

4 March 2017

On Friday's Close

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Stocks are drifting with no overwhelming theme

Markets wallowing around during the week ...

The general mining market lacked enthusiasm during the week with the result being drifting share prices. It is not as if anything was going wrong, but there obviously wasn't enough buying to balance out the selling.

It's a bit uncertain with the gold producers. Many of them look as if they have hit resistance lines and have breached the short term uptrends that coincided with the rally in the gold price. They are now contained within longer term downtrends that go back to their peaks in mid 2106. While the A\$ gold price isn't moving much it seems that institutions are selling gold stocks and moving money to the sidelines.

... while observers worry about the housing boom

On the broader economic front we are being warned more frequently about the risk of a property market collapse and the high level of personal debt associated with domestic borrowers - yet the housing market is still strong. Much of the strength in recent years can be attributed to Chinese money coming into our markets and that is a dynamic that our economic commentators are having trouble placing in perspective. Sydney has even been likened to Hong Kong, where enormous wealth was made by ordinary people who happened to own an apartment.

Now the OECD is ringing the alarm bells on property prices. It is certain that the rising market can't go on forever, but will there be a rout? Will all those investors who are negatively geared, looking to add to their retirement nest eggs, be able to take the resulting pain at whatever level it hits them? It will be a test of economic management for the government to take the steam out of the market in a sensible fashion rather than bring down the shutters, if that is possible. Apart from reining in the budget deficit this is the biggest challenge to the Federal Government in the foreseeable future.

Relating this to making money in the markets

At the moment there is no instant gratification in markets ... but why should there be? Apart from the day traders and the internet warriors, making money in the stock market should, in theory, be about taking a view and backing it. Momentum traders are probably scratching their heads because they don't work around fundamentals, but the more considered investors can find stories that make sense irrespective of daily fluctuations. They need to take a view and back it.

You need to remove the noise and back the themes. You should account for the pain that a housing market collapse might bring but in the mining sector that has less relevance. Growth stories can still be found, particularly where resources are being discovered and advanced. New stories that haven't had a good public airing also offer opportunities, provided they can withstand scrutiny, but beware of brokers pushing new stories just because they

want the fee. The world is not falling apart. So, the market is operating in a reasonably normal mode at present.

Macphersons follows up with 158m at 1.6 gpt

The quick turnaround in the RC drilling has enabled MRP to report an intercept of 158m at 1.6 gpt at Boorara, backing up the earlier result of 163 gpt at 1.94 gpt. This is confirmation that we are dealing with something significant and not just an anomalously good wonder hole.

Looking more closely, MRP has reported the first three holes in a five hole RC program. The first two holes were designed to drill through the sediments to hit the dolerite, which is the prospective host of the gold. BORG 171 delivered the goods with 33m at 2.75 gpt, 20m at 2.83 gpt and 33m at 1.05 gpt. However, BORG missed the target due to a hole deviation, which kept it in the sediments.

Rather than risk the same directional drilling problem with the third hole, MRP stepped 40m to the north and drilled it on the same direction as Hole 25, which had the 163m at 1.94 gpt. i.e. it was a step out along strike. This was BORG 173, which gave an intercept of 158m at 1.6 gpt that has provided good confirmation of the mineralisation and the geological model.

We are waiting on the final two holes. One of them will give information on the stratigraphy and the other one will be an 80m step out from BORG 173.

We are still looking at a 20m wide zone on mineralisation in haematite that has resulted from the magnetite alteration of the dolerite. Add to this the shear zones either side of the dolerite and you start to get a sizeable width. Confidence is growing.

Lucapa keeps cashing the cheques - \$9.1m

LOM has reported sales of \$9.1m in its latest diamond sale. The average price for the 1,552 carat parcel was US \$4,446, about four times what the annualised budget price is. While that price was boosted by the inclusion of the 227 carat stone recovered in February, it seems that the high value diamonds are now a regular event. The next sale already has high quality 62, 65 and 25 carat stones from inventory, and the numbers are growing.

LOM is yet to report its profit for the year to December 2016, but when it does, it will most likely be an important inflection point - as will be the repatriation of funds to Australia, when this happens. As a profit is a concept rather than a hard number, it is too difficult for me to estimate, but relating it back to the cash flows we have seen in 2016, I'm expecting a good figure.

A scurrilous cobalt promotion

During the week I received a number of suggestions for the growing cobalt spreadsheet, which I gratefully add when I can. However, there is one that I have added with great caution attached; - Riva Resources (RIR).

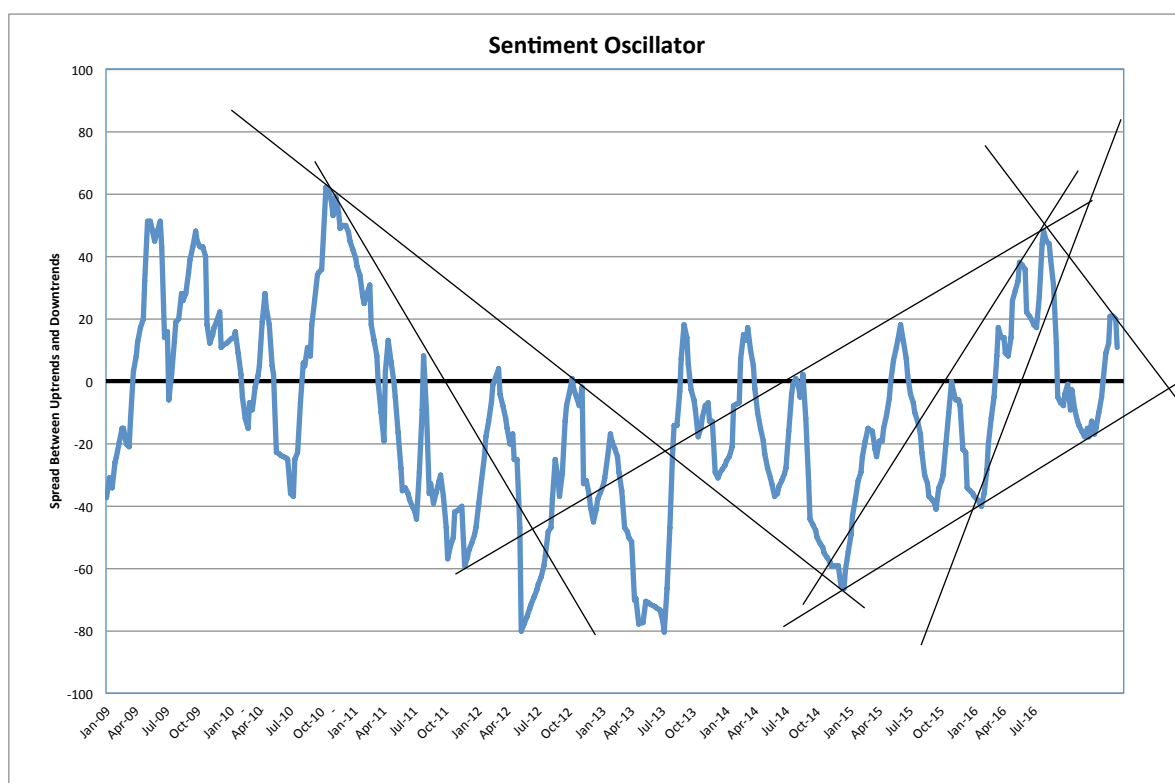
Riva's Tabac Co-Au project was drilled in the early 1980s by ACM Ltd. ACM wasn't looking for cobalt but lo and behold, they reported intercepts of 80m at 0.77% and 30m at 0.3% Co, 7.3km apart. The geologist thought they had hit something huge and immediately started to apply for more ground. Then some asked "Isn't it surprising that you found cobalt when you weren't looking for it?".

The assay wasn't based on a full cut of the core. Due to the need to economise ACM just took a sliver. When they took another cut for a check assay they didn't find any cobalt. Then the penny dropped. The assays were contaminated by cobalt that came from the saw blade used to cut the first sample assayed. There is no doubt. I made enquiries and the saw had high cobalt levels, much higher than modern blades.

It astonishes me that Riva is out there promoting this as a cobalt play today, given that history. It is a very high risk strategy because if they fail to deliver, which is the most likely outcome, there will be egg on faces. So, I have added Riva to the cobalt comparison list but that doesn't mean I believe it. (NB: comparison not attached this week)

We have added Australian Mines (AUZ) to our chart coverage. It has the old Greenvale nickel mine which includes cobalt, and the Flemington scandium + cobalt + nickel project in NSW.

NB: It is possible that there may not be a Weekly for the next two weeks as I will be in North America and London for PDAC and meeting with parties that have expressed interest in FGR.



Sentiment Indicator: Sentiment was hit a bit harder this week, mostly due to the weakness in the gold producers. The Oscillator seems to be suggesting that it could continue to weaken in the short term. There were 36% (41%) of the charts in uptrend and 25% (21%) 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 | short term downtrend breached | |
| Metals and Mining | XMM | correcting lower | |
| Energy | XEJ | easing within an uptrend | |
| Stocks | Code | Trend Comment (updated comments in bold) | Main Interest |
| ABM Resources | ABU | breaching uptrend | gold |
| Aeon Metals | AML | jumping to new high | copper + cobalt |
| Alacer Gold | AQG | breached uptrend | gold – production |
| Alkane Resources | ALK | nudging resistance line | gold, zirconia |
| Acacia Resources | AJC | Sideways at the bottom | coal |
| Aguia Resources | AGR | ticking higher | phosphate |
| Alicanto Minerals | AQI | spiked higher | gold exploration |
| Alltech Chemicals | ATC | testing short term uptrend | industrial minerals |
| Anova Metals | AWV | testing uptrend | gold |
| Antipa Minerals | AZY | testing downtrend | gold |
| Apollo Consolidated | AOP | crunched on preliminary metallurgical tests | gold exploration |
| Archer Exploration | AXE | holding uptrend | magnesite, graphite |
| Argent Minerals | ARD | pullback | polymetallic |
| Aspire Mining | AKM | continuing to fall | coal |
| Atrum Coal | ATU | lower | coal |
| Aurelia Metals | AMI | strongly higher | gold + base metals |
| Auroch Minerals | AOU | improving | exploration |
| Aus Tin | ANW | breached downtrend | tin, cobalt |
| Australian Bauxite | ABX | breakdown confirmed | bauxite |
| Australian Potash | APC | continuing higher | potash |
| Australian Mines | AUZ | new uptrend | cobalt/nickel |
| Australian Vanadium | AVL | rising gently | vanadium |
| Avanco Resources | AVB | rising | copper |
| 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 | rising | mineral sands |
| Bathurst Resources | BRL | testing downtrend | coal |
| Battery Minerals | BAT | testing short term downtrend | graphite |
| Beach Energy | BPT | breached uptrend | oil and gas |
| Beadell Resources | BDR | breached ST uptrend | gold |
| Berkeley Resources | BKY | heavy fall | uranium |
| Berkut Minerals | BMT | vertical rise | cobalt |
| Blackham Resources | BLK | breached ST uptrend | gold |
| Bligh Resources | BGH | gentle uptrend | gold |
| Broken Hill Prospect. | BPL | hit resistance line | minerals sands, cobalt |
| Buru Energy | BRU | sideways at lows | oil |
| Canyon Resources | CAY | new low | bauxite |
| Cardinal Resources | CDV | rising again | gold exploration |
| Carnegie Clean Energy | CCE | new high | wave energy |
| Cassini Resources | CZI | new high | nickel/Cu expl. |
| Chalice Gold | CHN | holding uptrend | gold |

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| | | | | |
|---------------------------|-----|--|----------------------------------|------------------------------|
| Cobalt Blue | COB | | uptrend commenced | cobalt |
| Corizon Mining | CZN | | spiked higher | cobalt |
| Crusader Resources | CAS | | downtrend | gold/iron ore |
| Dacian Gold | DCN | | secondary downtrend | gold exploration |
| Danakali | DNK | | strongly higher | potash |
| Doray Minerals | DRM | | continuing to fall | gold |
| Duketon Mining | DKM | | testing downtrend | nickel |
| Eden Innovations | EDE | | new high | carbon nanotubes in concrete |
| Energia Minerals | EMX | | new high | zinc |
| Equator Resources | EQU | | strong rise | cobalt/nickel |
| Evolution Mining | EVN | | turning down at resistance line | gold |
| Excelsior Gold | EXG | | forming a base | gold |
| Finders Resources | FND | | breached downtrend | copper |
| First Australian | FAR | | testing downtrend | oil/gas |
| First Graphite | FGR | | holding long term uptrend | graphite |
| Fortescue Metals | FMG | | hugging uptrend | iron ore |
| Galaxy Resources | GXY | | back to support line | lithium |
| Galilee Energy | GLL | | rising | oil and gas, CBM |
| Gascoyne Resources | GCY | | correcting lower | gold |
| Geopacific Res. Resources | GPR | | in long term downtrend still | copper/gold exp. |
| Global Geoscience | GSC | | back to support line | lithium |
| Gold Road | GOR | | downtrend | gold exploration |
| Graphex Mining | GPX | | rising again | graphite |
| Heron Resources | HRR | | new low | zinc |
| Highfield Resources | HFR | | breached uptrend | potash |
| Highlands Pacific | HIG | | edging higher | copper, nickel |
| Hillgrove Resources | HGO | | rising again | copper |
| Hot Chilli | HCH | | testing downtrend | copper |
| Iluka Resources | ILU | | breached steep uptrend | mineral sands |
| Image Resources | IMA | | heavy fall | mineral sands |
| Independence | IGO | | ST down | gold, nickel |
| Intrepid Mines | IAU | | sideways | copper |
| Karoon Gas | KAR | | breached downtrend | gas |
| Kibaran Resources | KNL | | breached support line | graphite |
| Kin Mining | KIN | | breached downtrend | gold |
| Legend Mining | LEG | | strong surge, then a slump | exploration |
| Lithium Australia | LIT | | downtrend breached | lithium |
| Lucapa Diamond | LOM | | fallen to long term support line | diamonds |
| Macphersons Res. | MRP | | surge higher | silver |
| Medusa Mining | MML | | free falling | gold |
| MetalsX | MLX | | at highs again | tin, nickel |
| Metro Mining | MMI | | rising | bauxite |
| Mincor Resources | MCR | | off its lows | nickel |
| Mineral Deposits | MDL | | breached steepest uptrend | mineral sands |
| Mustang Resources | MUS | | back to trend line | diamonds, rubies |
| MZI Resources | MZI | | still in downtrend | mineral sands |
| Northern Minerals | NTU | | turning up | REE |
| Northern Star Res. | NST | | at final resistance line | gold |
| NTM Gold | NTM | | breached uptrend | gold |
| Oceana Gold | OGC | | fallen out of ST uptrend | gold |

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| | | | | |
|------------------------|-----|---|--|--------------------|
| Oklo Resources | OKU |  | breached downtrend | gold expl. |
| Orecorp | ORR |  | breached downtrend | gold development |
| Orinoco Gold | OGX |  | down | gold development |
| Orocobre | ORE |  | collapse out of uptrend (on bad news) | lithium |
| Oz Minerals | OZL |  | another new high | copper |
| Paladin Energy | PDN |  | slump | uranium |
| Pacific American Coal | PAK |  | breached support line | coal, graphene |
| Pantoro | PNR |  | new high | gold |
| Panoramic Res | PAN |  | new high | nickel |
| Paringa Resources | PNL |  | rolling over | coal |
| Peel Mining | PEX |  | gentle uptrend | copper |
| Peninsula Energy | PEN |  | slump | uranium |
| Perseus Mining | PRU |  | correcting down | gold |
| Pilbara Minerals | PLS |  | breached wedge downside | lithium/tantalum |
| PNX Metals | PNX |  | strong surge | gold, silver, zinc |
| Potash West | PWN |  | falling | potash |
| Red River Resources | RVR |  | still in uptrend | zinc |
| Regis Resources | RRL |  | breaching ST uptrend | gold |
| Resolute Mining | RSG |  | turned down at final resistance line | gold |
| Reward Minerals | RWD |  | testing downtrend | potash |
| RIO | RIO |  | slump | diversified |
| RTG Mining | RTG |  | down again | copper/gold |
| Rum Jungle | RUM |  | sideways | quartz |
| Salt Lake Potash | SO4 |  | steeply higher | potash |
| Saracen Minerals | SAR |  | testing downtrend | gold |
| St Barbara | SBM |  | turned down at final resistance line | gold |
| Sandfire Resources | SFR |  | stronger | copper |
| Santana Minerals | SMI |  | testing downtrend | silver |
| Santos | STO |  | falling towards long term support line | oil/gas |
| Sheffield Resources | SFX |  | heavy fall | mineral sands |
| Silver Lake Resources | SLR |  | heavy fall | gold |
| Silver Mines | SVL |  | testing downtrend | silver |
| Sino Gas & Energy | SEH |  | sideways | gas |
| Southern Gold | SAU |  | pullback | gold |
| Stanmore Coal | SMR |  | on long term support | coal |
| Sundance Energy | SEA |  | breached uptrend | oil/gas |
| Syrah Resources | SYR |  | falling heavily | graphite |
| Talga Resources | TLG |  | rising | graphene |
| Tanami Gold | TAM |  | short term down | gold |
| Tempo Australia | TPP |  | breached downtrend | mining services |
| Teranga Gold | TGZ |  | secondary downtrend | gold |
| Tiger Realm | TIG |  | down | coal |
| Tiger Resources | TGS |  | strong rise | copper |
| TNG Resources | TNG |  | spiked higher | titanium, vanadium |
| Torian Resources | TNR |  | breached downtrend | gold expl'n |
| Toro Energy | TOE |  | but softening | uranium |
| Troy Resources | TRY |  | bouncing | gold |
| Tyranna Resources | TYX |  | breaching downtrend | gold exploration |
| Vimy Resources | VMY |  | downtrend breached | uranium |
| West African Resources | WAF |  | secondary downtrend in play | gold |

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| | | | | |
|-----------------|-----|-----|----------------------|------------------------------|
| Westwits | WWI | | testing downtrend | gold exploration/development |
| Western Areas | WSA | | recovering from lows | nickel |
| White Rock | WRM | | hitting resistance | silver |
| Whitehaven Coal | WHC | | testing uptrend | coal |
| WPG Resources | WPG | | testing downtrend | gold |
| Wolf Minerals | WLF | | sideways at the lows | tungsten |
| Totals | 36% | 53 | Uptrend | |
| | 25% | 37 | Downtrend | |
| | | 147 | 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 | 22.4% | |
| Copper | 13 | 8.8% | |
| Gold Exploration | 13 | 8.8% | |
| Coal | 10 | 6.8% | |
| Oil/Gas | 9 | 6.1% | |
| Potash/Phosphate | 7 | 4.8% | |
| Mineral Sands | 7 | 4.8% | |
| Graphite | 6 | 4.1% | |
| Silver | 6 | 4.1% | |
| Zinc | 5 | 3.4% | |
| Lithium | 5 | 3.4% | |
| Nickel | 5 | 3.4% | |
| Uranium | 5 | 3.4% | |
| Cobalt | 4 | 2.7% | |
| Tin | 2 | 1.4% | |
| Bauxite | 3 | 2.0% | |
| Diamonds | 2 | 1.4% | |
| Iron Ore | 1 | 0.7% | |

Weightings of Sectors Represented in the Company Charts

| | | | |
|-------|------------|--|--|
| Other | 11 | | |
| Total | 147 | | |

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