxite	3	2.1%	
Iron Ore	2	1.4%	
Diamonds	2	1.4%	
Other	12		
Total	143		

Disclaimer and Disclosure: This Research Report has been prepared exclusively for Far East Capital clients and is not to be relied upon by anyone else. In compiling this Commentary, we are of necessity unable to take account of the particular investment objectives, financial situation and needs of any of our individual clients. Accordingly, each client should evaluate the recommendations obtained in this Commentary in the light of their own particular investment objectives, financial situation and needs. If you wish to obtain further advice regarding any recommendation made in this Commentary to take account of your particular investment objectives, financial situation and needs, you should contact us. We believe that the advice and information herein are accurate and reliable, but no warranty of accuracy, reliability or completeness is given and (except insofar as liability under any statute cannot be excluded) no responsibility arising in any other way for errors or omissions or in negligence is accepted by Far East Capital Limited or any employee or agent. For private circulation only. This document is not intended to be an offer, or a solicitation of an offer, to buy or sell any relevant securities (i.e. securities mentioned herein or of the same issuer and options, warrant, or rights with respect to or interests in any such securities). We do not guarantee the accuracy or completeness of the information herein, or upon which opinions herein have been based. At any time we or any of our connected or affiliated companies (or our or their employees) may have a position, subject to change, and we or any such companies may make a market or act as principal in transactions, in any relevant securities or provide advisory or other services to an issuer of relevant securities or any company therewith. Unless otherwise stated all views expressed herein (including estimates or forecasts) are solely those of our research department and subject to change without notice. This document may not be reproduced or copies circulated without authority. Far East Capital Ltd and its associated own shares in Doray Minerals and First Graphite Resources. Warwick Grigor is a director of First Graphite Resources. Copyright © Far East Capital Ltd 2016