

2 September 2017

On Friday's Close

Analyst : Warwick Grigor

Gold price is performing in a new environment

Although there hasn't been a great deal of publicity about the higher gold price, and share prices have not really reacted yet, the movement above US\$1,300/oz is quite significant. For our gold producers it is icing on the cake that will support stronger profits. For investors and speculators, it shows that there is a renewed dynamic in play that is overshadowing the monetary factors that have previously kept the gold price in the range of US\$1,200-\$1,300/oz.

The North Korean situation is a serious worry that doesn't seem to be improving. Sending a missile over the top of Japan could easily have caused an immediate response from Japan, if it thought the missile was aimed at Japan itself, but maybe there was no response because the military could tell that the trajectory was such that it would overshoot. What would have happened if the missile had malfunctioned and fallen on Japan, albeit accidentally?

The gold price is responding to increasing concerns about where this is all going. Will the issue escalate, and the gold price move higher? Will it drag on, and will that lead to it falling down in priority, causing the gold price to give up some ground? Whatever happens we can at least reduce our fears of having the gold price slugged by the Fed in the near term. Gold will still be a good source of profits for producers.

The Metals and Mining Index has had an excellent recovery since June this year, having returned to the highs last seen in January. That is a rise of approximately 20%. The big companies have been responsible for this rise, not the juniors, but where the big stocks go the little ones will follow as investors seek greater leverage.

Graphene supplies for super rubber bands

We know that graphene promises to enhance a wide range of materials and products. Every week we come across new suggestions for the use of graphene but not all of them are high-tech. The latest is a super strong rubber band. Alliance Rubber Co, based in Arkansas, is mixing graphene with rubber to develop a super-generation rubber band (not just the ones we used to flick around the classroom).

At the moment experiments are being undertaken to determine the optimum quantity of graphene to be mixed in rubber elastomers, but the biggest problem Alliance faces is securing commercial supplies of enough graphene. This sounds like a great opening for FGR, with its new production facility coming on line late in 2017.

Whilst on graphene, there was another article that suggested that graphene for water purification is increasingly being seen as a significant commercial market. There are numerous universities around the world working on the development of a suitable configuration. The Masdar Institute at the Khalifa University of Science and Technology is developing membranes made of layered reduced graphene oxide (rGO) sheets that are able to block the passage of salt ions while still allowing water to

pass through it. This is effectively a low pressure osmosis process.

So where does FGR fit in to this application? While it is not working specifically on a water filter, it could be a supplier of graphene oxide from a new process developed by Flinders University, offering lower costs and greatly reducing the amount of polluting chemicals currently used in the Hummer Process. It is work in progress but very promising.

Elsewhere, G20 Water Technologies Ltd claims to have developed a scalable method for coating graphene oxide onto standard filter media, thereby enhancing the performance of water treatment filters by a factor of 4x. It has developed a product that works particularly well at separating oil from water with a characteristic that avoids the fouling of the filter. You might think about cleaning up oil spills in the first instance, but oil in water has a much bigger market in the food processing business.

Imagine IM progresses well on geotextiles

While on graphene, it is timely to give an update on the recent progress of Imagine Intelligent Materials, an advanced materials company. Having successfully completed field trials for its graphene enhanced geotextiles last year, it is now achieving commercial sales from a production facility in Geelong and it is going through a period of optimisation of production parameters as it is ramping up to achieve profitability.

The starting point has been sales to the coal seam gas industry in Queensland, where liners are needed to contain water and fluid storage. The geotextiles coated with imgne X3 have been able to deliver significant savings in design time, construction time, expenditure and environmental impacts compared to traditional regulated dam construction.

The free standing, above ground fluid storage tanks can be established quickly and they can be relocated and reused. They range in size from 0.5 megalitres up to 40 megalitres and have a design life of 25 years. They can be made out of either pre-stressed concrete or steel. The addition of graphene facilitates an advanced leak detection system which can include a satellite monitoring system.

As we have previously said many times, as wonderful as graphene is, it has to be taken in to industry and commercialised if investors have any chance of making profits. Mere bench scale excitements just don't cut it. Imagine is doing exactly what is required, with excellent performance in the field.

Imagine has been privately funded to date with approximately \$5m having been raised. It will have another raising later in 2017, of \$1-2m. This will keep the wheels turning and likely lead to an IPO in 2018, which will raise \$5m or more. By that stage Imagine should have a number of other products that it is advancing which will undoubtedly capture the imagination of investors. If this type of

investment may be of interest, please contact Far East Capital and we can provide more detailed information.

Alicanto update

Twelve months ago Alicanto (AQI) was riding high with a share price of 45¢, on the back of strong buying from Canada. Unfortunately it has been all downhill since then as exploration has not yet delivered to expectations. The Canadians decided they had bought too many shares and started selling, and the market had to digest an entitlement issue at 14¢, and a placement to Sprott, for a total raising of \$3.75m. So, having slid down the snake is it time to climb the ladder again?

The exploration ground continues to hold considerable promise, with Barrack doing the heavy lifting by funding Arakaka exploration. Separately, AQI owns 100% of the nearby Ianna gold project. Just yesterday it announced a doubling of its land holding at Ianna, taking the area under licence to 115 km² of the highly prospective Barama-Mazaruni greenstone belt. It is planning to drill 2,500m of diamond drilling in the forthcoming December quarter.

You can wait until Alicanto starts drilling, or wait a little longer for results, but if they are any good you won't get stock. It is better to buy now when they are off everyone's radar and just turning out of a downtrend. You will then have the option of selling into every one else when enthusiasm builds up, or go all the way and wait for results. A prudent investor should be trading both the swings in sentiment as well as the exploration results.

When markets are manipulated ...

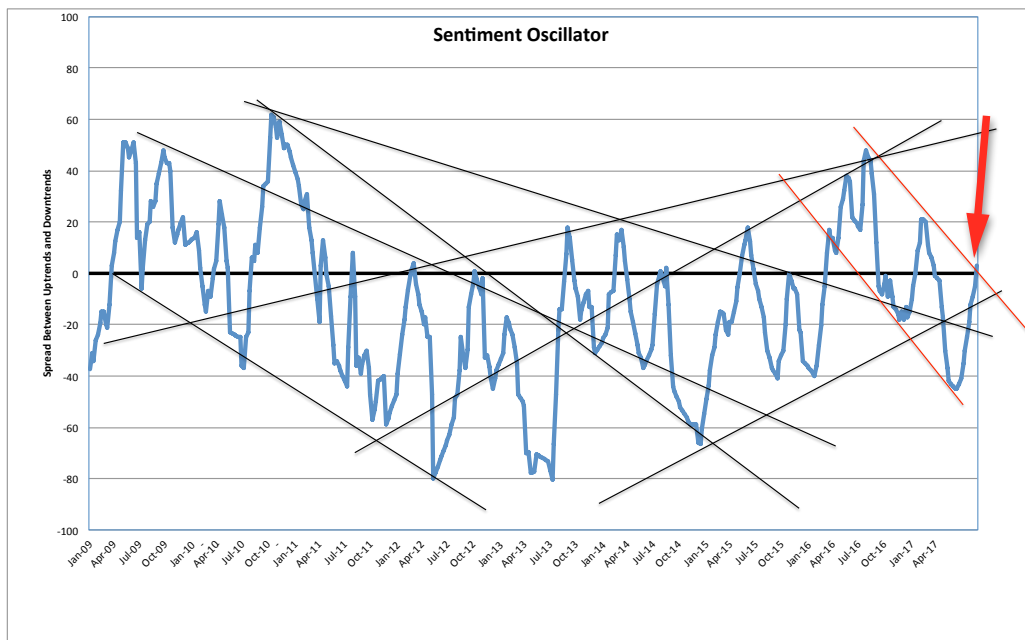
There has been something fishy going in the market with trades in FGR. On Friday there were 108 trades reported on the ASX, for a total of 1,002,648 shares. Looking more closely, 33 or 30% of these trades were for trades worth less than \$90. I was watching when 17 of these trades came through between 12.50pm and 1.20pm. The seller was just sending out sale orders for around 300 shares at a time. Most likely this is a "bot", but someone has to program the bot to start with.

On a number of occasions last week, in the last 60 seconds of trading before 4pm, there was a small sale which ticked down the shares. Then, in the match, there was another small line of stock offered below the bid price. Someone is clearly trying to manipulate the shares lower.

Rest assured, the ASX surveillance department is having a good look this activity. It will be interesting to see which broker is behind this activity and what the motivation is.

Anyone in the market will know that these shenanigans occur far too often, across many stocks, but what does the ASX or ASIC do to stop this manipulation? Not enough, obviously, because it happens far too often.

Once upon a time the screens used to have a broker number next to every order. It was a transparent market. Then, for some unknown reason, the ASX stopped making this information available. It is the height of hypocrisy for the ASX to make the market less transparent by taking this important market information away, whilst at the same time enforcing a strict continual disclosure policy on companies.



Sentiment Indicator: The number of stocks in uptrend has now exceeded those in downtrend. Looking at the Sentiment Oscillator, the question now is whether the needs to be a pullback before the chart moves higher, or whether it powers on from here.. There may need to be a correction before much longer. There were 35% (32%) of the charts in uptrend and 32% (37%) in downtrend.




This research report is provided in good faith from sources believed to be accurate and reliable. Far East Capital Ltd directors and employees do not accept liability for the results of any action taken on the basis of the information provided or for any errors or omissions contained therein. Readers should seek investment advice from their professional advisors before acting upon information contained herein.

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	still sideways	
Metals and Mining	XMM	still rising	
Energy	XEJ	sideways	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
ABM Resources	ABU	pullback	gold
Aeon Metals	AML	testing uptrend	copper + cobalt
Alacer Gold	AQG	falling from rally	gold – production
Alkane Resources	ALK	spiked higher	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Agua Resources	AGR	breaching downtrend	phosphate
Alicanto Minerals	AQI	new low on rights issue shortfall	gold exploration
Allegiance Coal	AHQ	rising	coal
Alliance Resources	AGS	ticked higher	gold exploration
Alltech Chemicals	ATC	pullback after breakout	industrial minerals
Anova Metals	AWV	rallying	gold
Antipa Minerals	AZY	sideways	gold
Apollo Consolidated	AOP	strong rise	gold exploration
Archer Exploration	AXE	pullback	magnesite, graphite
Argent Minerals	ARD	sideways	polymetallic
Aspire Mining	AKM	sideways	coal
Atrum Coal	ATU	surged higher	coal
Aurelia Metals	AMI	at apex of wedge	gold + base metals
Auroch Minerals	AOU	down	exploration
Aus Tin	ANW	testing downtrend	tin, cobalt
Australian Bauxite	ABX	stronger	bauxite
Australian Potash	APC	slump back into downtrend	potash
Australian Mines	AUZ	gentle uptrend commenced	cobalt/nickel
Australian Vanadium	AVL	down	vanadium
Avanco Resources	AVB	nudging resistance line	copper
AWE	AWE	breached downtrend	oil and gas
Azure Minerals	AZS	strong rise	silver
BHP	BHP	new high	diversified
Base Resources	BSE	breaching uptrend	mineral sands
Bathurst Resources	BRL	continuing higher	coal
Battery Minerals	BAT	reached resistance line	graphite
BBX Minerals	BBX	uptrend, but correcting now	gold
Beach Energy	BPT	breached steepest downtrend	oil and gas
Beadell Resources	BDR	testing downtrend	gold
Berkeley Resources	BKY	testing downtrend	uranium
Berkut Minerals	BMT	steeply higher	cobalt
Blackham Resources	BLK	breached downtrend	gold
Broken Hill Prospect.	BPL	down again	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	down	wave energy
Cassini Resources	CZI	testing downtrend	nickel/Cu expl.
Chalice Gold	CHN	holding uptrend	gold
Cobalt One	CO1	rally on change of name (from Equator)	cobalt

This research report is provided in good faith from sources believed to be accurate and reliable. Far East Capital Ltd directors and employees do not accept liability for the results of any action taken on the basis of the information provided or for any errors or omissions contained therein. Readers should seek investment advice from their professional advisors before acting upon information contained herein.

Cobalt Blue	COB		testing new uptrend	cobalt
Comet Resources	CRL		new high	graphite/graphene
Consolidated Zinc	CZL		downtrend	zinc
Corizon Mining	CZN		steeply higher	cobalt
Crusader Resources	CAS		weaker	gold/iron ore
Dacian Gold	DCN		breached downtrend	gold exploration
Danakali	DNK		still in uptrend	potash
Doray Minerals	DRM		back in downtrend	gold
Draig Resources	DRG		rising	gold
Duketon Mining	DKM		new low	nickel
Eden Innovations	EDE		breached short term downtrend	carbon nanotubes in concrete
Emerald Resource	EMR		sideways	gold
Energia Minerals	EMX		new uptrend started	zinc
Evolution Mining	EVN		sideways	gold
Excelsior Gold	EXG		new high	gold
Finders Resources	FND		stronger	copper
First Australian	FAR		testing uptrend	oil/gas
First Graphite	FGR		falling	graphite
Fortescue Metals	FMG		short term uptrend	iron ore
Galaxy Resources	GXY		testing downtrend	lithium
Galilee Energy	GLL		down	oil and gas, CBM
Gascoyne Resources	GCY		testing steeper downtrend	gold
Global Geoscience	GSC		back to highs	lithium
Gold Road	GOR		uptrend continuing	gold exploration
Graphex Mining	GPX		new low then strong recovery	graphite
Heron Resources	HRR		drifting lower	zinc
Highfield Resources	HFR		breached downtrend	potash
Highlands Pacific	HIG		down	copper, nickel
Hillgrove Resources	HGO		back to highs	copper
Iluka Resources	ILU		surged higher	mineral sands
Image Resources	IMA		testing uptrend	mineral sands
Independence	IGO		sideways	gold, nickel
Intrepid Mines	IAU		sideways	copper
Karoo Gas	KAR		breached support line	gas
Kibaran Resources	KNL		testing downtrend	graphite
Kin Mining	KIN		surge on gold discovery announcement	gold
Legend Mining	LEG		sideways	exploration
Lithium Australia	LIT		pullback after breakout	lithium
Lucapa Diamond	LOM		new low	diamonds
Macphersons Res.	MRP		downtrend	silver
MetalsX	MLX		LT uptrend in play	tin, nickel
Metro Mining	MMI		sideways to higher	bauxite
Mincor Resources	MCR		new uptrend	nickel
Mineral Deposits	MDL		on support line	mineral sands
Mustang Resources	MUS		breached downtrend	diamonds, rubies
Myanmar Minerals	MYL		rising on re-listing	zinc
MZI Resources	MZI		down	mineral sands
Northern Minerals	NTU		testing downtrend	REE
Northern Star Res.	NST		rising again	gold
NTM Gold	NTM		breached uptrend	gold
Oceana Gold	OGC		down after steep fall	gold
Oklo Resources	OKU		heavy correction	gold expl.
Orecorp	ORR		rising from lows	gold development
Orinoco Gold	OGX		breached downtrend, then pullback	gold development

This research report is provided in good faith from sources believed to be accurate and reliable. Far East Capital Ltd directors and employees do not accept liability for the results of any action taken on the basis of the information provided or for any errors or omissions contained therein. Readers should seek investment advice from their professional advisors before acting upon information contained herein.

Orocobre	ORE		testing downtrend	lithium
Oz Minerals	OZL		rising	copper
Pacific American Coal	PAK		down	coal, graphene
Pantoro	PNR		new high	gold
Panoramic Res	PAN		surge through downtrend	nickel
Peel Mining	PEX		surge through downtrend	copper
Peninsula Energy	PEN		new uptrend breached	uranium
Perseus Mining	PRU		sideways	gold
Pilbara Minerals	PLS		hugging downtrend line	lithium/tantalum
PNX Metals	PNX		testing downtrend	gold, silver, zinc
Red River Resources	RVR		holding longer term uptrend	zinc
Regis Resources	RRL		confirming uptrend	gold
Resolute Mining	RSG		rallying	gold
RIO	RIO		recovery	diversified
RTG Mining	RTG		breached downtrend	copper/gold
Salt Lake Potash	SO4		breached steepest downtrend	potash
Saracen Minerals	SAR		holding long term uptrend	gold
St Barbara	SBM		still under long term downtrend	gold
Sandfire Resources	SFR		breaching downtrend	copper
Santana Minerals	SMI		breached downtrend, then pullback	silver
Santos	STO		under long term support line	oil/gas
Sheffield Resources	SFX		still in downtrend	mineral sands
Silver Lake Resources	SLR		heavy fall	gold
Silver Mines	SVL		down again	silver
Sino Gas & Energy	SEH		down	gas
Southern Gold	SAU		gentle LT uptrend	gold
Stanmore Coal	SMR		breaching long term support	coal
Sundance Energy	SEA		new uptrend started	oil/gas
Syrah Resources	SYR		rallying	graphite
Talga Resources	TLG		spike then pullback	graphene
Tanami Gold	TAM		short term down	gold
Tempo Australia	TPP		breached downtrend	mining services
Teranga Gold	TGZ		sharp rise	gold
Tiger Realm	TIG		falling back to support line	coal
Torian Resources	TNR		new low	gold expl'n
Troy Resources	TRY		new uptrend	gold
Tyranna Resources	TYX		testing downtrend	gold exploration
Vango Mining	VAN		uptrend breached	gold
Vimy Resources	VMY		testing downtrend	uranium
West African Resources	WAF		strong rise	gold
Westwits	WWI		rallying	gold exploration/development
Western Areas	WSA		new uptrend	nickel
White Rock Minerals	WRM		sideways	silver
Whitehaven Coal	WHC		gently higher	coal
WPG Resources	WPG		still down	gold
Wolf Minerals	WLF		down	tungsten
Totals	35%	50	Uptrend	
	32%	46	Downtrend	
		144	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.

This research report is provided in good faith from sources believed to be accurate and reliable. Far East Capital Ltd directors and employees do not accept liability for the results of any action taken on the basis of the information provided or for any errors or omissions contained therein. Readers should seek investment advice from their professional advisors before acting upon information contained herein.

- 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	23.6%	
Gold Exploration	14	9.7%	
Copper	11	7.6%	
Coal	10	6.9%	
Oil/Gas	9	6.3%	
Mineral Sands	7	4.9%	
Graphite	7	4.9%	
Zinc	7	4.9%	
Silver	6	4.2%	
Lithium	5	3.5%	
Nickel	5	3.5%	
Potash/Phosphate	5	3.5%	
Cobalt	4	2.8%	
Uranium	3	2.1%	
Bauxite	3	2.1%	
Tin	2	1.4%	
Diamonds	2	1.4%	
Iron Ore	1	0.7%	
Other	9		
Total	144		

Disclaimer and Disclosure: 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 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. Far East Capital Ltd and its associated own shares in Alicanto, First Graphite and Imagine. The author is director of First Graphite and Imagine. Copyright © Far East Capital Ltd 2017.

This research report is provided in good faith from sources believed to be accurate and reliable. Far East Capital Ltd directors and employees do not accept liability for the results of any action taken on the basis of the information provided or for any errors or omissions contained therein. Readers should seek investment advice from their professional advisors before acting upon information contained herein.