

As equities are topping there is a good case for saying that gold stocks have commenced a new bull market

Gold has continued to provide respite for the markets during the week as it prepared an assault on the US \$1,030 level. Standing back we can see that November and December were months of base forming on the charts, providing a good platform for what looks like a new uptrend that we see evolving now.

Analysis of historical data and charts suggest that gold stocks are countercyclical to equities markets. The bull market in the USA equities has gone on for about as long as anyone can reasonably expect so there is a good case for viewing recent movements between 16,000 and 18,000 in the Dow as a topping formation. If the analysis is correct then we should all be switching into gold stocks. We have seen the start of the new bull market in gold stocks but only the early movers have benefited to date. Watch what happens when the big money moves into the space as 2016 unfolds.

According to James Flanagan (Gann Global Financial), we are seeing something reminiscent of the November 16, 2000 historic low in gold prices. Gold stocks have lost 90% of their value relative to the S&P 500. James believes that last week the bear trap was sprung and professionals were in there buying gold. He is ringing the bell.

Nickel sector shrinking

Economic reality is taking hold of our nickel sector with long term profitable producers conceding that it makes sense to leave the metal in the ground for better prices. Both Mincor (Mariner and Miitel mines) and Panoramic Resources (Savannah mine) have announced they are suspending operations at their mines near Kambalda and in the Kimberley. The share prices have collapsed, as you would expect, as reality starts to bite.

Elsewhere we have seen Australia's equivalent of Donald Trump, Clive Palmer, call in the administrators for the Yabulu nickel refinery in Townsville. The Niquelandia nickel operation in Brazil has been closed. These closures are the start of the tightening needed before we can expect a reversal of the nickel price slide.

On the flip side the closure of the Western Australian mines will be of assistance to the gold sector. Throughout the mining boom the gold industry had trouble competing for management and labour with iron ore and other commodities. Costs shot through the roof back then but now the gold sector is benefiting from the greater availability of personnel at cheaper prices; another reason to be positive on gold producers.

Some US shale assets still carry value

AWE shares jumped 56% on Wednesday with the announcement that it had agreed to sell its 10% working

interest in the Sugarloaf project in the Eagle Ford shale formation in Texas, for A\$271m plus A\$9m for past drilling costs. Sales proceeds will be used to retire debt, leaving AWE with an estimated cash position of \$60m in March.

Graphite for agriculture - now that's innovative

During the week I received a presentation from Archer Exploration (AXE), a company with graphite projects in South Australia. I was initially attracted by its ASX release stating that it could produce good quality 2-3 layer graphene from concentrates that were > 99.9% pure carbon. That warrants a tick but at this point it is not the production of graphene per se that is the challenge - it is about doing it economically, in volume. Still, it was an interesting conversation.

What captured my imagination more was the discussion concerning the Sugarloaf carbon deposit as the Company said this had some unusual properties that made it potentially very valuable as a soil enhancer. While it could be called graphite, the Company calls it a carbon deposit that is not a typical crystalline graphite deposit. It is unique in both physical and chemical properties comprising a matted porous, predominantly non-graphitic carbon with very low crystallinity. Chemically it is 10-12% carbon and over 50% silica, with a suite of macro-nutrients (potassium, magnesium, prosperous, calcium and iron) and micro-nutrients (copper, zinc, manganese and boron), all essential for plant growth. These are found in both soluble and low soluble forms. Initial plant trials over a three week period showed > 30% increase in shoot length and a > 45% improvement in root length in the wheat variety tested.

We all know that potash and phosphate are important fertilisers for broad acre farming, but where does a carbon product like this fit in? What are the economics and could you build a business with low cost open pit mining, selling the product at the mine gate or going further and setting up a distribution and marketing network?

It was suggested that on-site costs for what would be a DSO operation might be \$20 pt tonne and that it could fetch \$50-\$100 pt in the market. While not at JORC status we could be talking 70-100 Mt at 10-12% carbon, which would provide enough for a long life mine.

The last time I heard of a carbon based project like this was when I reviewed a biochar opportunity a few years back. Don Burke from Burke's Backyard brought it into the office but it went no further. The reason why it wasn't commercialised had more to do with personalities than product merit.

Biochar is a charcoal based product, made from biomass, that is used as a soil amendment. There are links back to farming techniques used by Indians in the Amazon basin who used biochar to achieve amazing productivity from

otherwise poor soils. The biochar structure makes it very useful for water retention and for slow release of water-soluble nutrients, as well as providing a habitat for beneficial soil micro organisms.

Getting back to Australian soils and the Sugarloaf carbon - it improves the wettability of soil. It combats the hydrophobic nature of the soils. It also plays a role in removing deleterious elements from the soil, presumably by absorbing and holding them in benign capacity.

Obviously there is a lot of work that needs to be done, but it sounds interesting. The Company is capitalised at less than \$7m and working capital is understandably tight, but the Sugarloaf carbon project could be an interesting and possibly exciting point of differentiation for Archer.

Australia Day awards are past their use by date

We have just had another round of Australia Day Awards bestowed on the lucky recipients with the number one award, Australian of the Year, handed out to someone whose fame was made possible by social media. I'd like to think that the Aussie of the Year would be someone truly inspirational but for some reason I feel disappointed.

Where is the merit coming from reading a speech prepared by someone else, that goes viral on the internet, on a subject of gender equality in the armed forces. (my thoughts on the issue of a 40 year long gender jihad will wait for another day). But further, how does this give legitimacy for Morrison to comment on the republic issue? How does this give him a mandate to spend the next 12 months pushing the republic barrow? He has already angered the veterans with his public comments.

The idea of awards for service to Australia is a somewhat outdated nationalistic concept that has always been flawed. Much of the criticism needs to be directed at those who decide who the awards will go to. For every award granted there will be at least 10 other people more deserving, but they obviously haven't played their cards right or rubbed the right shoulders. We would be better off without them.

Geoffrey Luck expressed his thoughts with great merit in his commentary in The Australian last Thursday, stating that "*Once again the ranks of high achievers and role models have been overlooked ...*" in favour of pushing social agendas.

Sentiment Indicator: As you will have been aware, the sentiment has swung heavily further back into the negative. The only sector which is bucking the trend and offering some light is the gold sector. There were 25% (23%) of the stocks in uptrend and 61% (63%) 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	rally within a downtrend	
Metals and Mining	XMM	in a steep wedge, near breakout position	
Energy	XEJ	rally within a downtrend	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
ABM Resources	ABU	strong bounce	gold
Aeon Metals	AQR	New low	copper + cobalt
Alacer Gold	AQG	back to downtrend	gold – production
Alkane Resources	ALK	continuing down	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
African Energy	AFR	still in downtrend	coal
Agua Resources	AGR	downtrend	phosphate
Altech Chemicals	ATC	breached downtrend	industrial minerals
Anova Metals	AWV	uptrend, but heavy pullback	gold
Archer Exploration	AXE	sideways	graphite
Argent Minerals	ARD	down	polymetallic
Atlas Iron	AGO	new low	iron ore
Atrum Coal	ATU	testing downtrend	coal
Australian Bauxite	ABX	New low	bauxite
Avanco Resources	AVB	New low	copper
AWE	AWE	New low	oil and gas
BHP	BHP	New low	diversified
Base Resources	BSE	further collapse - looking terminal	mineral sands
Beach Energy	BPT	New low	oil and gas
Beadell Resources	BDR	gentle uptrend continuing	gold
Berkeley Resources	BKY	testing uptrend	uranium
Blackham Resources	BLK	new high	gold

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Broken Hill Prospect.	BPL		breached downtrend	minerals sands
Buru Energy	BRU		new low	oil
Canyon Resources	CAY		recapturing uptrend	bauxite
Carnegie Wave	CWE		sideways	wave energy
Cassini Resources	CZI		new low	nickel/Cu expl.
Chalice Gold	CHN		down	gold
Consolidated Tin	CSD		heavy slump	tin
Consolidated Zinc	CZL		breached uptrend	zinc
Coventary Resources	CYY		New low	copper
Cudeco	CDU		Collapse on relisting	copper
Dacian Gold	DCN		sideways	gold exploration
Danakiali	DNK		testing downtrend	potash
Doray Minerals	DRM		uptrend	gold
Duketon Mining	DKM		new low	nickel
Eden Energy	EDE		strong rally	carbon nanotubes
Energia Minerals	EMX		New low	zinc
Energy Resources	ERA		breached downtrend	uranium
Evolution Mining	EVN		recovering	gold
Excelsior Gold	EXG		strong rise	gold
First Australian	FAR		recovered but hitting longer term resistance	oil/gas
First Graphite	FGR		sideways to down	graphite
Fortescue Metals	FMG		ST down	iron ore
Galaxy Resources	GXY		new high	lithium
Galilee Energy	GXY		down	oil and gas, CBM
Gascoyne Resources	GCY		uptrend	gold
General Mining	GMM		uptrend	lithium
Geopacific Res. Resources	GPR		Rise halted by long term downtrend	copper/gold exp.
Gold Road	GOR		uptrend	gold exploration
Goldphyre	GPH		down	potash
Gryphon Minerals	GRY		testing downtrend	gold
Herron Resources	HRR		down	zinc
Highfield Resources	HFR		less steep uptrend	potash
Highlands Pacific	HIG		sideways to down	copper, nickel
Hillgrove Resources	HGO		breached downtrend	copper
Hot Chili	HCH		new low	copper
Iluka Resources	ILU		breached downtrend, but crunched again	mineral sands
Independence	IGO		new low	gold, nickel
Intrepid Mines	IAU		down	copper
IMX Resources	IXR		down	graphite
Karoo Gas	KAR		at lows	gas
Kasbah Resources	KAS		new low	tin
KBL Mining	KBL		sideways	copper/gold/zinc
Kibaran Resources	KNL		breaching support	graphite
Kin Mining	KIN		at lows	gold
King Island Scheel.	KIS		New low	tungsten
Kingsgate Consol.	KCN		New low	gold
Kingsrose Mining	KRM		kicked up through downtrend line	gold
Legend Mining	LEG		weaker	exploration
Lithium Australia	LIT		surge to new high	lithium
Lucapa Diamond	LOM			diamonds
Macphersons Res.	MRP		down	silver
Medusa Mining	MML		rallying	gold
Metals of Africa	MTA		down again	zinc expl/graph.
MetalsX	MLX		down	tin, gold
Mincor Resources	MCR		new low	nickel
MMJ PhytoTech	MMJ		improving within downtrend	medical cannabis
Mount Gibson	MGX		sideways	iron ore
Mustang Resources	MUS		heavy fall	diamonds, rubies

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MZI Resources	MZI	down	mineral sands
Newfield Resources	NWF	down	diamonds
Northern Minerals	NTU	new low	REE
Northern Star Res.	NST	rising again	gold
Oceana Gold	OGC	uptrend	gold
Oklo Resources	OKU	breached downtrend	gold expl.
OM Holdings	OMH	New low	manganese
Orecorp	ORR	pullback	gold development
Orinoco Gold	OGX	softer during rights issue	gold development
Orocobre	ORE	steep short term uptrend	lithium
Oz Minerals	OZL	testing downtrend	copper
Paladin Energy	PDN	still in LT downtrend	uranium
Pacific American Coal	PAK	pullback	coal
Pantorro	PNR	rising	gold
Panoramic Res	PAN	new low	nickel
Panterra Gold	PGI	downtrend	gold production
Paringa Resources	PNL	down	coal
Peel Mining	PEX	breached downtrend	copper
Peninsula Energy	PEN	down	uranium
Perseus Mining	PRU	down on poor December Qtr production	gold
Pilbara Minerals	PLS	ST downtrend, being tested	lithium/tantalum
Platina Resources	PGM	new low	PGMs, gold
Potash West	PWN	rising	potash
Red River Resources	RVR	down	zinc
Regal Resources	RER	new low	copper
Regis Resources	RRL	uptrend	gold
Renaissance Min.	RNS	down again	gold
Resolute Mining	RSG	breached downtrend	gold
Reward Minerals	RWD	down	potash
Rex Minerals	RXM	secondary downtrend	copper
RIO	RIO	breached downtrend	diversified
RTG Mining	RTG	New low	copper/gold
Rum Jungle	RUM	collapse through support	quartz
Salt Lake Potash	SO4	uptrend	potash
Saracen Minerals	SAR	rising	gold
St Barbara	SBM	new high	gold
Sandfire Resources	SFR	down	copper
Santos	STO	new low	oil/gas
Sheffield Resources	SFX	down	mineral sands
Silver City Minerals	SCI	heavy fall	base metals
Silver Lake Resources	SLR	new uptrend commenced	gold
Sino Gas & Energy	SEH	collapse to new low	gas
Southern Gold	SAUI	sideways to higher	gold
Sthn Hemisphere	SUH	down	copper
Stavely Minerals	SVY	downtrend	copper exploration
Sunbird Energy	SNY	New low	gas/CBM
Sundance Energy	SEA	short term uptrend, approaching resistance	oil/gas
Syrah Resources	SYR	hitting resistance line	graphite
Talga Resources	TLG	down	graphene
Tanami Gold	TAM	breaching uptrend	gold
Tiger Resources	TGS	down again	copper
Torian Resources	TNR	fallen through	gold expl'n
Toro Energy	TOE	downtrend	uranium
Triton Minerals	TON	Turned down	graphite
Unity Mining	UML	breached downtrend	gold
UraniumSA	USA	Secondary downtrend	uranium
URI	URI	downtrend	uranium
Valence Industries	VXL	down - suspended	graphite

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URI	URI		downtrend	uranium
Valence Industries	VXL		down - suspended	graphite
Vimy Resources	VMY		back to downtrend	uranium
West African Resources	WAF		base forming	gold
Westwits	WWI		breached uptrend	gold exploration/development
Western Areas	WSA		New low	nickel
Wolf Minerals	WLF		down	tungsten
Totals	25%	36	Uptrend	
	61%	86	Downtrend	
		142	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	32	22.5%
Copper	19	13.4%
Oil/Gas	10	7.0%
Gold Exploration	8	5.6%
Uranium	8	5.6%
Graphite	8	5.6%
Potash/Phosphate	7	4.9%
Zinc	6	4.2%
Nickel	5	3.5%
Coal	5	3.5%
Mineral Sands	5	3.5%
Iron Ore	3	2.1%
Tin	3	2.1%
Lithium	4	2.8%
Silver	2	1.4%
Diamonds	3	2.1%
Bauxite	2	1.4%
Other	12	
Total	142	

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