

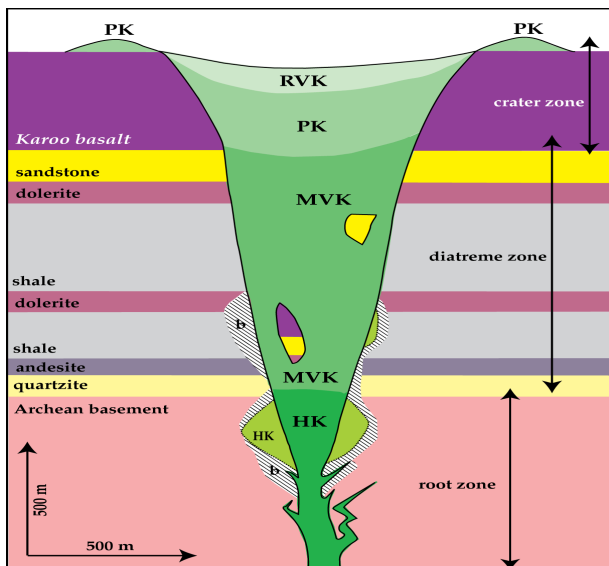
## Gold has been a real performer during the week

Last week I said that the gold sector had bottomed and we should be ready for a much stronger market, concurring with the views of a number of devotees in the markets. Had I suggested that the gold price would jump from the low mid US\$1120s to hit US\$1173 by the end of the week I would have been called too bullish, yet that is what happened. A brief technical correction on Friday night was quickly reversed when traders took the opportunity to cover their shorts, which they did aggressively.

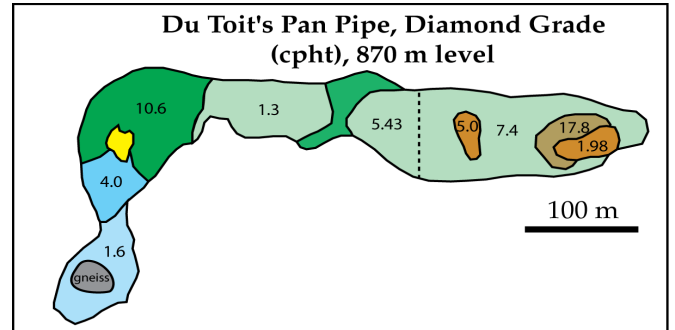
The scene is set for further gold price moves upwards in response to the weaker US\$, which came off by about 3% against a basket of currencies recently. Commodities generally had a good week for the same reasons with copper rallying well. There is concern that the US economy is not as strong as was forecast and there is now increasing thought that the interest rates might not continue to rise.

### *Lucapa gravity survey defines 110ha kimberlitic signature beneath Block 8 - L259*

Last Monday LOM released results from the long awaited gravity survey over what is believed to be the source pipe for the rich gravels at Block 8, and possibly also Block 6. We now have an image which sees through the cover to give us an outline of a structure. We have the RVK material (re-sedimented volcanoclastic kimberlite) and now we have the shape. The next step is to drill the contact and into the structure to test samples at depth. Drilling will start this month.



**Figure 2:** Classic model of a South African kimberlite pipe. Adapted from Hawthorne (1975), Clement (1982).



Why say “kimberlitic signature” rather than “kimberlite pipe?” A betting man would say “yes, this is the pipe”, but the Company needs to tick every box imposed by a conservative regulatory system designed to keep promoters under control.

The 110 ha size is very large as far as kimberlite pipes go, especially given that it is open to the south west, on the other side of the river. However, given the interpretation that there hasn't been much erosion, the probability is that crater zone is still in place and the root of the pipe will be somewhat smaller than the 110 ha.

It would be inconceivable that the entire area will carry good grade as something of this size will have been created through a number of eruptive events, each with a different diamond grade. The key will be to identify the richest zones within an acceptable time frame and cost, ahead of bulk sampling if possible. Analysis of material from drilling may be of assistance here initially, but it will need to be backed up with bulk samples.

I have attached some diagrams to give readers a better appreciation of what we are dealing with. The first diagram shows a classic pipe structure and the location of RVK, which LOM has recovered. The second diagram shows Du Toit's Pan Pipe with different grades (cpht) in different geological phases. The variation in grade is pronounced. (Source: Kjarsgaard, B.A. 2007. Kimberlite Pipe Models: Significant for Exploration. Ore Deposit and Exploration Technology Conference, Paper 46, pp 667-675)

Every hard rock diamond mine in Angola has been found through working the gravels in the first instance and following the alluvial diamonds to the source. This appears to be another case in point. So far the market in LOM has been dominated by speculators hanging out for each piece of news on which they can trade. We are now advancing sufficiently along the knowledge curve that we should see educated buyers accumulating for what will be the inevitable re-rating of the stock as risk profiles diminish and geological certainty increases.

### *... and a stunning 120 carat diamond recovered*

Maybe the market is becoming used to big diamonds but I find it extraordinary that the shares didn't move on the

announcement of a 120 carat very high quality diamond last week. How many times does Lucapa have to jump through the hoop before the share price reacts? The significance of this stone is that it could be worth US \$2-3m on its own. We will know within a few weeks.

**STOP PRESS:** *Lucapa went into a trading halt on Friday. It is not a tactic normally used by LOM so it must be something very important. Watch for a release on Monday.*

### **Pacific American Coal to look further afield**

Even though I have previously written that Pacific American Coal has 257 mill. tonnes of coking coal assets worth many times its current market capitalisation (in a normal market), it is obvious that we need to be further along the commodity price cycle before investors are prepared to act. It is definitely a case of straw hats in winter. The disinterest in the sector is demonstrated by there being almost no bids and offers for PAK on the screens.

In recognition of the complete abhorrence of investors towards coal, particularly thermal coal, PAK has decided not to exercise its option to increase its holding in the P8N coal mine in Oklahoma from 30% to 80%. It will keep the coking coal interest nonetheless and it has announced in the quarterly that it is commencing a strategic review of its other assets and it is considering opportunities in the carbon business and related technology. We can only guess what this means but it would be reasonable to assume that directors and management want to do something that puts them back on the radar. With only 82 million shares on issue, and \$1.2m in the bank, there is plenty of room for upside if the right deal is struck. *Disclosure: Interests associated with the author recently announced an 8.16% shareholding in PAK*

### **We are being conned on the GST, again ...**

There is a concerted campaign in the media designed to soften us up to accept an increase in the GST to 15%. The most vocal proponent is Mike Baird, the Premier of NSW. I'd like to know why he appears to have become the spokesman for the cause given it is a Federal, not a State initiative issue.

When the GST was first introduced one of the checks and balances was the requirement a majority of the State Governments to support any proposal for a change. Why do we have NSW pushing for an increase to cover the outrageous spending being perpetrated by the Federal Government? Is Mike Baird thinking that one day he will move to Canberra?

We should resist any attempt to raise the GST. It is not a problem of revenue, it is a problem of wasteful government spending and complete lack of fiscal responsibility. If we let them increase the GST rate now we will be in exactly the same position in 10 years time, especially if we suffer another Labor Government in the interim. The cycle of Australian politics seems to be that Labor gets into power and spends like there is no tomorrow, then the Liberals get back in power and have to sort out the deficit problems. When will the electorate learn?

### **... and money continues to be blown on refugees**

While on the topic of wasting money we have disturbing news that only 7% of the refugee intake in 2013 have jobs, causing another \$100m in welfare payments each year. It would be much cheaper to pay them money to stay in their countries of origin rather than creating long term social and financial problem in Australia. Governments need to think longer term and ensure that refugees become assets, not permanent liabilities.

**Sentiment Indicator:** No update to the Sentiment Indicator this week. There were xx% (25%) of the stocks in uptrend and xx% (61%) 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

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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
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

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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		rising again	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
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

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Stavelly 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
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%	

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<b>Weightings of Sectors Represented in the Company Charts</b>			
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		
<b>Total</b>	<b>142</b>		

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