**FAR EAST CAPITAL LIMITED**
Suite 24, Level 6, 259 Clarence Street
SYDNEY NSW AUSTRALIA 2000
Tel : +61-2-9230 1930 Mob: +61 417 863187
Email : wgrigor@fareastcapital.com.au
AFS Licence No. 253003 ACN 068 838 193

The Mining Investment Experts

**Weekly Commentary**

3 March 2018 | Charts on Friday's Close | Analyst : Warwick Grigor

# Sentiment is becoming neutral, so better stock selection is needed

## *Pendulum swinging from global to national interests*

The week started on a good note but it started to run out of puff at the back end when the Dow reacted adversely to suggestions of four interest rate rises in 2018, and calls by Trump for a 25% tariff on steel and aluminium imports into the USA. While free trade advocates are against the tariffs, there is no doubt that Trump has a mandate to do what is necessary to protect US jobs. His electorate has no interest in promoting world trade at the expense of the domestic economy. It is a winding back of the clock to a time when national interests were more important than global interests. It is consistent with the sentiment expressed in the Brexit vote and the pendulum swinging the other way.

## *Fading correlation between the Dow and the All Ords*

So far this year we have had a mighty surge in January, followed by a pullback that accelerated into a serious correction, and then some sort of an incomplete recovery. The negatives in the market are emanating more from the USA, with the Dow performing worse than our All Ords and other markets. The volatility we are seeing in the US markets are consistent with what might turn out to be a drawn-out long term topping formation, but time will tell. The Australian market hasn't experienced the same long term bull market that seemed to be going on forever in the USA, so we could be in for a period of lesser correlation between movements of the Dow and the All Ords.

The Dow fell by 10.35% at the trough of the February correction, and on the 2 March it was still down 7.9% from the record high of 26,616 seen on 26th January. Our All Ords only fell by 5% from its high of 9 January, and as of yesterday it was only down 3.5% from that peak. Thus its volatility has only been half of that of the Dow. There is a message here.

As modest as these movements may have been in the big picture, they have been enough to take the steam out of our mining market for a while. The number of stocks under chart coverage in uptrend is moving very close to equilibrium i.e. 35% in uptrend and 31% in downtrend.

The charts of a number of stocks that were previously testing uptrends deteriorated further, confirming that they are now in downtrends. Overall sentiment is becoming neutral, so you will have to be better at stock selection if you want to make money in the short term. You can't rely on the background trend.

## *Who knows about inflation? Not many*

How many market participants have had any experience of inflation-affected markets? (Zimbabweans, you can stand aside). It is an important question as it is a blank page for most people. How will people adjust their investment strategies when, not if, inflation makes a comeback? What will be the early signs of inflation taking hold again?

Why will inflation return? Back in Economics 1 at the ANU, we were taught that the best way to ensure low interest rates in the future is to have high interest rates today. The inverse is true. Low interest rates today lead to higher interest rates later. The only uncertainty is the timing.

A sound reason why we will have inflation again is the need to erode the level of indebtedness in the world. I was asked if the current high levels of debt (government and consumer debt) caused me concern. My response was that the debt per se is not necessarily a problem, as we have been warned about the debt levels for decades and despite the warnings, the wheels keep turning. However, complacency is no solution to whatever threats come with high debt levels. The real concern comes when the authorities decide to do something about the debt. History shows us that the best way to dispense with debt is to allow it to be eroded by inflation and negative real interest rates (as opposed to negative nominal interest rates). This amounts to a transfer of wealth from creditors to debtors through the destruction of the value of debts owed to creditors.

The most likely cause of inflation will be cost push, with wages being the most militant form of cost increases. This is facilitated by low unemployment levels. In the USA, the jobless rate is at a 17 year low, with the current rate of 4.1% being significantly lower than the 10% levels back in 2009, when Obama came into power. This rate can't fall much lower without igniting the push for higher wages.

For many years the world has benefitted from the commoditisation of manufacturing in China and the consequential reduction in the selling prices for many consumer products. It was a wonderful time while it lasted, but we are now seeing increasing labour cost in China, which will flow through to the rest of the world. Some manufacturing facilities can be moved to lower cost countries, but not the majority. Thus, we need to look to Chinese wage rates as well as US figures to see how these put pressure under cost structures.

## *Draig Resources is drilling out a new discovery*

We last mentioned Draig resources (DRG) in August 2017, when the share price was 5.9¢ and the market capitalisation was only $15m. This week the price is 20¢ and the market capitalisation is $72m (undiluted). Two placements have been undertaken; $3.3m in August, at 5¢ a share, and $5m at 20¢, in November. There is good reason for the much higher share price; it is drilling out a new discovery.

The story back in August was all about drilling deep holes to test for offset depth extensions of the previously very profitable Bellevue gold mine mineralisation. However, the geologists were distracted by something a bit shallower and more readily accessible.

Historical wisdom said that gold mineralisation didn't really extend to the west of the Highway Fault, notwithstanding earlier holes that returned assays of 1.6m at 53 gpt, 1m at 108 gpt, 3m at 11.4 gpt and 3m at 21 gpt. They were skinny, but very good grade. DRM thought that it was worth going back to the west of the Fault to give it a proper test. Luckily for Draig, it came up with immediate success and similar intercepts.

The Tribune Lode is similar to the Bellevue Lode with visible gold in quartz veins and sulphides within a massive pyrrhotite zone, and it demonstrates similar widths. Some of the recent intercepts have been 7m at 27 gpt, 5m at 16 gpt, 12m at 12 gpt and 15m at 5.8 gpt.

Recognising this as a new discovery, Draig has quickly undertaken a resource drill-out program comprising 5,000m of RC and core drilling, mostly on 80m x 40m spacing, but with some closer spaced areas. This should be sufficient for an inferred resource calculation by the middle of 2018. The drill program is about 50% complete, as we write.

Looking at the dimensions, we can see a minimum strike length of 500m. The widths seem to average 2-5m, which is typical of the regional style, though it obviously pinches and swells outside these widths. We can reasonably assume a 3m mining width and a vertical depth of 300m. These parameters could accommodate a resource of 1-1.5 Mt. Depending on how you want to treat high grades and cut-offs, you could assume a head grade of 8 gpt. That would give you a gold resource of around 250-300,000 oz, which would be enough to kick-off a mining operation. There might be a starter open pit with a decline accessing underground ore positions.

For Draig to go from zero to 250,000 oz in less than 12 months would be a good performance, but this is only the beginning. Demonstration of good mineralisation to the west of the Highway Fault is quite a breakthrough, opening up all sorts of possibilities. Tribune could go much deeper, with strike extensions that could add to the potential resource. Who knows what else is to the west of the Fault.

Draig is yet to test the offset extension to the Bellevue Lode, which was its original objective. It will hit this target in April, drilling three holes to vertical depths of 500-700m, at a program cost of $750,000. (Government grants will pay one third of this amount). Maybe this drilling will be successful, giving the company the flexibility of multiple ore positions, but we need to see the drill results. Notwithstanding the success or failure of this program, the results at Tribune look like they will underwrite the future of the Company. Hence, there has been good reason for the strong share price.

*Disclosure: Far East Capital assisted Draig with the capital raising in August 2017, but it did not receive any fees.*

## Highlands Pacific - asset rich cobalt producer

HIG recently announced its maiden JORC resource for the Olgal prospect, on its Star Mountains exploration licence in PNG, but the market hasn't taken much notice of it yet. It should.

The Minerals Resource is 210 Mt at 0.4% Cu and 0.4 gpt Au, giving 840,000 tonnes of copper and 2.9 Moz of gold, using a 0.3 % cut-off grade. This Inferred resource is based on 23 diamond drill holes. Its surface dimensions are 900m x 600m, to a depth of 800m. Open pit and block caving mining methods are being considered. A conventional flotation treatment process is thought appropriate given the typical fine grained disseminated chalcopyrite with local minor bornite mineralogy.

Olgal is located in the PNG highlands, 20 km NE of Ok Tedi, so there might be some benefits from nearby infrastructure in what would otherwise be a very remote location. It was first drilled by Kennecott in 1972, but left dormant until 2009, when another 14 holes were drilled. HIG spent $25m from 2009 to 2013. In 2014, Anglo American paid $10m and spent a further $25m, which included drilling seven holes at Olgal. Irrespective of any success, Anglo withdrew from the joint venture, giving HIG 100% interest in the Star Mountains licences again. The market seemed to view this as a negative, but that would be a short-sighted view.

HIG is what I call an institutional-grade spec stock. It is what institutions can play with as a punt, without the normal risks that come with the racey end of town. Its market capitalisation is around $75m. It had cash of $8.7m as at 31/12/18. It also has a 20% interest in the Frieda River copper gold project in PNG, where the Nena sulphide mineral resource is 52 Mt at 2.13% Cu and 0.63 gpt Au (Measured and Indicated) and the gold cap is 20 Mt at 1.32 gpt Au and 0.06% Cu (Measured and Indicated). Frieda River itself has a Proved and Probable ore reserve of 686 Mt at 0.5% Cu and 0.28 gpt Au. Add in the Olgal resource and you can see that there is an amazing exposure to copper and gold resources for a company capitalised at < $100m. This gives great leverage to the copper price.

On the production front, HIG is one of the very few ASX-listed stocks producing cobalt, through its 8.56% interest in the Ramu nickel project in PNG, which is producing 32,000 tpa of nickel and 3,300 tpa of cobalt in a cement product. Commissioning commenced in 2012, it took a few years to settle down (which is common for laterite nickel mines). The mine still has a 35 year life ahead of it with a mineral resource of 124 Mt at 1% and 0.1% Co.

Ramu achieved a net cash flow of US$49m for the December quarter in 2017, paving the way for HIG to receive its first distribution at the end of Q1 in 2018. Up until now the equity share of the cash flow has been used to repaying funding from the mine development, but an inflection point has now been reached whereby cash will starting coming back. The first cheque is expected to be $1m, with another $5m coming from 2018 earnings, based on recent prices of nickel and cobalt.

There is still a debt of US$115m owing, to which most of HIG's cash flow will be directed. In 2018, it expects to repay $18m of the anticipated $23m share of cash surplus. From 2019, 100% of its share will be used to repay debt until the loan balance falls to US$53m (less the 2017 and 2018 repayments). Once the debt is repaid HIG's equity jumps to 11.3%, and there is an option to move to 20%, at a calculated cost.

All this sounds a bit messy, but the main point is that the debt will be repaid in a relatively short space of time given the good commodity prices being received. At current economics, this would give an annual cash surplus of around $30m p.a. There is plenty of upside here, when you throw in the copper and gold assets. Sure, its not a typical spec stock, but that will make it more palatable to institutions. It will be re-rated.

*Disclosure: Interests associated with the author owns shares in Highlands Pacific.*

## *Egan Street Resources ticks most of the boxes*

During the week we saw Egan Street Resources (EGA) for the first time. This company's main project is the Rothsay gold mine in WA, previously mined by Metana Minerals, to a depth of 142m, with head grades of 7-11 gpt.

EGA IPO'd in September 2016, with a $6m raising. The latest JORC resource is 880,000 t at 10.9 gpt for 307,000 oz, converting to a production target of 200,000 oz at a grade of 7 gpt. It seems to have made adequate allowance for dilution.

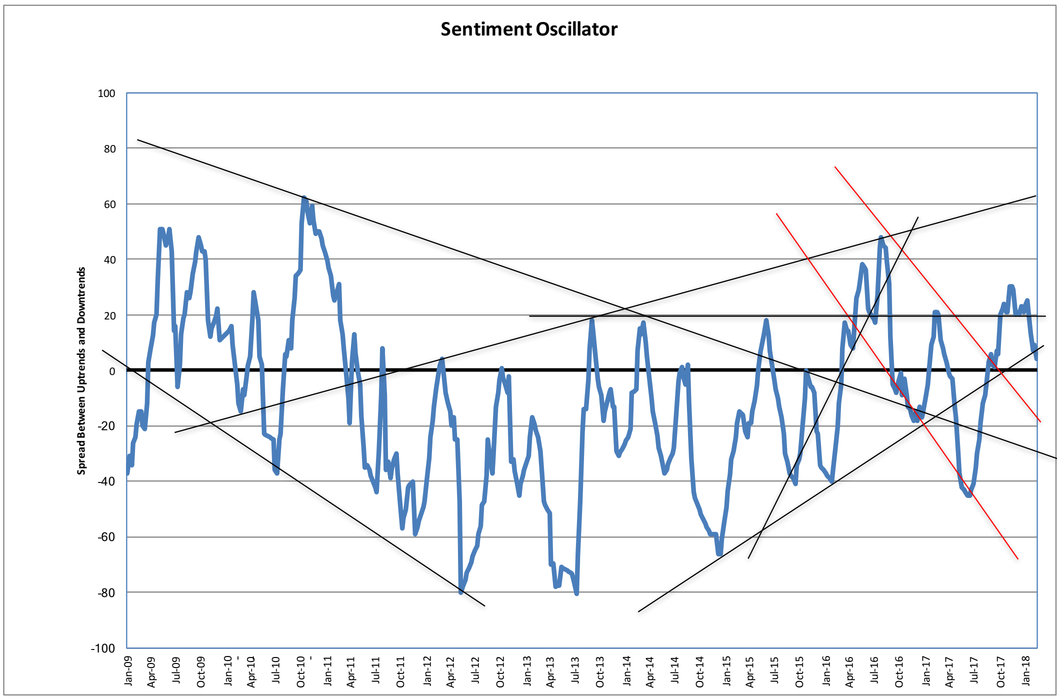
A PFS has calculated numbers for a 200,000 tpa plant with capex of $23m and working capital of $9m, to produce 200,000 oz over five years, with AISC of $1,020/oz. However, this is changing to numbers of 350,000 tpa for 65,000 oz p.a. in an optimised DFS. This study contemplates access via two 1:7, 5 x 5.5m declines 450m apart, with ore drives 2.5m x 3m.

EGA believes it can dewater the mine and complete the rehabilitation of the existing decline in a three month time frame, to give quick access to the first ore stopes. There are some remnant ore positions not included in the resource statement that could be accessed early; believed to be 30,000 t at 15 gpt.

The orebody is generally 0.7-0.8m wide with a 70º dip. The minimum stoping width will be 1.4m, with long hole open stoping delivering an expected head grade of 6-7 gpt.

On first impressions EGA seems a worthwhile company with strong technical management. Rothsay was a good mine back in the heydays of Metana, and could quickly be the same for Egan.

While cash is low at $1m, there are 48 mill. options coming up for exercise this month, at 25¢. Some major shareholders are exercising theirs early, with the balance to be underwritten by Paterson and Taylor Collison. The $12m from the conversion could place the Company in a strong position to be able to negotiate a gold related finance package. We have added EGA to our chart coverage as a prospective gold producer in WA, with merit. Far East Capital intends to sub-underwrite some options. Readers may wish to do the same.




**Sentiment Indicator:** Sentiment softened further over the week with 35% (37%) of the charts in uptrend and 31% (28%) in downtrend on Friday's close. The supporting tend line is being breached.

## 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 | | good bounce followed by a pullback | |
| Metals and Mining | XMM | | consolidating | |
| Energy | XEJ | | short term lower | |
| **Stocks** | **Code** | | **Trend Comment (updated comments in bold)** | **Main Interest** |
| ABM Resources | ABU | | testing steepest downtrend | gold |
| Aeon Metals | AML | | correcting from new high | 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 | | testing downtrend | phosphate |
| Alicanto Minerals | AQI | | down | gold exploration |
| Allegiance Coal | AHQ | | on support line | coal |
| Alliance Resources | AGS | | resuming uptrend | 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 | | breached uptrend line | 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 uptrend | tin, cobalt |
| Australian Bauxite | ABX | | continuing in downtrend | bauxite |
| Australian Potash | APC | | wedge forming | potash |
| Australian Mines | AUZ | | breached short term downtrend | cobalt/nickel |
| Australian Vanadium | AVL | | correcting lower | vanadium |
| Avanco Resources | AVB | | downtrend | copper |
| Azure Minerals | AZS | | down | silver |
| BHP | BHP | | strong bounce | diversified |
| Base Resources | BSE | | weakening | mineral sands |
| Bathurst Resources | BRL | | new high | coal |
| Battery Minerals | BAT | | correcting lower | graphite |
| BBX Minerals | BBX | | holding uptrend | 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 | | breached downtrend | gold, cobalt |
| Broken Hill Prospect. | BPL | | testing uptrend | 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 | | downtrend | copper/cobalt |
| Chalice Gold | CHN | | on support line | gold |
| Cobalt Blue | COB | | pullback | cobalt |
| Comet Resources | CRL | | breached uptrend | graphite/graphene |
| Consolidated Zinc | CZL | | continuing weakness | zinc |
| Corizon Mining | CZN | | testing downtrend | cobalt |
| Crusader Resources | CAS | | new low | gold/iron ore |
| Dacian Gold | DCN | | rallying | 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 Rersources | 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 | | wedge forming | iron ore |
| Galaxy Resources | GXY | | new downtrend | lithium |
| Galilee Energy | GLL | | strong rise | 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 | | surged higher | mineral sands |
| Image Resources | IMA | | down | mineral sands |
| Independence Group | IGO | | rallied to new high | gold, nickel |
| Jervois Mining | JVR | | downtrend | nickel/cobalt |
| 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 | | downtrend being tested | silver |
| Marmota | MEU | | down | gold exploration |
| MetalsX | MLX | | breached uptrend, then a rally | tin, nickel |
| Metro Mining | MMI | | at highs | bauxite |
| Mincor Resources | MCR | | breached uptrend | nickel |
| Mineral Deposits | MDL | | uptrend steepening | mineral sands |
| Myanmar Minerals | MYL | | testing downtrend | zinc |
| MZI Resources | MZI | | testing downtrend | mineral sands |
| Northern Cobalt | N27 | | breached downtrend | cobalt |
| Northern Minerals | NTU | | down again | REE |
| Northern Star Res. | NST | | new high | gold |
| NTM Gold | NTM | | sideways | 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 | | back in uptrend | 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 | | holding longer term uptrend | zinc |
| Regis Resources | RRL | | testing uptrend | gold |
| Resolute Mining | RSG | | rallying off lows | gold |
| RIO | RIO | | back to highs | diversified |
| Salt Lake Potash | SO4 | | less steep downtrend | potash |
| Saracen Minerals | SAR | | testing uptrend | 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 | | sideways | 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 | | slump | oil/gas |
| Syrah Resources | SYR | | rallying a little | graphite |
| Talga Resources | TLG | | breaching resistance line | graphene |
| Tanami Gold | TAM | | down | gold |
| 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 | | breached steepest downtrend | gold exploration |
| Vango Mining | VAN | | testing downtrend | gold |
| Vector Resources | VEC | | trend line holding | gold |
| Vimy Resources | VMY | | sideways through uptrend | uranium |
| 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 | | up | gold |
| Wolf Minerals | WLF | | new low | tungsten |
| Totals | 35% | 50 | Uptrend | |
| | 31% | 45 | 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.

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 | 23.8% | |
| Gold Exploration | 15 | 10.5% | |
| Copper | 10 | 7.0% | |
| Coal | 8 | 5.6% | |
| Oil/Gas | 8 | 5.6% | |
| Graphite | 8 | 5.6% | |
| Mineral Sands | 7 | 4.9% | |
| Cobalt | 7 | 4.9% | |
| Zinc | 6 | 4.2% | |
| Lithium | 6 | 4.2% | |
| 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 | 143 | | |

**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 First Graphene 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.

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