

30 June 2017

*On Friday's Close*

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## Time to be buying at the bottom

The June that has just closed was the opposite to that in 2016. Last year we were still riding the enthusiasm of the return to favour of the mining sector. Rather than the market being soft, as is usually the case, last year we saw a strong market as the scramble to get set carried on unabated. The month that has just closed was the opposite. Mining stocks just kept falling.

This week the charts have been updated for the first time since 23 May. During that period the All Ordinaries Index has confirmed the breakdown of an uptrend that commenced early in 2016. There is no clear support level that can be seen so there is no charting basis to say we should expect any change of direction in the near future. That said, we are more concerned with what the mining sector is doing. Will weaknesses in industrial stocks lead to switching to mining shares that have been severely beaten up? Will money rotate around the various sectors in the market, or will it just exit the market altogether? It certainly isn't going into the oil sector, as the Energy Index has just breached a gentle uptrend that goes back to early 2016. There is nothing on the fundamental front to give much joy in the sector at present. The Metals and Mining Index is continuing with its downtrend but with a little ray of hope that it might be testing this trend.

A number of the individual company charts are showing signs of having exhausted their downtrends, for the time being at least. They have started to move sideways through the trendlines of immediate downtrends, which could be the start of a turnaround. A number of gold producers have completed their correction patterns (short term downtrends) and recaptured longer term uptrends. This is an early buy signal that augurs well for the next few months provided that the gold price itself does not collapse. The first two weeks of July are often quiet with school holidays taking players away from the market, but volumes should pick up in the back half of July.

### *Whatever happened to the Euro debt crises?*

We don't seem to hear anything about the Euro debt crises any more. Is that because the problem has been solved, or is it just that we grew tired of the conversation?

Consider this; the Eurozone authorities have accumulated more than Euro 1.8 trillion of sovereign debt, asset-backed securities and various bonds issued by banks and companies. As each month goes by this increases by another Euro 60 billion. Does that sound like it is all under control? Mario Draghi recently was quoted as saying that an extraordinary amount of support is still needed and that he was very cautious about the concept of tapering. So, do we still have to be careful about what is lurking in the shadows? Should we be happy with the "out of sight and out of mind" approach? Yet, only last week we saw articles saying that interest rates in Europe are set to rise. Business isn't too bad at the moment with growth coming through, but there is still the issue of the debt levels.

### *Building a real graphene business takes time*

It has been disappointing to see how the FGR share price has come under pressure over the last few weeks given how well the company has been doing operationally. There has been significant progress on the graphene front with the new facility in Perth being an integral development. This will be fitted out for commercial scale graphene production over the coming months.

The company has been strengthening its scientific and technical workforce ahead of this step. Encouragingly there have been plenty of requests for samples of product from companies all over the world, but FGR has to be ready to follow through with regular production capability that includes the ability to tailor the products to meet precise customer requirements.

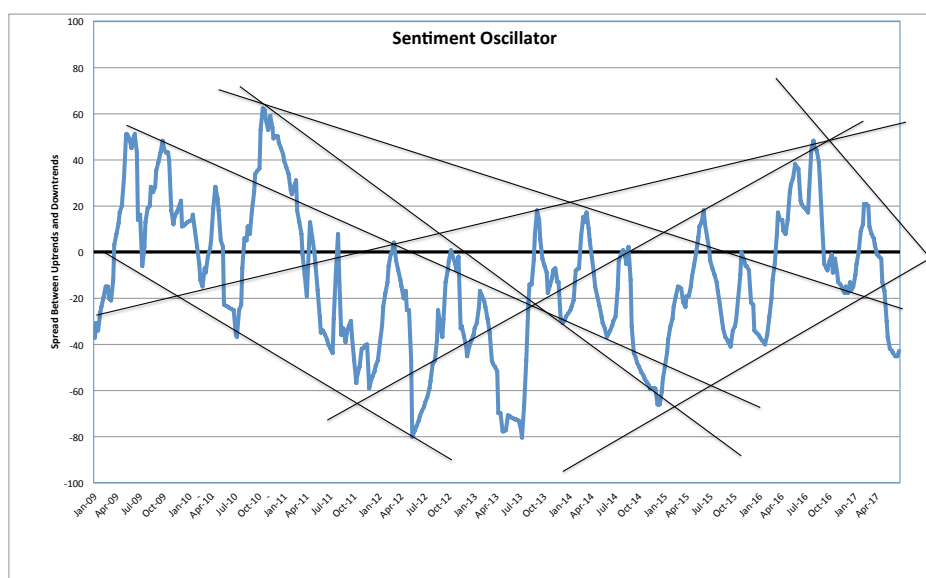
We have always said that the truly amazing feature of the electrochemical exfoliation process, using graphite that runs at grades of better than 95%, is the low capital and operating costs. It is the simplicity that makes it stand out and will ensure that it is the lowest cost producer, by a country mile.

FGR is well funded at present so there is no need to raise additional funds to achieve commercial scale production capacity, before the end of 2017. Having an operational facility is always going to be a precondition to securing firm sales contracts as opposed to sales of samples. Being able to do so at surprisingly low capital cost is an enormous fillip. It is all about positioning at the moment for what promises to be a very interesting six months.

There are still some shareholders out there who are too heavily focused on the mining of the graphite in Sri Lanka. Yes, that is an important source of supply of material for the conversion to graphene, but mining will never be where the huge profit margins are made. The money is in the graphene. The growth curve will be in the graphene.

FGR will be continuously ramping up graphite mining operations for a number of years. The fact that it has granted mining licences and it has been developing its own mines and is now recovering vein graphite is a significant achievement. How many other graphite companies have achieved this? It should be acknowledged that mining in Sri Lanka is not easy. Nothing happens quickly, due to cultural and regulatory reasons. You need to be cautious about any other companies promoting Sri Lankan vein graphite projects, as making progress in-country is much slower and more challenging than they would have you believe - speaking from experience. Don't be sucked in by the spin.

Building a real business doesn't happen overnight. It is not about weekly share price performance, though that seems to be what most shareholders are concerned with. Investors who understand this should not allow their perspectives to be distorted by market volatility.



**Sentiment Indicator:** Sentiment continued to drag along the floor in June. There were 18% (16%) of the charts in uptrend and 61% (53%) in downtrend, comparing figures from mid May to the close of last week. The Oscillator shows a slight turn upwards. This might be the turnaround we are looking for but time will tell.

## 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	downtrend	
Metals and Mining	XMM	testing short term downtrend	
Energy	XEJ	short term downtrend	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
ABM Resources	ABU	downtrend	gold
Aeon Metals	AML	down	copper + cobalt
Alacer Gold	AQG	rallying from low	gold – production
Alkane Resources	ALK	down	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Aguia Resources	AGR	testing resistance line	phosphate
Alicanto Minerals	AQI	sideways at lows	gold exploration
Alliance Resources	AGS	sideways	gold exploration
Alltech Chemicals	ATC	down	industrial minerals
Anova Metals	AWV	down	gold
Antipa Minerals	AZY	short term uptrend started	gold
Apollo Consolidated	AOP	new low	gold exploration
Archer Exploration	AXE	continuing down	magnesite, graphite
Argent Minerals	ARD	sideways	polymetallic
Aspire Mining	AKM	down	coal
Atrum Coal	ATU	new low	coal
Aurelia Metals	AMI	down	gold + base metals
Auroch Minerals	AOU	down	exploration
Aus Tin	ANW	softer	tin, cobalt
Australian Bauxite	ABX	breached downtrend	bauxite
Australian Potash	APC	holding uptrend	potash
Australian Mines	AUZ	testing downtrend	cobalt/nickel
Australian Vanadium	AVL	down	vanadium
Avanco Resources	AVB	down	copper

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AWE	AWE	down again	oil and gas
Azure Minerals	AZS	crunch down on Kennecott withdrawal	silver
BHP	BHP	back into short term downtrend	diversified
Base Resources	BSE	breached steepest uptrend, LT uptrend now	mineral sands
Bathurst Resources	BRL	continuing higher	coal
Battery Minerals	BAT	down	graphite
Beach Energy	BPT	testing long term support	oil and gas
Beadell Resources	BDR	new low	gold
Berkeley Resources	BKY	down	uranium
Berkut Minerals	BMT	testing downtrend	cobalt
Blackham Resources	BLK	testing downtrend	gold
Broken Hill Prospect.	BPL	new low	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	new low	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	breached downtrend	gold
Duketon Mining	DKM	still in downtrend	nickel
Eden Innovations	EDE	down	carbon nanotubes in concrete
Energia Minerals	EMX	fallen out of bed	zinc
Evolution Mining	EVN	surge through downtrend line	gold
Excelsior Gold	EXG	resumed uptrend	gold
Finders Resources	FND	breached downtrend	copper
First Australian	FAR	testing uptrend	oil/gas
First Graphite	FGR	downtrend	graphite
Fortescue Metals	FMG	new downtrend	iron ore
Galaxy Resources	GXY	collapse after share consolidation	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	correcting lower	lithium
Gold Road	GOR	uptrend continuing	gold exploration
Graphex Mining	GPX	breached downtrend then heavy pullback	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
Hot Chilli	HCH	downtrend	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	secondary downtrend	lithium
Lucapa Diamond	LOM	down	diamonds

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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		breached support line	nickel
Mineral Deposits	MDL		on support line	mineral sands
Mustang Resources	MUS		heavy fall	diamonds, rubies
MZI Resources	MZI		down	mineral sands
Northern Minerals	NTU		down	REE
Northern Star Res.	NST		rising	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		at lows	gold development
Orocobre	ORE		under longer term downtrend	lithium
Oz Minerals	OZL		testing downtrend	copper
Paladin Energy	PDN		suspended	uranium
Pacific American Coal	PAK		down	coal, graphene
Pantoro	PNR		new high	gold
Panoramic Res	PAN		downtrend	nickel
Paringa Resources	PNL		breached support line	coal
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
Potash West	PWN		falling	potash
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		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
St Barbara	SBM		dipped below support, but then recovered	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		testing downtrend	graphite
Talga Resources	TLG		breached uptrend, but trying to recover	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		down	uranium
Troy Resources	TRY		secondary downtrend	gold

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Tyranna Resources	TYX		down	gold exploration
Vango Mining	VAN		uptrend	gold
Vimy Resources	VMY		new low	uranium
West African Resources	WAF		strong rise	gold
Westwits	WWI		slump	gold exploration/development
Western Areas	WSA		breached downtrend	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	18%	27	Uptrend	
	61%	91	Downtrend	
		149	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	33	22.1%	
Copper	13	8.7%	
Gold Exploration	14	9.4%	
Coal	10	6.7%	
Oil/Gas	9	6.0%	
Potash/Phosphate	7	4.7%	
Mineral Sands	7	4.7%	
Graphite	7	4.7%	
Silver	6	4.0%	
Zinc	6	4.0%	
Lithium	5	3.4%	
Nickel	5	3.4%	
Uranium	5	3.4%	
Cobalt	4	2.7%	
Tin	2	1.3%	
Bauxite	3	2.0%	
Diamonds	2	1.3%	

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**Weightings of Sectors Represented in the Company Charts**

Iron Ore	<b>1</b>	<b>0.7%</b>	
Other	<b>10</b>		
Total	<b>149</b>		

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