

22 July 2017

*On Friday's Close*

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## A gentle improvement in sentiment confirms we are past the low point

A new dynamic has hit the broader market this week with the RBA talking about normalised interest rates of 3.5% being on the radar. This has caused a run on the Aussie dollar, which is something our exporters don't want to see. The gold price has been rising in US\$ terms, countering the rise of the A\$. Foreign investors in our share market will be making money as our currency rises but this might cause selling when they think the rise is overdone. All these developments are adding to volatility, which is useful, but not in a big way.

The turnaround in the mining stocks is still tentative with a number of the early movers suffering from a lack of follow through buying. Yet, there were some that continued to improve, and still others that are having a crack at breakthroughs. On balance, as the Sentiment Oscillator shows, the week closed on an improved note. We have certainly seen the short term low. We now need to look to increasing volume coupled with higher prices to establish an improving trend that will bring in more buyers, and so the cycle turns.

### *Alkane's Good Result*

ALK's share price spiked during the week on the back of a good quarterly report. What stood out was the increase in cash to \$44.9m at the close, an increase of \$15m over the year to June. An AISC figure of A\$905/oz compares well with the gold price received over the year of A\$1,690/oz. Alkane is an example of an Aussie gold producer that is doing well on current gold prices and gold production in the range of 60-70,000 oz p.a.

The uncertain, but potentially exciting rare earths division, is something that has been gently progressing over decades now. Prices of the key rare earth and zirconium materials have been very strong in recent months, taking them to levels not seen for 4-5 years. Have a read of the quarterly. It is interesting.

### *Fake news flow in the market*

Fake news is a term we are hearing more often as it relates to the lack of quality and accuracy in news flow. It isn't restricted to the media though. Fake news is alive and well in ASX releases. Too much of this fake news flow is actually designed for share price manipulation, for a number of reasons, both good and bad. This meaning that there is very little confidence in the accuracy of so much of what is released, and we can't rely on the analysts working with brokers because they are always compromised by conflicts of interest.

So much for continuous disclosure. While the motives of the ASX were no doubt honourable in bringing in this requirement, it hasn't worked perfectly in the market place. It forces companies to make ill-considered and premature announcements in some cases, and it has contributed to the growth of fake news. This all increases the short term

nature of investing and accelerates the involvement of social media in moving share prices. So, even with continuous disclosure, there is no grounds for saying we are better informed and investment decisions haven't become any the wiser.

### *Allegiance Coal added to coverage; semi-soft coking*

We have picked up coverage of Allegiance Coal this week following a presentation by the Company. This is a prospective semi-soft coking coal company operating in British Columbia, a geopolitically safe province known for quality coal projects. At the moment it is capitalised at only \$6-7m, but the shares are in an uptrend on the charts.

The first point to make is that it appears to have a genuine project with good fundamentals. In the first instance it is looking at a 250,000 tpa of open pitable coal for Stage 1, as the permitting requirements are less stringent than the ultimate size of Stage 2, which would be 1 mtpa of saleable coal.

The main focus are the Tenas coal deposits which comprise a measured resource of 58 Mt, converting to 21 Mt of saleable coal. Thus at the Stage 2 rate of 1 Mtpa, there is a 20 year life after factoring in a 68% mine and washing yield. The quality compares well with NSW seaborne semi-soft coking coal which is the international benchmark. Sulphur is a little high at 0.9% (0.7% is preferred) but the coal strength relativity (CSR) is a compensating factor at 37-43, compared to the standard at 25-30.

AHQ has a number of advantages over other BC coal hopefuls. The coal is open pitable with two seams, each 1.5m thick, with interburden of 15m thickness. The waste to ore ratio is 5.7:1, the equivalent of 8.4:1 on the washed product with a 75% wash recovery factored into the numbers. Mining is planned to start at the lowest level in the pit, from whence mining will progress uphill. Fifty percent of the overburden removal will be performed by dozers pushing the waste to the sides at \$1.50 pt, giving a significant saving over the \$3.50 pt price for loading and hauling. The technique will reduce waste removal handling costs by 30%.

AQH estimates cash costs to the rail siding at US\$36.60 pt. Rail and port charges of US\$12.70, and other costs give a ship loaded cost of US\$54.80 pt, qualifying it as a low cost operation. Capital costs for Stage 1 have been estimated at US\$51m, but the Company believes these can be shaved by at least \$10m and maybe \$20m. Stage 2 will eventually cost a lot more capex, perhaps US\$160m, but by that stage the operation will be significantly de-risked.

Infrastructure costs are low due to the ability to use existing roads in Stage 1, to arrive at a rail siding 23.5 km distant. The rail journey is only 360 km to the port at Prince Rupert,

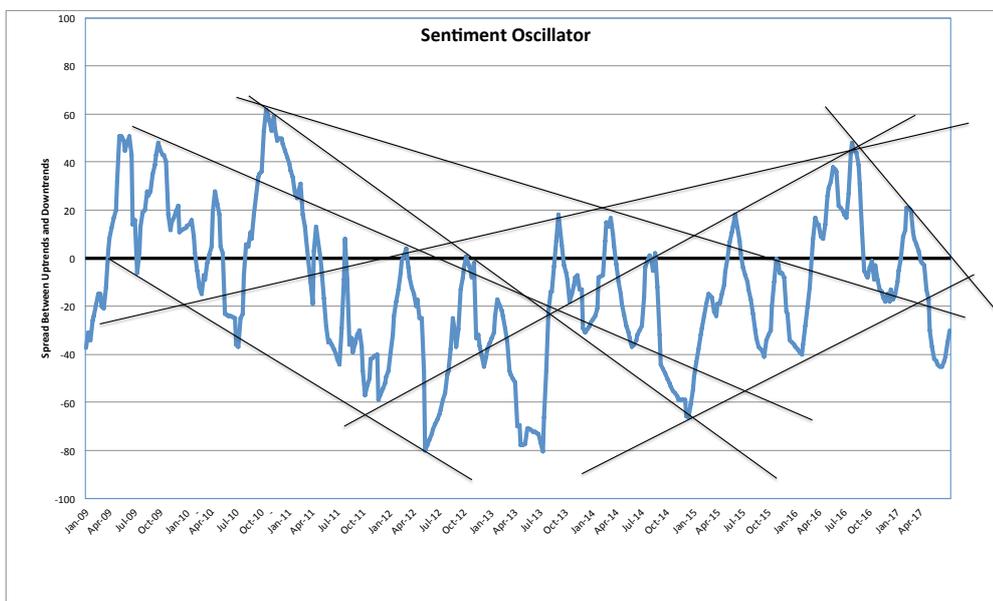
which has coal export capacity of 18 Mtpa, but currently only exporting about 6 Mtpa.

At the moment Allegiance has a 20% equity in the project but with payments of \$350,000 and \$500,000 it can move to 50% and 90% ownership levels, respectively. Perhaps this needs to happen before the market becomes fully supportive of the company.

If the market was driven purely by fundamentals you would say that Allegiance is a buy at these prices. However, we know that is not the case. News flow and FOMO take precedence. Here, the most significant news coming up will be the improvements in capital costs detailed in the PFS, probably in early October. There is still another two years to go in permitting and studies before mining could commence, and there is always the need for financing and with it, the dilutionary implications. Nevertheless, the shares seem good value for those with a bit of patience. A spurt in the coking coal price could bring speculators into the stock.

**The Shrinking Green Clown Party**

We have seen not one, but two Green Party senators resign from Federal Parliament because they held dual citizenship. Whereas Bob Brown and the party members are condescendingly trying to downplay these events and suggest that the system is to blame, the issue comes down to the quality of the Green members themselves. Those who have contravened the rules are guilty of reckless ignorance. If these people are not smart enough to read the rules and qualifications needed to be in parliament, how can they claim any competence in governance and the passing of new laws. This is not just a matter of bad luck or unfortunate circumstances. It goes a long way to explaining why these same people come up with such naive policies lacking in substance and with no care for reality.



**Sentiment Indicator:** The turnaround in the Sentiment Oscillator was confirmed with another improvement this week. There were 21% (17%) of the charts in uptrend and 51% (52%) 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

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Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
ABM Resources	ABU	downtrend	gold
Aeon Metals	AML	rising again	copper + cobalt
Alacer Gold	AQG	falling from rally	gold – production
Alkane Resources	ALK	spiked higher	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Agua Resources	AGR	weaker	phosphate
Alicanto Minerals	AQI	sideways at lows	gold exploration
Allegiance Coal	AHQ	rising	coal
Alliance Resources	AGS	sideways	gold exploration
Alltech Chemicals	ATC	down	industrial minerals
Anova Metals	AWV	strong rebound, then fell again	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	gentle uptrend	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	testing downtrend	tin, cobalt
Australian Bauxite	ABX	breached downtrend	bauxite
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	above resistance line	diversified
Base Resources	BSE	breaching uptrend	mineral sands
Bathurst Resources	BRL	continuing higher	coal
Battery Minerals	BAT	approaching resistance line	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	slump to new low	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

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Finders Resources	FND		breached downtrend	copper
First Australian	FAR		testing uptrend	oil/gas
First Graphite	FGR		breached first downtrend, resistance at 9c	graphite
Fortescue Metals	FMG		at resistance line	iron ore
Galaxy Resources	GXY		faltered at 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		breaking out through resistance	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
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		new uptrend	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		breached uptrend	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

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St Barbara	SBM		heading down	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		spike then pullback	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		breached first downtrend	uranium
Troy Resources	TRY		testing downtrend	gold
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		new uptrend	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	21%	30	Uptrend	
	51%	75	Downtrend	
		146	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	22.6%	
Copper	12	8.2%	
Gold Exploration	14	9.6%	
Coal	10	6.8%	
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	2.7%	
Cobalt	4	2.7%	
Tin	2	1.4%	
Bauxite	3	2.1%	
Diamonds	2	1.4%	
Iron Ore	1	0.7%	
Other	10		
<b>Total</b>	<b>146</b>		

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