

24 March 2018

Charts on Friday's Close

Analyst : Warwick Grigor

Cobalt Blue kicks a big goal as cobalt prices continue to surge

The US stock markets obviously don't like the aggressive protectionist stance being promoted by President Trump. Every time something new happens on this front, that causes commentary on the negatives of a trade war, the US markets get thumped. It is inevitable that markets elsewhere in the world will also be hit, but we are seeing a less aggressive sell-down outside of the USA.

The volatility we are seeing in the US stock markets, whether it comes from trade war or interest rate news, is symptomatic of the vacillations you get when bull markets are maturing. It is a battle between those who believe that the trend will continue, and those that believe, on a balance of probabilities, that the good run is over. You will get heavy falls when the bears win on the day, then the aggression in the bounce thereafter will give you a clue as to how entrenched the opposing views are. This process can go on for an indefinite time, until there is capitulation from either side. When that happens you will find a race to identify a cause or reason, but the real answer will be market dynamics themselves.

Do these observations mean that the end is nigh? Well, the end is always nigh, but each month the US bull market continues the probability increases that we have seen the top. Rising interest rates are not conducive to rising stock markets as yields need to adjust to remain competitive.

An important question to ask is whether money comes out of the US and into other global markets that are not so overpriced, or some other asset class. We could actually find that our market performs relatively well as we do not mirror the US scenario with our greater dependence on commodities.

Cobalt price continues to spiral

As the chart below demonstrates, the cobalt price continues to spiral higher. There doesn't seem to be anything holding it back as, unlike with lithium, there is a negligible supply response. If a company has a legitimate cobalt project, as opposed to just a few rock chip or channel samples, you can be certain that its share price will move higher. Cobalt is the best sector to be in.

We continue to see that two of the best cobalt stocks in terms of institutional appeal are Cobalt Blue (COB) and Northern Cobalt (N27). Far East Capital was Lead Manager to the \$10m COB IPO at the end of 2016, when the cobalt price was approximately 75% lower than it is today. The longer term shareholders in COB will be very pleased with the 20¢ shares recently trading above \$1.30.

Another stock that has potential to be a real performer at the more speculative end of the cobalt portfolios is Blackstone Minerals (BSX). The shares have been ordinary performers ever since the placement late last year at 42¢, but that should change with the end of winter in Canada. If

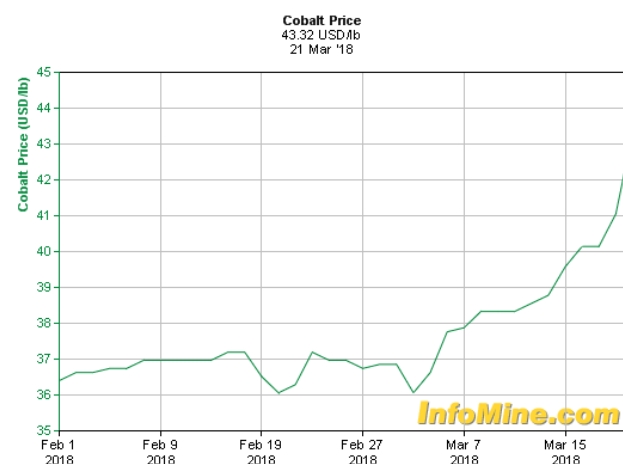
BSX can get some good drill results early in the field season, these would be the catalyst for a move higher.

Cobalt Blue strikes a great deal with LG

Last week COB announced a strategic partnership with LG International, the resource investment arm of LG Corporation, acting in concert with LG Chem. LG Chem is one of the largest lithium ion battery makers in the world.

COB is placing US\$6m worth of shares to the LG group at \$1.10 per share. LG will work with COB, providing capital and technical assistance to make high purity battery grade cobalt sulphate.

The strategic partnership with LG dramatically increases the likelihood of COB's Thackaringa cobalt project moving to the development phase. There is still work to do, and COB has to complete a list of obligations before it can complete the acquisition of Thackaringa to the 100% ownership level, but the outlook now looks much firmer. COB has assumed the mantle of the top cobalt tick on the ASX.



Broken Hill Prospecting (BPL) shareholders who still hold their COB shares from the distribution in specie will be very pleased. As part of the deal BPL retains a 2% royalty on all cobalt produced from the project, so the company retains a useful cobalt flavour going forward.

Disclosure: Interests associated with the author owns shares in Blackstone, Cobalt Blue, Northern Cobalt and Broken Hill Prospecting. FEC was Lead Manager for the Cobalt Blue IPO in December 2016, receiving standard industry fees. It also received capital raising fees from Blackstone. Shares received by FEC associates in the BPL distribution of COB are subject to a two year escrow period.

Juniors scrambling for cash injections

There has been a marked jump in junior companies going to the market for funds in the last week or two. That is understandable given the lethargy that prevents much business in the Dec-Jan period. February and March are often the best months to raise money.

The other imperative is the need to show a good cash balance at the end of March, when the quarterly reports come out in April. Punters look at cash balances in the quarterlies, and any company that is light on funds at this point immediately becomes a trading sell in the market. This can become painful as it compromises the pricing of an issue just as we approach the end of financial year slowdown. Companies need to be on top of these scenarios.

Alicanto is languishing on low grade results

The share price of Alicanto continues to wane in the market as a consequence of not delivering higher gold grades from its exploration program in Guyana. There is no doubt that there is plenty of gold on the licences but so far the grades seem to be in the 1.2-1.4 gpt range, across big widths. You can make serious money at this grade if you have the tonnages and the economies of scale, but the market is telling us that it isn't interested in this style in an exotic location like Guyana. So, what will AQL do?

AQL did a smart deal with Barrick at Arakaka, with that company spending \$8m to earn a 65% interest. When the deal was announced the shares of AQL quadrupled to exceed 40¢ a share, largely on the buying out of Canadian institutions. However, the party didn't last long and much of these holdings have been sold, leaving the shares languishing. Barrick has already spent \$6m, leaving another \$2m to spend this year ahead of the decision to commit, which requires a US\$2m cash payment to AQL.

AQL had intended that the 100% (right to earn) interest in the nearby Ianna licences would help keep positive speculation alive in the share price, but the drilling here has

shown more of the low grade material that isn't turning on the market.

AQL is good at identifying and advancing gold projects, but it is less inclined to fund the expensive drill-out programs needed, especially for low grade projects. Thus, it needs joint venture such projects to major companies, and hunt for new projects elsewhere that could generate more speculative interest.

Disclosure: Interests associated with the author owns shares in Alicanto.

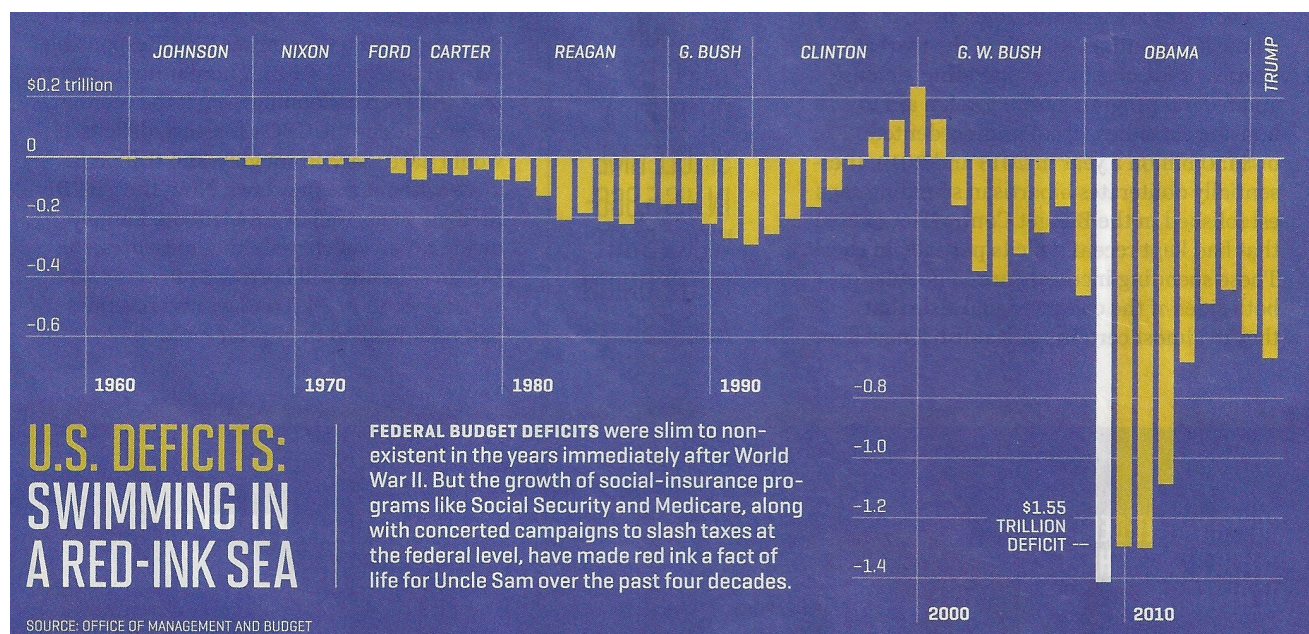
US debt levels are a constant concern

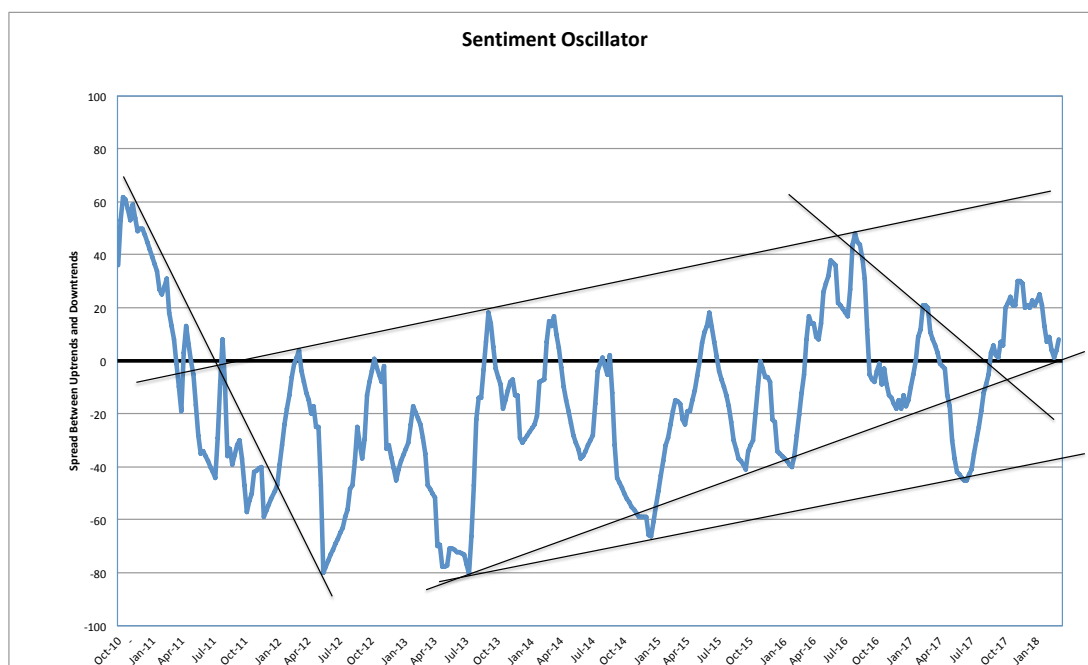
Even though the media has moved on to other issues, we should not forget about the very high debt levels in the USA (see the chart below). At some point in the future this issue will raise its ugly head again because the problem is not going away. By 2028, the US government debt could increase from \$15.5 trillion to \$33 trillion, equivalent to 113% of GDP, according to some estimates.

China has been instrumental in financing the US budget deficits in recent years, but what happens if the sabre rattling on tariffs causes it to stop doing so? Who else can fund the debt?

Raising interest rates in the USA will increase the debt servicing burden for the deficit, with crowding out of the private sector being a negative consequence. That would slow down the economy and reduce taxation revenues, exacerbating the problems. So, there will be reluctance to be too aggressive on interest rate rises.

Every time I look at it I am left with the same conclusion; the only way out of the debt nightmare is to allow inflation and negative real interest rates to erode that debt. (That will be very good for gold). The debt pressure cooker continues to grow around the world, not just in the USA. Defaulting would be too painful. Why not let inflation surreptitiously solve the problem?






















































Sentiment Indicator: Sentiment continue to recover with 38%(35%) of the charts in uptrend and 30%(31%) in downtrend on Friday's close.

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	fallen to support line	
Metals and Mining	XMM	testing short term correction	
Energy	XEJ	but short term lower	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
ABM Resources	ABU	spiked higher on St Barbara taking \$6m	gold
Aeon Metals	AML	rising again	copper + cobalt
Alacer Gold	AQG	holding uptrend	gold – production
Alkane Resources	ALK	down after hitting LT resistance	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Aguia Resources	AGR	breached secondary downtrend	phosphate
Alicanto Minerals	AQI	breached downtrend, but another slump	gold exploration
Allegiance Coal	AHQ	breached support	coal
Alliance Resources	AGS	testing downtrend	gold exploration
Altech Chemicals	ATC	holding on support line	industrial minerals - synthetic sapphire
Anova Metals	AWV	falling again	gold
Antipa Minerals	AZY	new low	gold
Apollo Consolidated	AOP	testing short term correction	gold exploration
Archer Exploration	AXE	down	magnesite, graphite
Argent Minerals	ARD	still in downtrend	polymetallic
Aurelia Metals	AMI	punched through resistance	gold + base metals
AusTin	ANW	testing short term correction	tin, cobalt
Australian Bauxite	ABX	continuing in downtrend	bauxite
Australian Potash	APC	wedge forming	potash
Australian Mines	AUZ	sideways	cobalt/nickel

*This commentary is provided at no charge and in good faith from sources believed to be reliable and accurate. Far East Capital Ltd directors and employees do not accept liability for the results of any action taken on the basis of information provided or for any errors or omissions contained therein. Readers should seek investment advice from their professional advisors before acting on information contained therein. Please see **Disclosure of Conflicts of Interest** at the end of this commentary.*

Australian Vanadium	AVL		new high	vanadium
Avanco Resources	AVB		downtrend	copper
Azure Minerals	AZS		down	silver
BHP	BHP		breached ST downtrend	diversified
Base Resources	BSE		weakening	mineral sands
Bathurst Resources	BRL		new high	coal
Battery Minerals	BAT		correcting lower	graphite
BBX Minerals	BBX		down	gold
Beach Energy	BPT		new high	oil and gas
Beadell Resources	BDR		another new low	gold
Berkeley Energia	BKY		uptrend breached	uranium
Berkut Minerals	BMT		spiked to new high, then heavy fall	cobalt
Blackham Resources	BLK		new low	gold
Blackstone Minerals	BSX		continuing with uptrend	gold, cobalt
Broken Hill Prospect.	BPL		surged higher	minerals sands, cobalt
Buru Energy	BRU		pullback	oil
Cardinal Resources	CDV		testing short term downtrend	gold exploration
Cassini Resources	CZI		rising	nickel/Cu expl.
Celsius Resources	CLA		testing downtrend	copper/cobalt
Chalice Gold	CHN		on support line	gold
Cobalt Blue	COB		new high	cobalt
Comet Resources	CRL		down	graphite/graphene
Consolidated Zinc	CZL		continuing weakness	zinc
Crusader Resources	CAS		new low	gold/iron ore
Dacian Gold	DCN		back to highs	gold exploration
Danakali	DNK		sideways under resistance line	potash
Doray Minerals	DRM		testing new uptrend	gold
Draig Resources	DRG		testing uptrend	gold
Eden Innovations	EDE		down	carbon nanotubes in concrete
Egan Street Resources	EGA		sideways	gold
Emerald Resource	EMR		gently down	gold
Evolution Mining	EVN		new high	gold
Excelsior Gold	EXG		slump, testing uptrend	gold
Finders Resources	FND		sideways through support line	copper
FAR	FAR		sideways	oil/gas
First Cobalt	FCC		breached steepest downtrend	cobalt
First Graphene	FGR		strong rise	graphite
Frontier Diamonds	FDX		down after IPO	diamonds
Fortescue Metals	FMG		downtrend	iron ore
Galaxy Resources	GXY		good rally	lithium
Galilee Energy	GLL		new high	oil and gas, CBM
Gascoyne Resources	GCY		testing steeper downtrend	gold
Global Geoscience	GSC		new high	lithium
Gold Road	GOR		new high	gold exploration
Golden Rim	GMR		down	gold exploration
Graphex Mining	GPX		breaching downtrend	graphite
Heron Resources	HRR		testing downtrend	zinc
Highfield Resources	HFR		long term downtrend	potash
Highlands Pacific	HIG		breached uptrend	copper, nickel
Hillgrove Resources	HGO		sideways	copper
Iluka Resources	ILU		new high	mineral sands
Image Resources	IMA		down	mineral sands
Independence Group	IGO		rallied to new high	gold, nickel
Jervois Mining	JVR		downtrend	nickel/cobalt

This commentary is provided at no charge and in good faith from sources believed to be reliable and accurate. Far East Capital Ltd directors and employees do not accept liability for the results of any action taken on the basis of information provided or for any errors or omissions contained therein. Readers should seek investment advice from their professional advisors before acting on information contained therein. Please see **Disclosure of Conflicts of Interest** at the end of this commentary.

Karoon Gas	KAR		testing new uptrend	gas
Kasbah Resources	KAS		still in LT downtrend	tin
Kibaran Resources	KNL		new low	graphite
Kin Mining	KIN		down heavily	gold
Legend Mining	LEG		falling to support line	exploration
Lepidico	LPD		back to near highs	lithium
Lithium Australia	LIT		breached uptrend	lithium
Lucapa Diamond	LOM		forming a base	diamonds
Macphersons Res.	MRP		down	silver
Marmota	MEU		down	gold exploration
MetalsX	MLX		fallen to long term support line	tin, nickel
Metro Mining	MMI		at highs	bauxite
Mincor Resources	MCR		breached uptrend	nickel
Mineral Deposits	MDL		uptrend steepening	mineral sands
Myanmar Minerals	MYL		downtrend	zinc
MZI Resources	MZI		testing downtrend	mineral sands
Neometals	NMT		down	lithium
Northern Cobalt	N27		breached downtrend	cobalt
Northern Minerals	NTU		down again	REE
Northern Star Res.	NST		new high	gold
NTM Gold	NTM		down	gold
Oceana Gold	OGC		testing downtrend	gold
Oklo Resources	OKU		in a rising wedge	gold expl.
OreCorp	ORR		breached recent uptrend	gold development
Orinoco Gold	OGX		steep uptrend	gold development
Orocobre	ORE		looks like it wants to go down	lithium
Oz Minerals	OZL		continuing in uptrend	copper
Pacific American Coal	PAK		heavy correction	coal, graphene
Pantoro	PNR		new high	gold
Panoramic Res	PAN		on support line	nickel
Peel Mining	PEX		surge to new high, then pullback	copper
Peninsula Energy	PEN		back in downtrend	uranium
Perseus Mining	PRU		breached downtrend	gold
Pilbara Minerals	PLS		breached uptrend	lithium/tantalum
PNX Metals	PNX		sideways	gold, silver, zinc
Red River Resources	RVR		fallen to support line	zinc
Regis Resources	RRL		new high	gold
Resolute Mining	RSG		sideways	gold
RIO	RIO		fallen to support line	diversified
Salt Lake Potash	SO4		breached downtrend	potash
Saracen Minerals	SAR		new high	gold
St Barbara	SBM		strong	gold
Sandfire Resources	SFR		rising	copper
Santana Minerals	SMI		new low	silver
Santos	STO		correcting lower	oil/gas
Sheffield Resources	SFX		rising again	mineral sands
Silver Lake Resources	SLR		breached downtrend	gold
Sino Gas & Energy	SEH		confirming uptrend	gas
Southern Gold	SAU		drifting lower	gold
Stanmore Coal	SMR		rising	coal
Sundance Energy	SEA		testing uptrend	oil/gas
Syrah Resources	SYR		testing downtrend	graphite
Talga Resources	TLG		breaching resistance line	graphene
Tanami Gold	TAM		down	gold

This commentary is provided at no charge and in good faith from sources believed to be reliable and accurate. Far East Capital Ltd directors and employees do not accept liability for the results of any action taken on the basis of information provided or for any errors or omissions contained therein. Readers should seek investment advice from their professional advisors before acting on information contained therein. Please see **Disclosure of Conflicts of Interest** at the end of this commentary.

Tempo Australia	TPP		testing downtrend	mining services
Tiger Realm	TIG		spiked higher, off lows	coal
Torian Resources	TNR		testing downtrend	gold expl'n
Triton Minerals	TON		uptrend being tested	graphite
Troy Resources	TRY		back in downtrend	gold
Tyranna Resources	TYX		uptrend developing	gold exploration
Vango Mining	VAN		back to highs	gold
Vector Resources	VEC		rallying	gold
Vimy Resources	VMY		sideways through uptrend	uranium
Volt	VRC		uptrend	graphite
West African Resources	WAF		uptrend	gold
Westwits	WWI		sideways	gold exploration/development
Western Areas	WSA		rallying	nickel
White Rock Minerals	WRM		new low	silver
Whitehaven Coal	WHC		gently higher	coal
WPG Resources	WPG		testing recent uptrend	gold
Wolf Minerals	WLF		new low	tungsten
Totals	38%	54	Uptrend	
	30%	43	Downtrend	
		144	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	34	23.6%	
Gold Exploration	15	10.4%	
Copper	10	6.9%	
Coal	8	5.6%	
Oil/Gas	8	5.6%	
Graphite	9	6.3%	
Mineral Sands	7	4.9%	
Cobalt	6	4.2%	
Zinc	6	4.2%	

This commentary is provided at no charge and in good faith from sources believed to be reliable and accurate. Far East Capital Ltd directors and employees do not accept liability for the results of any action taken on the basis of information provided or for any errors or omissions contained therein. Readers should seek investment advice from their professional advisors before acting on information contained therein. Please see **Disclosure of Conflicts of Interest** at the end of this commentary.

Weightings of Sectors Represented in the Company Charts			
Lithium	7	4.9%	
Silver	5	3.5%	
Nickel	5	3.5%	
Potash/Phosphate	5	3.5%	
Uranium	3	2.1%	
Bauxite	2	1.4%	
Tin	3	2.1%	
Diamonds	3	2.1%	
Iron Ore	1	0.7%	
Other	7		
Total	144		

FEC Disclosure of Interests: It is a requirement of ASIC that holders of AFS licences prominently disclose any conflicts of interest. At all times readers should be aware that Far East Capital Ltd is an active investor. It shares its research and opinions free of charge to other investors and it aims to do so on an ethical basis. Accordingly, when it is writing about stocks in which it holds interests, these will be disclosed. In this week's publication FEC discloses that interests associated with the the author hold shares in MacPheerwsons and Orinoco. The author is chairman of First Graphene and one of the largest shareholders, through a number of entities. Over the last three years FEC has received fees from Blackstone Minerals, Broken Hill Prospecting, Cobalt Blue, First Graphene, Lucapa Diamond Company, Orinoco Gold and West Wits for corporate and capital raising services. Its primary business is investing and managing its own money, but it does occasionally raise money for resource companies.

Disclaimer: 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. Copyright © Far East Capital Ltd 2018.