

De Grey is building a gold play in the Pilbara

We continue to receive mixed signals in the markets that deny us the ability to see what direction they should be going; up or down. Global manufacturing PMI is the weakest it has been for three years, largely because of stagnation in Europe, but the USA has been reporting much better figures. The Chinese trade balance has been below estimates in line with weakening global demand and the impact of the trade war with the USA. Friday's announcement of 25% tariffs on US\$200bn worth of Chinese imports will keep this topic in the headlines.

While the US markets seems to be going sideways albeit with them nudging new highs on occasions, they continue to be vulnerable when Trump decides to Twitter his views. He provides traders with an opportunity to slam the market like it did last week, providing the volatility that is needed to generate trading profits in an otherwise stable market.

De Grey - building a gold resource in the Pilbara

Some history first

De Grey Mining is a junior gold exploration company that originally listed in 2005, with a portfolio of projects identified by the legendary Pilbara prospector, Denis O'Meara. Despite identifying some promising gold mineralisation at the Turner River Project, which included a 203,000 oz at Wingina Well, it never managed to come up with anything that warranted the development of a mine. It then tried its hand at a number of other commodities that were in vogue and it even went to Argentina in the search for riches, but to no avail. The Company basically dropped off the radar for an extended period until 2014, when changes of management started to breathe some new life into the Company.

In February 2016, the Turner River Project was returned to De Grey by Ruby Mining Ltd, the TSXV company that had previously negotiated a right to earn an 80% interest through the expenditure of \$2m. Then the better outlook for the gold price led to a renewed emphasis on the gold merits at Turner River, with its resource of 406,00 oz. The market capitalisation of De Grey was \$5.7m in mid-2016.

In response to the commentary that the project still lacked critical mass, De Grey announced an option deal in February 2017, to acquire the Indee Gold ground that lay immediately to the west of Turner River. The vendor, Northwest Nonferrous Australia Mining Pty Ltd, gave De Grey a 12 month option with a strike price of \$15m by July 2018 (subsequently extended to mid 2019). The stated Indee JORC resource was 6.6 Mt at 1.6 gpt for 345,000 oz. A small heap leach operation had been commissioned in 2006, by the previous owners of Indee, Range River Gold. However it never achieved commerciality for a number of reasons that included low recoveries and cyclone damage. Total gold production was only 29,818 oz.

By September 2017, when the projects were renamed the Pilbara Gold Project, the total resource had increased to

23.88 Mt at 1.66 gpt for 1.2 Moz of gold. At the same time De Grey reported the find of gold nuggets in conglomerates and it joined the fray of companies being swept along with the enthusiasm that was causing a mini-boom at the time. Kirkland Lake jumped in for a \$5m placement at 15¢. A further placement raised \$6m at 20¢ in May 2018.

The current status

The hype has gone out of the Pilbara nugget play for the time being as the players have recognised the difficulty in achieving a JORC resource, so it is back to the type of gold projects with which we are more familiar. That means we need to assess De Grey according to its 1.4 Moz gold resource that runs at 1.6-1.7 gpt, and the potential to lift this to the 2 Moz figure.

There is potential for much more gold given the 150 km length of the contiguous tenements. The ground is oxidised to varying depths of 90-150m, determined by the permeability of the shear zones hosting the gold deposits. Generally there is 1-2 m of sand cover above the weathered zones. We are looking at a number of locations rather than a single, large orebody, each with varying characteristics. Wingina has 338,000 oz, Withnell 570,000 oz, Toweranna 144,000 oz, Mt Berghaus 181,000 oz and Mallina 161,000 oz. Thus the concept is for a centrally located mill that can accommodate a number of different ore types.

The average grade of 1.6-1.7 gpt leads to a view that this is a low grade environment but the Company is quick to point out that there is potential for higher grade ore at depth. At Withnell there are four high grade lodes currently being tested, beneath the shallow open pit resource. The target is 330,000 to 720,000 oz at 4-6.5 gpt from depths of 200m to 600m. However, with deeper sulphuric ore comes the issue of more complex metallurgy. From a starting point of 75% recovery rates there is now a view that the best route may be a coarse 150 µm crush and a sulphide float to recover a 5-6% mass pull concentrate that can achieve 90% recovery from a small pressure oxidation unit. Gold recoveries of 94% are expected for oxide ore.

The Toweranna deposit is offering the promise of new lodes that could see it grow from the current size of 144,000 oz to perhaps 340-400,000 oz down to 200m depth, with further extensions beneath this. Drilling is continuing here.

Work is underway on a PFS for a 2 Mtpa project that could produce in the order of 100,000 oz p.a. for a minimum life of seven years. It will probably take another six months of work to determine whether this is indeed the optimal scale, with positive input from the drilling programs being essential. There are many moving parts here that will become more certain as the year progresses. There is an interesting opportunity here. We just don't yet have full vision.

Finances

The market capitalisation is \$34m with a share price of 8.1¢. Cash levels stood at \$3.2m as at 31 March, 2019. In order to exercise the option with Northwest Ferrous Australia it needs to come up with the balance of \$12.7m by July 2019, though there may be the opportunity to extend the deadline. It is normal behaviour of the general market to be stand-offish whilst the source of this capital is unknown, waiting for the chance to get cheaper stock in a placement. The challenge for De Grey's management is to negotiate funding via a smarter route than just be pumping out shares at a discount to the market.

Alicanto moving into zinc

We have been periodically keeping you informed of the progress (or lack thereof) of AQI's Guyana gold exploration project that we visited a couple of years ago. While there is plenty of gold there the grade has been lower than what was expected and understandably, the market has lost interest. So, its time to look for greener pastures. This time around the Company has decided to leave the steamy jungles of Guyana to have a look at the much cooler fields in southern Sweden, with zinc being the focus rather than gold.

On 1 May, Alicanto announced an option and share sale agreement over 100% of the Oxberg and Naverberg VMS Projects in the Bergslagen Mining District of Sweden. The Naverberg project is immediately along strike from the Falun Mine, which produced 28 Mt of ore with zinc grades of 5%, copper grades of 0.6-4%, lead of 2% and some gold and silver. Oxberg lies within the same geological setting, 15 km to the NW.

Multiple drill ready targets have been identified to the west of the Falun mine. Grab samples have identified a number of other targets. The historical Skyttgruvan mine, which produced small tonnages of zinc and copper at grades of 35-42% Zn and copper, will be drill tested down plunge.

The deal has to go to shareholders for approval in a meeting that will also seek consent for the recent \$1m placement at 2.5¢ per share, in June. The consideration upon exercise of the option, is 30 mill. shares and a 2.5% royalty. Recipients include directors of the company - that is why shareholders have to agree.

Speaking to one of the largest shareholders in AQI, it appears that the Company has been looking around for a new project for about six months. It plans to spend about \$0.5m doing drilling and other exploration ahead of a decision to proceed with the deal. The location is good, the jurisdiction is good and the regional geology offers a sound

technical opinion. We now have to hope that the drilling delivers some good intercepts in the coming field season.

Disclosure: Interests associated with the author own shares in Alicanto, and they have received capital raising fees.

Climate Change Terrorists.

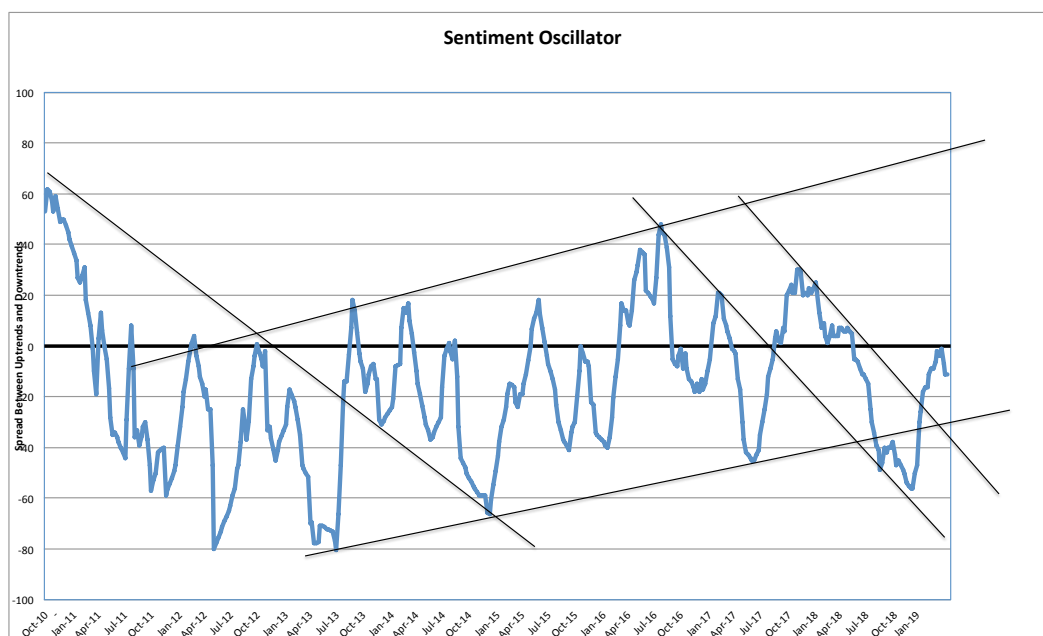
There is a new type of terror at work - climate change terrorism! So called "climate change experts" are now telling us that there could be A\$500-600bn in property losses over the next 10 years as a result of climate change. First of all, how do you qualify for the title of "climate change expert". Secondly, how do they calculate the figure being bandied around? How can anyone accurately calculate such a number, let alone attribute it to any particular cause? This is an example of guesswork built on guesswork with no verifiable methodology, all designed to create panic. That is the definition of terrorism's objectives.

That the climate is changing is never in question. It is always changing as we come in and out of ice-ages. To pretend otherwise is like doing a King Canute, who tried to command the tide not to come in. What will the so called experts say once the global economies are ruined by impulsive actions designed to reduce carbon emissions and the climate continues to change? What will be their excuse when all their efforts fail to halt the ever changing climate? Apologies will not be enough to account for the misery they will have caused.

The hysteria we are being fed would put even our most aggressive mining promoters to shame. At least the ASX does its best to hose down the worst of the perpetrators, but who is moderating the hype of the climate change "experts". The crazy thing is that some of our politicians have swallowed the bait, hook line and sinker as it serves their own ends. They create panic first and then offer a solution, even where that solution has no scientific basis and you certainly can't put any numbers around it. They are exploiting the uncertainty and the naive public are panicking. That is the state of our politics today.

The Greens are the worst examples with their leader, Senator Richard Luigi Di Natale accusing the conservatives of being extremist when in fact the extreme stance is to push for a closure of all coal fired power stations and ban coal mining with the horrific economic consequence that would result. It is a classic example of the pot calling the kettle black, or as psychiatrists may say, transference.

Sentiment Oscillator: Sentiment is steady. There were 24% (24%) of the charts in uptrend and 35% (35%) in downtrend on Friday's close. It is still in slightly negative territory.





Detailed Chart Comments






NB. Only the bold comments have been updated. Comments in grey type are from previous weeks and will be less relevant. Please note that this list is a cross section of the market. It IS NOT a list of recommendations.

Indices	Code	Trend Comment	
All Ordinaries	XAO	hovering around highs	
Metals and Mining	XMM	heavy correction testing uptrend	
Energy	XEJ	testing downtrend	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Adriatic Resources	ADT	crunched down to support line	zinc
Aeon Metals	AML	back in downtrend	copper + cobalt
Alacer Gold	AQG	correcting lower	gold – production
Alkane Resources	ALK	breached downtrend	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Alchemy Resources	ALY	breached downtrend	nickel, cobalt
Alicanto Minerals	AQI	building a base	gold exploration
Allegiance Coal	AHQ	back into uptrend	coal
Alliance Resources	AGS	new low - 1 for 2 issue at 9.5¢	gold exploration
Altech Chemicals	ATC	breaching uptrend	industrial minerals - synthetic sapphire
Apollo Consolidated	AOP	still in wedge	gold exploration
Argent Minerals	ARD	back to downtrend	silver
Aurelia Metals	AMI	still falling	gold + base metals
AusTin	ANW	new low after placement	tin, cobalt
Australian Bauxite	ABX	sideways	bauxite
Australian Potash	APC	pullback to support line	potash
Australian Mines	AUZ	new low	cobalt/nickel
Australian Vanadium	AVL	rallying, but hitting resistance	vanadium
BHP	BHP	off its highs	diversified, iron ore



























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.

Base Resources	BSE		risen to long term resistance	mineral sands
Bathurst Resources	BRL		sideways	coal
Battery Minerals	BAT		down	graphite
BBX Minerals	BBX		pullback	gold exploration
Beach Energy	BPT		breached uptrend	oil and gas
Bellevue Gold	BGL		new high	gold exploration
Berkeley Energia	BKY		in secondary downtrend	uranium
Blackstone Minerals	BSX		back to lows	gold, cobalt
Bounty Coal	B2Y		rallying	coal
Breaker Resources	BRB		testing uptrend	gold exploration
Broken Hill Prospecting	BPL		new low	minerals sands
Buru Energy	BRU		breaching downtrend	oil
Cardinal Resources	CDV		rallying	gold exploration
Cassini Resources	CZI		consolidating	nickel/Cu expl.
Celsius Resources	CLA		back to lows	copper/cobalt
Chalice Gold	CHN		sideways, but pushing higher	gold exploration
Cobalt Blue	COB		forming a base	cobalt
Comet Resources	CRL		back to lows	graphite
Dacian Gold	DCN		down	gold
Danakali	DNK		sideways	potash
Davenport Resources	DAV		down	potash
Eden Innovations	EDE		down	carbon nanotubes in concrete
Egan Street Resources	EGA		risen to meet resistance line	gold
Emerald Resource	EMR		sideways	gold
Evolution Mining	EVN		down	gold
Exore Resources	ERX		sideways	gold exploration
FAR	FAR		crunched down on dud oil well	oil/gas
First Graphene	FGR		risen to meet resistance line	graphene
Fortescue Metals	FMG		new high	iron ore
Galaxy Resources	GXY		another heavy fall	lithium
Galena Mining	G1A		steep rise	lead
Galilee Energy	GLL		surge out of downtrend	oil and gas, CBM
Gascoyne Resources	GCY		collapse on raising at 5¢, being 50% discount	gold
Gold Road	GOR		rising	gold
Golden Rim	GMR		new low	gold exploration
Graphex Mining	GPX		surge confirms new uptrend	graphite
Heron Resources	HRR		breaching downtrend	zinc
Highfield Resources	HFR		surge through resistance line confirms new up'd	potash
Hillgrove Resources	HGO		sideways	copper
Hipo Resources	HIP		rallied to meet resistance line	battery metals
Iluka Resources	ILU		long term downtrend	mineral sands
Image Resources	IMA		higher	mineral sands
Independence Group	IGO		testing uptrend	gold, nickel
ioneer (was Global Geoscience)	INR		testing downtrend	lithium

*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.*

Jervois Mining	JVR		testing uptrend	nickel/cobalt
Jindalee Resources	JRL		still testing uptrend	lithium
Karoo Gas	KAR		breached downtrend	gas
Kasbah Resources	KAS		breached new uptrend	tin
Kibaran Resources	KNL		testing downtrend	graphite
Kin Mining	KIN		testing downtrend	gold
Legend Mining	LEG		new uptrend	nickel exploration
Lepidico	LPD		rising	lithium
Lithium Australia	LIT		continuing downtrend	lithium
Lucapa Diamond	LOM		continuing downtrend	diamonds
Lynas Corp.	LYC		return to downtrend	rare earths
Mako Gold	MKG		back to lows	gold exploration
Marmota	MEU		sideways	gold exploration
MetalsX	MLX		breached downtrend	tin, nickel
Metro Mining	MMI		sideways	bauxite
Mincor Resources	MCR		breached resistance	gold
Musgrave Minerals	MGV		down	gold exploration
Myanmar Minerals	MYL		uptrend	zinc
Nelson Resources	NES		slump to new low	gold exploration
Neometals	NMT		testing downtrend	lithium
Northern Cobalt	N27		down again	cobalt
Northern Minerals	NTU		still under secondary downtrend	REE
Northern Star Res.	NST		in downtrend now	gold
NTM Gold	NTM		gentle downtrend	gold exploration
Oceana Gold	OGC		down	gold
Oklo Resources	OKU		bounce from lows	gold expl.
Orecorp	ORR		rising	gold development
Orocobre	ORE		testing downtrend	lithium
Oz Minerals	OZL		correcting lower	copper
Pacific American Coal	PAK		at lows	coal
Pantoro	PNR		weaker, bounced off long term support	gold
Panoramic Res	PAN		down	gold , nickel
Peak Resources	PEK		uptrend	rare earths
Peel Mining	PEX		still down	copper
Peninsula Energy	PEN		new uptrend	uranium
Pensana Metals	PM8		higher	rare earths
Perseus Mining	PRU		rising	gold
Pilbara Minerals	PLS		testing downtrend	lithium
PNX Metals	PNX		lower	gold, silver, zinc
Polarex	PXX		sideways	polymetallic exploration
Prodigy Gold	PRX		testing downtrend	gold exploration
Ramelius Resources	RMS		testing uptrend	gold production
Real Energy	RLE		back to lows	gas
Red5	RED		sideways now	gold

*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.*

Red River Resources	RVR		uptrend started	zinc
Regis Resources	RRL		fallen to support, and now testing it	gold
Resolute Mining	RSG		sideways through uptrend line	gold
RIO	RIO		off its highs	diversified, iron ore
Salt Lake Potash	SO4		re-entering downtrend	potash
Saracen Minerals	SAR		testing downtrend	gold
St Barbara	SBM		collapse	gold
Sandfire Resources	SFR		softer	copper
Santos	STO		into uptrend	oil/gas
Sheffield Resources	SFX		back to lows	mineral sands
St George Mining	SGQ		new, gentle uptrend forming	nickel
Sipa Resources	SRI		recovered, to sideways pattern	general exploration - Ni,Cu, Co, Au
Stanmore Coal	SMR		new high	coal
Strandline Resources	STA		new uptrend	mineral sands
Sundance Energy	SEA		testing downtrend	oil/gas
Syrah Resources	SYR		rallying	graphite
Talga Resources	TLG		steep rise	graphite
Technology Metals	TMT		short term down	vanadium
Tiger Realm	TIG		breached downtrend	coal
Triton Minerals	TON		breached steepest downtrend	graphite
Troy Resources	TRY		sideways	gold
Vango Mining	VAN		breached downtrend	gold
Vector Resources	VEC		down	gold
Venturex	VXR		stronger	zinc
Vimy Resources	VMY		new uptrend forming	uranium
Volt Resources	VRC		sideways	graphite
West African Resources	WAF		breached downtrend	gold
Westwits	WWI		down	gold
Western Areas	WSA		ST uptrend breached	nickel
Whitebark Energy	WBE		sideways	oil and gas
Whitehaven Coal	WHC		breached ST downtrend, resistance at \$5-\$5.20	coal
Yandal Resources	YRL		sideways	gold exploration
Totals	24%	34	Uptrend	
	35%	49	Downtrend	
		139	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	31	22.3%
Gold Exploration	18	12.9%
Oil/Gas	9	6.5%
Graphite	8	5.8%
Nickel	8	5.8%
Coal	8	5.8%
Lithium	8	5.8%
Mineral Sands	6	4.3%
Zinc/Lead	6	4.3%
Potash/Phosphate	5	3.6%
Copper	5	3.6%
Cobalt	4	2.9%
Rare Earths	4	2.9%
Tin	3	2.2%
Iron Ore	3	2.2%
Uranium	3	2.2%
Bauxite	2	1.4%
Vanadium	2	1.4%
Silver	1	0.7%
Diamonds	1	0.7%
Other	4	
Total	139	

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 the author hold shares in First Graphene. and Lucapa Diamond Company. 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 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 2019.