

While markets drift the coking coal price is going ballistic

US job numbers didn't give a clear signal ...

The latest statistic that the market was waiting on, the US jobs data, did little to clarify the outlook for interest rates. The moderate hiring figure of 151,000 jobs in August was softer than expected, causing the optimists to feel that rate rises are less likely in the immediate future, so the gold price and the Dow moved higher ... but with muted conviction

... so markets are still drifting

The markets are drifting around without much direction at the moment. The news from Jackson Hole was uneventful and lacking in vision, so the market is like a sailing ship on the ocean becalmed by lack of wind. One commodity is performing strongly though - coal.

The mining sector has seen the retreat from the highs in July, which followed on from one of the best six month periods ever witnessed. Eventually that strength had to run out of steam, as it has done. Now the aggressive money doesn't know where to go for its next hit. Patient money is well placed while waiting for further delivery from operations, a normal scenario right across industry. Eventually something will come in from left field that will focus our thoughts but in the meantime a sensible approach would be to review your portfolio and weed out the less prospective stocks or the ones that were bought in a flurry to get set, perhaps too aggressively.

Another obvious strategy is to look for sectors that missed out on the strength seen in 2016, particularly coal. It was not popular to buy mining stocks in January and early February, that was the best time to be buying - at the bottom. The most notable absentees from the party up until now has been coal stocks, but the rise in spot coking prices to US\$140 pt is an overwhelming turnaround of the downtrend, so expect to see money flowing into this sector.

Apart from that there is not much more to say on the macro view this week except that the larger bull market in mining stocks has a long way to run, notwithstanding the pullbacks we are seeing. There are plenty of very promising evolving situations out there that will make lucrative profits for investors. Don't be scared away by short term respite in market momentum. Be prepared to take a considered view as opposed to just running with the herd if you want to be positioned for the next leg upwards.

Leading gold stocks have had their run

The anticipated breaches of uptrends were confirmed during the week with St Barbara, Saracen and Evolution being the best worst performers in the ASX200 on Wednesday, falling 6.9%, 5.7% and 5.2% respectively, on the day. This brings to a close the strongest run seen in gold producers for many years. Hereafter the gold price will have to shake off its lethargy and move substantially higher if these stocks have any chance of reaching previous highs. From this point they will probably trade around in volume depending upon daily gold price movements.

Comment on ST downtrends within LT uptrends

There is an increasing number of charts in downtrends but these are different to the downtrends that gripped the market a year ago. These are short term downtrends that form when stocks run out of steam following periods of strength. They will terminate and turn around when share prices have fallen sufficiently to make it worthwhile for the buyers to come back into the market, perhaps to refresh their holdings after having traded out at higher levels, perhaps because the prices ran ahead of their limits in the previous wave. The turning point of these short term downtrends will determine the angle of the support lines for longer term, less steep uptrends.

Looking to coking coal for joy - look at PAK

We have been encouraging readers to look at coking coal in recent weeks, having seen that the price chart had turned the corner. Well, this week I have included a chart that shows how the spot coking coal prices have now gone ballistic, hitting U\$140 pt in the last few days. Understandably the newspapers are picking up on the move, so expect speculators to follow in. It was always anomalous that the higher iron ore price caused by strong steel production had not flowed over into the coal price, so the catch-up shouldn't be surprising.

A few years back there were many companies touting coking coal projects located in South Africa, Indonesia, Mongolia and Canada, but most of these have dropped off the radar - often due to problematic jurisdictions as much as the lower coal price. Expect to see them coming up out of the trenches again.

Earlier this year I saw that Pacific American Coal (PAK) had a quality Elko coking coal resource of 257 Mt in the good jurisdiction of British Columbia, Canada. The market was totally disinterested, valuing the project at only 1¢ per tonne and the company at less than \$5m. That was ridiculous as a "normal" market would put a value of 10-20¢, or \$25-50m. So, I bought 9% of the company on-market as a longer term investment.

There is a correlation in my suggested value here, with the > \$50m spent on the project by previous owners to get to the current resource status. I have seen companies spend tens on millions of dollars trying to prove up deposits but that task has already been successfully completed at Elko. Now we just need the market to ascribe a fair price to the shares.

It is important to distinguish between thermal coal and coking coal. Thermal coal is a social pariah today but coking coal is a necessary ingredient for steel making. It is not environmentally offensive or pollutive, as is thermal coal. Nevertheless, investors seem to have placed it in the same basket. Well, perceptions are being rectified now and coking coal should be on everyone's radar.

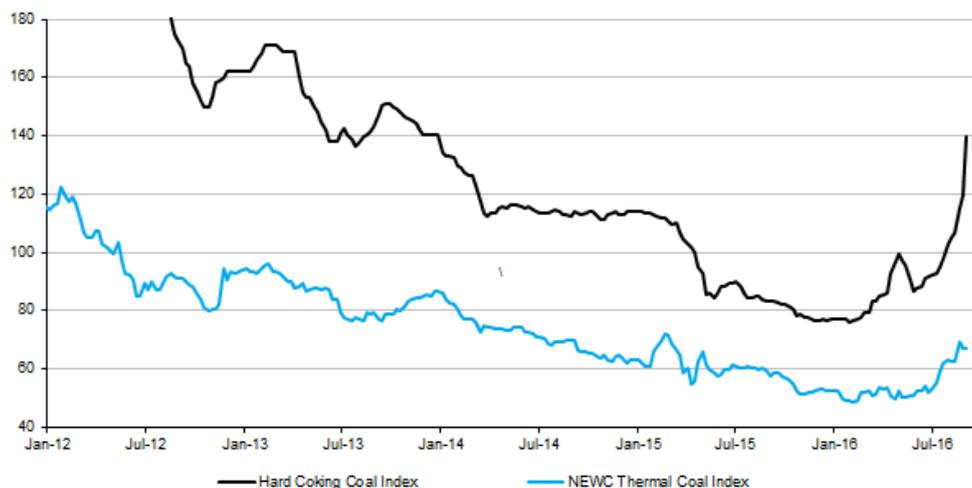
Restricted Commentary for the next 2-3 weeks

Over the next two weeks I will be travelling to the Americas. Firstly I will be on a site visit to Alicanto’s promising gold project in Guyana. From there I will be off to the gold conference at Beaver Creek, Colorado for a couple of days before doing a site visit to Anova’s gold project in Nevada. On the way home I’ll drop in to a graphene conference in San Diego. I won’t be able to update the charts while travelling (as the folder is too heavy to carry around) but I may be able to provide commentary on general events and

company specifics. I’ll complete and release site visit research reports for the above two companies.

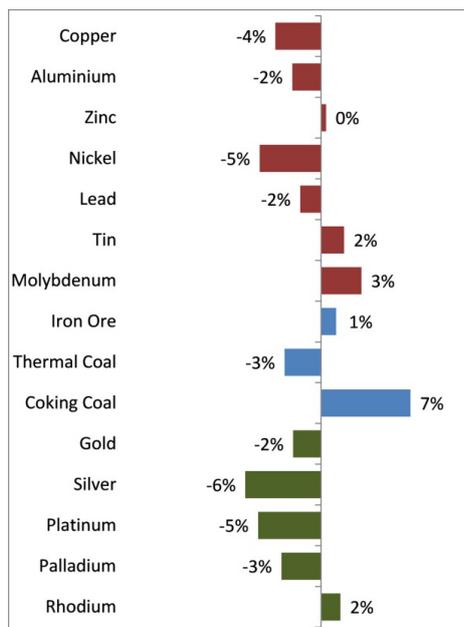
See the chart of coking coal prices below. Also, there are some interesting charts showing the performance of various commodities in mid August, and for the year to date. Coking coal has been rising better than anything else.

General Mining has been deleted from chart coverage following the merger with Galaxy.



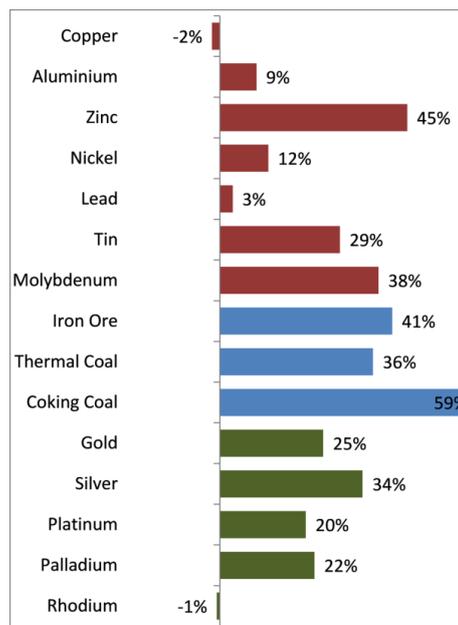
Australian Coal Prices (US\$ FOB)

Exhibit 8: Key metals: one-week absolute performance, 18-08-16 to 25-08-16



Source: Bloomberg, Morgan Stanley Research

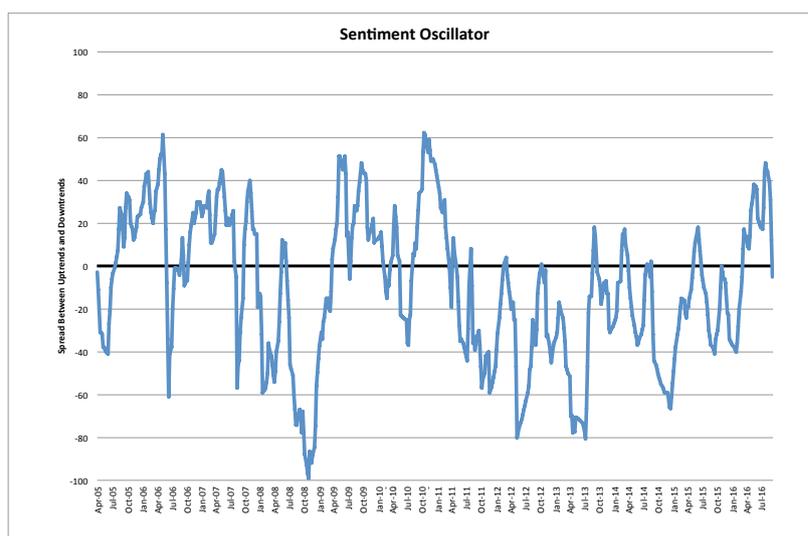
Exhibit 9: Key metals: YTD absolute performance, through 25-Aug-16



Source: Bloomberg, Morgan Stanley Research

Commodity Price Movements in 2016. Courtesy Morgan Stanley

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Sentiment Indicator: We have now had five weeks of softer sentiment and the fall in the Sentiment Oscillator is gathering pace. Each time we have seen this type of fall over the last 10 years it has fallen even further, before turning around rapidly. Last week there were 32% (42%) of the stocks in uptrend and 37% (30%) 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	drifting lower within a broad uptrend	
Metals and Mining	XMM	breached support line	
Energy	XEJ	pulling back	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
ABM Resources	ABU	breached support line	gold
Aeon Metals	AML	new high	copper + cobalt
Alacer Gold	AQG	breached uptrend	gold – production
Alkane Resources	ALK	back to support line	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Agua Resources	AGR	struggling to hold these levels	phosphate
Alicanto Minerals	AQI	pullback	gold exploration
Alttech Chemicals	ATC	heavy pullback to support line	industrial minerals
Anova Metals	AWV	new high	gold
Antipa Minerals	AZY	short term down	gold
Archer Exploration	AXE	downtrend	graphite
Argent Minerals	ARD	now sitting on long term support at 2.7¢	polymetallic
Atlas Iron	AGO	sideways at the bottom	iron ore
Atrum Coal	ATU	new high	coal
Aurelia Metals	AMI	back to support line	gold + base metals
Auroch Minerals	AOU	down on withdrawal from lithium deal	exploration
Aus Tin	ANW	surge higher	tin, cobalt
Australian Bauxite	ABX	turned down at resistance	bauxite
Australian Vanadium	AVL	downtrend	vanadium
Avanco Resources	AVB	down, but sitting on long term support now	copper
AWE	AWE	heavily down	oil and gas
Azure Minerals	AZS	down again	silver
BHP	BHP	breaching support	diversified
Base Resources	BSE	breached uptrend, but rallying	mineral sands

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Beach Energy	BPT		long term downtrend in play	oil and gas
Beadell Resources	BDR		breaching support	gold
Berkeley Resources	BKY		testing support	uranium
Blackham Resources	BLK		falling heavily, approaching support line	gold
Broken Hill Prospect.	BPL		lower	minerals sands, cobalt
Buru Energy	BRU		sideways	oil
Canyon Resources	CAY		down	bauxite
Cardinal Resources	CDV		correcting lower	gold exploration
Carnegie Wave	CWE		downtrend	wave energy
Cassini Resources	CZI		stronger	nickel/Cu expl.
Chalice Gold	CHN		new high	gold
Consolidated Zinc	CZL		down	zinc
Coventry Resources	CYY		ST down	copper
Dacian Gold	DCN		pullback	gold exploration
Danakali	DNK		breaching support	potash
De Grey	DEG		sideways	gold
Doray Minerals	DRM		down	gold
Duketon Mining	DKM		testing support	nickel
Eden Energy	EDE		correction turning into a downtrend	carbon nanotubes in concrete
Energia Minerals	EMX		struggling	zinc
Evolution Mining	EVN		coming off its highs	gold
Excelsior Gold	EXG		new low	gold
First Australian	FAR		sideways	oil/gas
First Graphite	FGR		on support line	graphite
Fortescue Metals	FMG		new high	iron ore
Galaxy Resources	GXY		heavy fall	lithium
Galilee Energy	GLL		breached downtrend	oil and gas, CBM
Gascoyne Resources	GCY		breaching support	gold
Geopacific Res. Resources	GPR		correcting lower	copper/gold exp.
Global Geoscience	GSC		heavy fall	lithium
Gold Road	GOR		breached uptrend	gold exploration
Goldphyre	GPH		short term down	potash, gold
Graphex Mining	GPX		heavy correction	graphite
Gryphon Minerals	GRY		new high on takeover bid	gold
Herron Resources	HRR		at highs	zinc
Highfield Resources	HFR		fallen to support line	potash
Highlands Pacific	HIG		sideways around lows	copper, nickel
Hillgrove Resources	HGO		coming off high in a retracement	copper
Hot Chilli	HCH		new low	copper
Iluka Resources	ILU		heavy fall	mineral sands
Image Resources	IMA		down	mineral sands
Independence	IGO		fallen to support line	gold, nickel
Intrepid Mines	IAU		sideways - 7¢ capital return proposed	copper
Karoo Gas	KAR		sideways	gas
Kibaran Resources	KNL		heading lower	graphite
Kin Mining	KIN		testing uptrend	gold
King Island Scheel.	KIS		new low	tungsten
Kingsgate Consol.	KCN		suspension	gold
Kingsrose Mining	KRM		testing downtrend	gold
Legend Mining	LEG		breach of gentle dwontrend	exploration
Lithium Australia	LIT		downtrend	lithium
Lucapa Diamond	LOM		breached support line	diamonds
Macphersons Res.	MRP		sideways	silver
Manas Resources	MSR		rising	gold
Medusa Mining	MML		breached ST downtrend	gold
Metals of Africa	MTA		back to previous lows	zinc expl/graph.
MetalsX	MLX		new high	tin, gold
Metro Mining	MMI		uptrend	bauxite

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Mincor Resources	MCR		heavy fall	nickel
Mineral Deposits	MDL		heavy pullback	mineral sands
MMJ PhytoTech	MMJ		testing downtrend	medical cannabis
Mustang Resources	MUS		new low	diamonds, rubies
MZI Resources	MZI		breached uptrend	mineral sands
Northern Minerals	NTU		fallen to support line	REE
Northern Star Res.	NST		breaching uptrend, ST down	gold
Oceana Gold	OGC		heavy correction	gold
Oklo Resources	OKU		ST down	gold expl.
Orecorp	ORR		pullback	gold development
Orinoco Gold	OGX		rising again	gold development
Orocobre	ORE		down	lithium
Oz Minerals	OZL		new high	copper
Paladin Energy	PDN		new uptrend	uranium
Pacific American Coal	PAK		breached uptrend	coal, graphene
Pantoro	PNR		surge to new high	gold
Panoramic Res	PAN		rising	nickel
Paringa Resources	PNL		down	coal
Peel Mining	PEX		gentle uptrend	copper
Peninsula Energy	PEN		surge off lows	uranium
Perseus Mining	PRU		down	gold
Pilbara Minerals	PLS		falling	lithium/tantalum
Potash West	PWN		meeting resistance line	potash
Red River Resources	RVR		surge to new high	zinc
Regis Resources	RRL		new high	gold
Renaissance Min.	RNS		new high	gold
Resolute Mining	RSG		on support line	gold
Reward Minerals	RWD		strong rise	potash
Rex Minerals	RXM		back to lows	copper
RIO	RIO		still under long term resistance	diversified
RTG Mining	RTG		correcting	copper/gold
Rum Jungle	RUM		sideways	quartz
Salt Lake Potash	SO4		steeply higher	potash
Saracen Minerals	SAR		breaching uptrend	gold
St Barbara	SBM		now in a correcting downtrend	gold
Sandfire Resources	SFR		stronger	copper
Santana Minerals	SMI		strong rise	silver
Santos	STO		recovering uptrend	oil/gas
Sheffield Resources	SFX		new high	mineral sands
Silver City Minerals	SCI		down	base metals
Silver Lake Resources	SLR		down	gold
Silver Mines	SVL		surge to new high	silver
Sino Gas & Energy	SEH		sideways	gas
Southern Gold	SAU		uptrend continuing	gold
Sundance Energy	SEA		sideways	oil/gas
Syrah Resources	SYR		downtrend	graphite
Talga Resources	TLG		down	graphene
Tanami Gold	TAM		new high	gold
Tiger Resources	TGS		back to lows	copper
TNG Resources	TNG		drifting lower	titanium, vanadium
Torian Resources	TNR		rising again	gold expl'n
Toro Energy	TOE		downtrend	uranium
Troy Resources	TRY		secondary downtrend	gold
Tyranna Resources	TYX		down	gold exploration
Vimy Resources	VMY		down	uranium
West African Resources	WAF		pullback	gold
Westwits	WWI		breached uptrend	gold exploration/development
Western Areas	WSA		turned down at resistance	nickel

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White Rock	WRM		down	silver
WPG Resources	WPG		improving following placement	gold
Wolf Minerals	WLF		continuing down	tungsten
Totals	32%	46	Uptrend	
	37%	52	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	36	25.4%
Copper	14	9.9%
Gold Exploration	11	7.7%
Oil/Gas	9	6.3%
Potash/Phosphate	7	4.9%
Mineral Sands	7	4.9%
Graphite	6	4.2%
Zinc	6	4.2%
Silver	6	4.2%
Lithium	5	3.5%
Nickel	5	3.5%
Uranium	5	3.5%
Coal	4	2.8%
Tin	2	1.4%
Bauxite	3	2.1%
Iron Ore	2	1.4%
Diamonds	2	1.4%
Other	12	
Total	142	

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