

## Lacklustre markets devoid of thematics

The strength in the leading stocks has pushed the leading indices higher again this week while junior stocks continue to fall.

There continues to be no great concern on the economic front though the European economies have lost some steam over recent months. Germany reported that factory orders dropped 2.5% in April and Eurozone growth was 0.4% in Q1, down from 0.7% in Q4 2017. The European Central Bank has declared an end to its three year €2.4tn stimulus program by the end of the year, but at the same time the aforementioned softening has promoted statements that suggest interest rates will remain unchanged until well into 2019.

In contrast to Europe, growth in the USA seems to be continuing to improve with low unemployment levels and US retailers reporting a 0.8% lift in retail sales in May, being the biggest jump in six months. Fears of trade wars don't seem to be holding back enthusiasm in the USA.

The geopolitical uncertainty concerning North Korea is ratcheting down surprisingly quickly, causing the gold price to fall correspondingly. We should be expecting gold stocks to ease in sympathy but the leading gold producers have been somewhat immune to recent gold price movements. Maybe they will ignore last Friday's gold price movement.

### *Graphite thematic continues to unwind*

A few years ago the hot sector to be in was graphite, but like so many times before, the market got the sector wrong in a big way. Not unlike the uranium boom, dozens and dozens of hopefuls have failed or withered on the vine. Paladin was the leading, and only uranium company, to commission a mine (until Peninsula Energy commissioned its mine in Wyoming some years later). Similarly, Syrah is the only flake graphite company to proceed to production, though First Graphene has successfully developed underground vein graphite mines in Sri Lanka.

The news last week that Resource Capital Funds has pulled the pin on the US\$30m debt and equity funding agreement with Battery Minerals Ltd (BAT) is a sign of how out of favour graphite has become. Understandably, BAT still espouses confidence and is seeking to make a positive out of a negative, saying that the termination of the RCF deal opens the door to more attractive financing to be negotiated). Nevertheless, it doesn't auger well for the procession of other hopefuls wanting to start a graphite mine. Subscribers to the recent \$20m placement by BAT at 6¢ won't be very happy.

### *Cobalt stocks also in retreat*

Notwithstanding the compelling fundamentals that include a global shortage of the metal and changes in DRC legislation that greatly increases government imposts on the mining industry, investors continue to leak out of the cobalt sector. Even the sector leaders have gone into

reverse. Perhaps this is just part of the swings and roundabouts, with the exacerbation of end of tax year selling.

If you are an institutional investor in the market today you would be staying with the momentum being demonstrated by the leading mining stocks. It is manna from heaven at the moment. However, there will be a point at which money will flow the other way and the more aggressive funds will be chasing thematics such as cobalt. It is all about money flows, snakes and ladders. Don't become despondent about short term perspectives.

### *Uranium looking better, but still a tough gig*

There has been escalating commentary on the uranium sector in recent months with a number of readers bringing it to my attention, perhaps because I was a uranium bull 10 years ago and was instrumental in getting Peninsula Energy into uranium, eventually developing a successful in-situ leach uranium mine in Wyoming.

As much as I believe nuclear power is the answer to global warming (if indeed it is caused by greenhouse gas emissions), the tsunami effect will be an ever present obstacle. Fukushima was not the only tsunami though. The wave of social rejection of nuclear power in favour of alternative energy, combined with government subsidies for "clean energy" around the globe, will leave nuclear power as an also-ran in the energy stakes. There are still substantial stockpiles of uranium overhanging the market with Japan being one of the major sources. It is difficult to see a bull market in uranium prices in the near term.

### *Be wary of brokers' idea generation ploys*

The stock market works according to its own parameters and it is seldom in perfect synchronisation with the real world. Everywhere we see investment bankers and brokers gathering each morning to engineer situations where they might be able to make a buck. The "what if" approach to ideas generation is quite valid as it opens up minds to possibilities. It can be quite stimulating but it is important to distinguish a scenario defined to generate commissions from one that is happening or is likely to happen. The market is all about the push and the pull, the battle between the bulls and the bears in many aspects, corporate or industry. In quiet times like we are seeing today, be cautious about taking the bait being thrown out by brokers ... such as the push to get buying in uranium stocks.

### *Thermal coal defying the Greens*

Having said that uranium has lost out to the Greenies, the performance of thermal coal in recent markets needs to be acknowledged. Thermal coal power stations are being phased out in Australia because they are viewed as being a

major cause of climate change and highly polluting, but this seems out of step with what was happening elsewhere.

Thermal coal prices have recently been quoted at US\$112.60 pt, 130% higher than its 2016 lows. Thermal coal still accounts for 40% of energy production in Asia, the fastest growing region in the world. The coal price has been responding to a lack of investment in production capacity in recent years.

### *Differences between Asian and Western economies*

It seems that European society is on a path to self destruction from many angles while Asian societies are just getting on with the job. Western European sourced societies (which include Australia, Canada and the USA, but not so much the Latin countries) are too hung up with social issues such as political correctness, guilt over actions of ancestors, the gender jihad, LGBT minority groups, climate change and who knows what else in priority to simple economics. The confusion that is eroding our societies is demonstrated no better than with the whimpish leadership that we call democratic government. The gains of the past centuries are being unwound for no logical reason except pacification of minority interest groups that are bullying mainstream society with their own agendas.

### *ALY entitlement issue to advance to JORC status*

As flagged in the recent note on Alchemy, that company has announced a 1 for 4 rights issue at 1.5¢ a share, to raise \$1.32m. While it is not good timing on a calendar basis, owing to the end of year tax selling time, it could work in favour of shareholders who take up the offer.

Recall that ALY looked anomalously cheap on the basis of the West Lynn project having an Exploration Target of 15-30 Mt @ 0.05-0.07% Co, 0.7-0.9% Ni. The fund raising will be used to conduct drilling that should enable a maiden JORC resource.

ALY is not a stock that trades in much volume so it is unlikely to be suitable for larger traders, but smaller traders and investors can be confident in the integrity of the management and the relative value with other nickel/cobalt companies.

*Disclosure: Interests associated with the author own shares in ALY.*

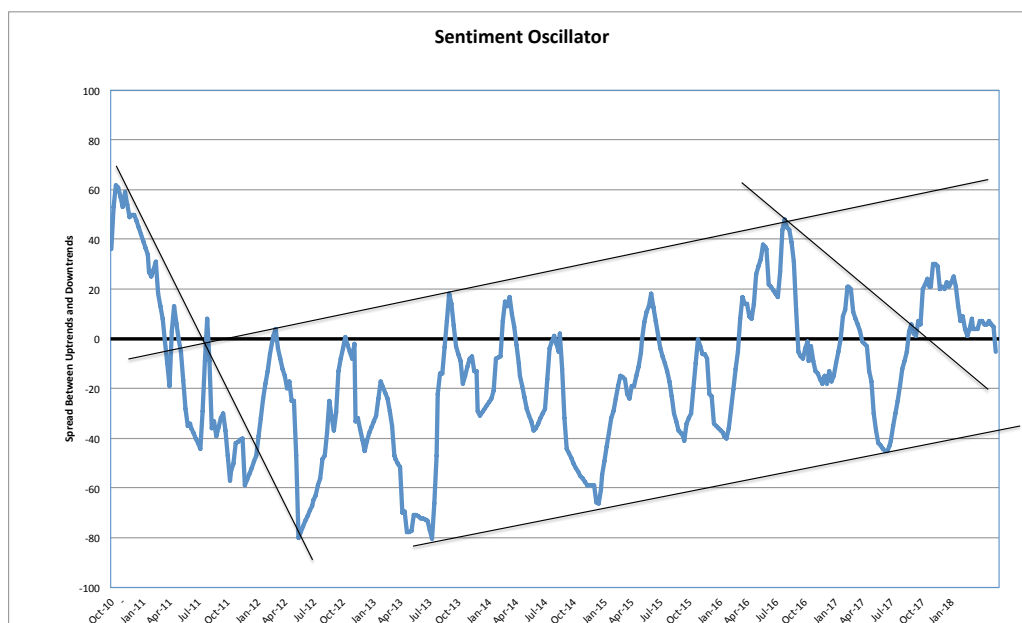
### *NTM Gold delivering on resources*

NTM has announced a 94% increase in its Indicated and Inferred JORC mineral resource estimate to 12.5 Mt at 1.34 gpt for 537,900 oz, using a 0.5 gpt cut-off. This is a pleasing result though the economics still need to be assessed.

We have deleted Aguia Resources, Consolidated Zinc and Torian Resources, and added Adriatic Resources (zinc) and Polarex (copper/VMS) to the chart coverage.

*NB: Apologies for the late delivery of the Weekly, caused by travel to the Graphene City (Manchester) last week.*

**Sentiment Indicator:** Sentiment was stable during the week; 35% (33%) of the charts were in uptrend and 40% (38%) in downtrend on Friday's close.



## 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	at highs	
Metals and Mining	XMM	continuing with uptrend	
Energy	XEJ	near highs	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Adriatic Resources	ADT	steep rise	zinc
Aeon Metals	AML	correcting below resistance line	copper + cobalt
Alacer Gold	AQG	back to recent highs	gold – production
Alkane Resources	ALK	wedge forming	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Alchemy Resources	ALY	base forming	nickel, cobalt
Alicanto Minerals	AQI	down	gold exploration
Allegiance Coal	AHQ	softer	coal
Alliance Resources	AGS	continuing down	gold exploration
Altech Chemicals	ATC	holding on support line	industrial minerals - synthetic sapphire
Anova Metals	AWV	new low on poor production report	gold
Antipa Minerals	AZY	new low	gold
Apollo Consolidated	AOP	slump	gold exploration
Archer Exploration	AXE	breach of support	magnesite, graphite
Argent Minerals	ARD	sideways within downtrend	polymetallic
Aurelia Metals	AMI	new high	gold + base metals
AusTin	ANW	down	tin, cobalt
Australian Bauxite	ABX	but a new low	bauxite
Australian Potash	APC	new low	potash
Australian Mines	AUZ	down	cobalt/nickel
Australian Vanadium	AVL	at resistance line	vanadium
Azure Minerals	AZS	new low	silver
Bounty Coal	B2Y	pre-listing	coal
BHP	BHP	re-approaching recent high	diversified
Base Resources	BSE	sideways through downtrend	mineral sands
Bathurst Resources	BRL	sideways	coal
Battery Minerals	BAT	collapse to new low	graphite
BBX Minerals	BBX	down	gold
Beach Energy	BPT	near highs	oil and gas
Beadell Resources	BDR	another new low	gold
Berkeley Energia	BKY	down	uranium
Berkut Minerals	BMT	new low	cobalt
Blackham Resources	BLK	sideways	gold
Blackstone Minerals	BSX	new low	gold, cobalt
Broken Hill Prospect.	BPL	sideways	minerals sands, cobalt
Buru Energy	BRU	new high	oil
Cardinal Resources	CDV	testing uptrend, down	gold exploration
Cassini Resources	CZI	sideways	nickel/Cu expl.
Celsius Resources	CLA	off high after placement	copper/cobalt
Chalice Gold	CHN	heading lower	gold
Cobalt Blue	COB	breaching steep uptrend	cobalt
Comet Resources	CRL	new low	graphite/graphene
Crusader Resources	CAS	new low	gold/iron ore
Dacian Gold	DCN	off its highs	gold exploration
Danakali	DNK	weakness confirms downward direction	potash

This commentary is provided at no charge and in good faith from sources believed to be reliable and accurate. Far East Capital Ltd directors and employees do not accept liability for the results of any action taken on the basis of information provided or for any errors or omissions contained therein. Readers should seek investment advice from their professional advisors before acting on information contained therein. Please see **Disclosure of Conflicts of Interest** at the end of this commentary.

Doray Minerals	DRM		resumed uptrend	gold
Draig Resources	DRG		down	gold
Eden Innovations	EDE		down	carbon nanotubes in concrete
Egan Street Resources	EGA		sideways	gold
Emerald Resource	EMR		testing downtrend	gold
Evolution Mining	EVN		new high	gold
Excelsior Gold	EXG		down	gold
FAR	FAR		uptrend emerging	oil/gas
First Cobalt	FCC		new low	cobalt
First Graphene	FGR		holding uptrend	graphite
Frontier Diamonds	FDX		new low	diamonds
Fortescue Metals	FMG		rallied out of steepest, but still in LT downtrend	iron ore
Galaxy Resources	GXY		rising again	lithium
Galilee Energy	GLL		retaining uptrend	oil and gas, CBM
Gascoyne Resources	GCY		holding longer term uptrend	gold
Global Geoscience	GSC		new high	lithium
Gold Road	GOR		new high	gold exploration
Golden Rim	GMR		new low	gold exploration
Graphex Mining	GPX		breaching downtrend	graphite
Heron Resources	HRR		downtrend persisting	zinc
Highfield Resources	HFR		down again	potash
Highlands Pacific	HIG		testing recent uptrend	copper, nickel
Hillgrove Resources	HGO		sideways	copper
Iluka Resources	ILU		on support line	mineral sands
Image Resources	IMA		resumed LT uptrend	mineral sands
Independence Group	IGO		rising, but with a pullback	gold, nickel
Jervois Mining	JVR		renewed downtrend	nickel/cobalt
Karoon Gas	KAR		new low	gas
Kasbah Resources	KAS		sideways	tin
Kibaran Resources	KNL		stronger	graphite
Kin Mining	KIN		down heavily	gold
Legend Mining	LEG		upside break from correction trend	exploration
Lepidico	LPD		down	lithium
Lithium Australia	LIT		breached uptrend	lithium
Lucapa Diamond	LOM		breached downtrend	diamonds
Macphersons Res.	MRP		Spike though downtrend, then pullback	silver
Marmota	MEU		sideways	gold exploration
MetalsX	MLX		slump through support	tin, nickel
Metro Mining	MMI		downtrend	bauxite
Mincor Resources	MCR		uptrend	nickel
Mineral Deposits	MDL		strongly higher on takeover approach	mineral sands
Myanmar Minerals	MYL		downtrend breached	zinc
MZI Resources	MZI		new low	mineral sands
Neometals	NMT		down	lithium
Northern Cobalt	N27		down again	cobalt
Northern Minerals	NTU		rallied back to resistance line	REE
Northern Star Res.	NST		off its high	gold
NTM Gold	NTM		breached downtrend	gold
Oceana Gold	OGC		breached downtrend	gold
Oklo Resources	OKU		down	gold expl.
Orecorp	ORR		holding support	gold development
Orinoco Gold	OGX		sideways	gold development
Orocobre	ORE		secondary downtrend	lithium
Oz Minerals	OZL		continuing in uptrend	copper

This commentary is provided at no charge and in good faith from sources believed to be reliable and accurate. Far East Capital Ltd directors and employees do not accept liability for the results of any action taken on the basis of information provided or for any errors or omissions contained therein. Readers should seek investment advice from their professional advisors before acting on information contained therein. Please see **Disclosure of Conflicts of Interest** at the end of this commentary.

Pacific American Coal	PAK		falling back to support line	coal, graphene
Pantoro	PNR		pullback	gold
Panoramic Res	PAN		new high	nickel
Peel Mining	PEX		downtrend confirmed	copper
Peninsula Energy	PEN		sideways through downtrend	uranium
Perseus Mining	PRU		breached downtrend	gold
Pilbara Minerals	PLS		rallying	lithium/tantalum
PNX Metals	PNX		sideways	gold, silver, zinc
Polarex	PXX		down	polymetallic
Prodigy Gold	PRX		name change from ABM Resources	gold
Red5	RED		down	gold
Red River Resources	RVR		fallen to support line	zinc
Regis Resources	RRL		new high	gold
Resolute Mining	RSG		still in downtrend	gold
RIO	RIO		back to highs	diversified
Salt Lake Potash	SO4		breached downtrend	potash
Saracen Minerals	SAR		new high	gold
St Barbara	SBM		strong	gold
Sandfire Resources	SFR		new high	copper
Santana Minerals	SMI		new low	silver
Santos	STO		off its high	oil/gas
Sheffield Resources	SFX		rising again	mineral sands
Sino Gas & Energy	SEH		confirming uptrend	gas
Sipa Resources	SRI		sideways	general exploration - Ni,Cu, Co, Au
Stanmore Coal	SMR		testing downtrend	coal
Sundance Energy	SEA		testing uptrend	oil/gas
Syrah Resources	SYR		back to downtrend	graphite
Talga Resources	TLG		softer	graphene
Tanami Gold	TAM		sideways	gold
Tiger Realm	TIG		back to lows	coal
Triton Minerals	TON		down	graphite
Troy Resources	TRY		uptrend breached	gold
Tyranna Resources	TYX		back to lows	gold exploration
Vango Mining	VAN		surge to new high	gold
Vector Resources	VEC		new low	gold
Vimy Resources	VMY		down	uranium
Volt Resources	VRC		down	graphite
West African Resources	WAF		down	gold
Westwits	WWI		down	gold exploration/development
Western Areas	WSA		rising again	nickel
White Rock Minerals	WRM		new low	silver
Whitehaven Coal	WHC		new high	coal
WPG Resources	WPG		down again	gold
Wolf Minerals	WLF		sideways at lows	tungsten
Totals	35%	49	Uptrend	
	40%	56	Downtrend	
		141	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.

*This commentary is provided at no charge and in good faith from sources believed to be reliable and accurate. Far East Capital Ltd directors and employees do not accept liability for the results of any action taken on the basis of information provided or for any errors or omissions contained therein. Readers should seek investment advice from their professional advisors before acting on information contained therein. Please see **Disclosure of Conflicts of Interest** at the end of this commentary.*

- 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	23.4%
Gold Exploration	15	10.6%
Copper	9	6.4%
Coal	9	6.4%
Oil/Gas	8	5.7%
Graphite	9	6.4%
Mineral Sands	7	5.0%
Cobalt	7	5.0%
Zinc	6	4.3%
Lithium	7	5.0%
Silver	5	3.5%
Nickel	5	3.5%
Potash/Phosphate	4	2.8%
Uranium	3	2.1%
Bauxite	2	1.4%
Tin	3	2.1%
Diamonds	3	2.1%
Iron Ore	1	0.7%
Other	5	
Total	141	

**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 author hold shares in MacPhersons 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, Golden Rim, Lucapa Diamond Company, Orinoco Gold and West Wits for corporate and capital raising services. Its primary business is investing and managing its own money, but it does occasionally raise money for resource companies.

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

*This commentary is provided at no charge and in good faith from sources believed to be reliable and accurate. Far East Capital Ltd directors and employees do not accept liability for the results of any action taken on the basis of information provided or for any errors or omissions contained therein. Readers should seek investment advice from their professional advisors before acting on information contained therein. Please see **Disclosure of Conflicts of Interest** at the end of this commentary.*

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 change, and we or any such companies may make a market or act as principal in transactions, in any relevant securities or provide advisory or other services to an issuer of relevant securities or any company therewith. Unless otherwise stated all views expressed herein (including estimates or forecasts) are solely those of our research department and subject to change without notice. This document may not be reproduced or copies circulated without authority. Copyright © Far East Capital Ltd 2018.