

## Lucapa Diamond Co - showing us the money!

We continue to see funds easing out of mining situations with share prices of many companies' being down 50% over the last six months. Price get marked back when Wall Street falls, only partially recovering when Wall Street bounces. There are many downtrends. I can't see why it will get better in the short term.

Many traditional metals stocks seem to be on the wane (with some outstanding exceptions e.g. MetalEx) but even the battery and alternative energy stocks have lost momentum. There are so many stories out there. We have little ability to understand which ones are going to be winners as the bull market in this sector has been based on rhetoric and promotion rather than hard numbers (not unusual). Punters have taken the bait hook line and sinker. If this bull market is like others in the past, there will be a reckoning, perhaps sooner rather than later. But, who really knows?

However, not every stock falls at the same time. As money looks around for better stocks to be in, we can see very strong performance in special situations e.g. stocks that have been a dog for a long time that have eventually started to come good. The best example of this in recent days has been Lucapa Diamond Company. That is a company that had too many placements and issues in succession, causing a gross underperformance in the share price going back a couple of years, but things are different now. Good financial and exploration results have been inspiring aggressive buying. Everything seems to be going well for the company.

### *The cash is coming home to Lucapa*

Last week, Lucapa announced that the 40%-owned Lulo operating company Sociedade Mineira Do Lulo ("SML") in Angola had approved a US\$10m dividend and a US\$10m capital loan repayment. Lucapa is entitled to A\$19m of the proceeds. This is a very important milestone for the Company as many detractors over the last few years have questioned whether or not the Angolans will be honourable and allow the repatriation of funds. Well, they have their answer. It is no longer a promise, it is a reality.

There is nothing to suggest that earnings won't be at least as strong in the coming 2022 year. A good number of large, high value stones will need to be recovered, but the operating history of the mine has shown that these are regular, if unpredictable events. The 20% lift in diamond prices recently observed will certainly assist in the profitability. There is still a loan balance of US\$17m to be repaid to Lucapa.

The share price has been performing well in recent months, firstly on an upgrade of CY2021 guidance, then on good exploration results in the quest for the source pipes at Lulo. The successful A\$17.9m sale of special stones emphasised the quality of the mine, and the latest news of returning cash from Angola has significantly reduced the financial risk

profile of the Company. Heavy turnover in the market has washed out many stale bulls. The shares are now well positioned to be more positively reactive to good news from the exploration or any other front. We are seeing the emergence of a high quality, profitable diamond producer operating in diversified jurisdictions with a pipeline of projects. We expect the share price to continue rising on the back of strengthening fundamentals, looking forward to the discount being replaced by a premium more appropriate for its quality.

*Disclosure: Interests associated with the author own shares in Lucapa and FEC has received capital raising fees.*

### *Lepidico signs binding off-take agreement*

Now here is an agreement that needs to be taken seriously; a binding one. Lepidico (LPD) has signed a seven year binding off-take agreement for sales-marketing, logistics and trade finance with Traxys Europe S.A. ("Traxys") for 100% of the production of lithium hydroxide (5,000 tpa) from the Company's planned Phase 1 Project. In addition, Traxys will act as agent for 100% of the production of caesium sulphate solution (400 tpa) from the Chemical Plant. Traxys will manage the logistics of finished products, provide credit terms to end customers and a trade finance facility to Lepidico.

The Traxys Group, headquartered in Luxembourg, is a multinational marketer, distributor and trader of base metals and concentrates, chemicals and industrial minerals, rare earths, uranium, materials for steel mills and foundries and minor and alloying metals. Its logistics, marketing, distribution, supply chain management and trading activities are conducted by over 450 employees, in over 20 locations worldwide, and its annual turnover is in excess of US\$7 billion.

This is obviously a very important step for Lepidico as it approaches the financing for Phase 1, for which the IDC has been mandated.

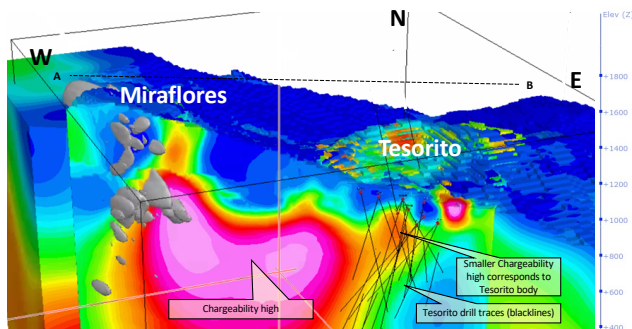
### *Los Cerros continuing to deliver good intercepts, but what about the wildcard?*

Los Cerros has reported another bunch of holes into the Tesorito porphyry in Colombia. Essentially these holes are a continuation of assays with no exceptions that are better or worse than what we have seen previously. The five rigs turning are working diligently to provide data for a maiden resource, due by mid-2022. The best hole was a huge 440m at 0.5 gpt from surface, with higher grade intervals of 20.4m at 0.93 gpt (from surface) and 52m at 1.15 gpt from 132m.

The biggest positives in this release were the strong assays to the south that demonstrated the near surface high grade

extensions that bode well for a starter pit. Two holes to the NW confirmed that the ore zones start to peter out in that direction, but that was not unexpected.

While we will continue to see regular drilling reports in the coming months, there is one hole in particular that we need to watch. Look at the huge IP anomaly shown in pink in the diagram below. This is being drilled to test the theory that Miraflores and Tesorito are near surface expressions of something much larger. At the moment we can speculate that LCL will demonstrate 3-4 Moz of gold when it crunches the numbers, but if this changeability high delivers, the target quickly becomes 10 Moz+.



The LCL share price keeps falling, notwithstanding the consistently good drill results. Shareholders are probably frustrated, but what can you do when investors are exiting the market? Not much. At some point there will be a renewed appetite for the stock but that may depend more on macro issues rather than anything stock specific (not considering the anomaly about to be drilled and other advanced projects in the pipeline).

That highlights the point that projects of this size are often discovered in one market cycle, and developed in another, later cycle. In between we can often see share prices that are much lower than in the discovery phase. The bigger the project the longer it takes to define, finance and develop.

*Disclosure: Interests associated with the author own shares in Los Cerros*

### Hillgrove study confirms copper economics

We have been watching Hillgrove Resources (HGO) as a South Australian copper company that has been working towards a revival of its mining operations through the definition of additional resources at depth. Last week the Company reported a very positive Economic Assessment of

the Kanmantoo Underground Stage 1 Project, based on a Mineral Resource of 5.7 Mt at 1.1% Cu and 0.3 gpt Au.

The mining operations could restart with a short, seven month time frame to first sales, with modest capex of \$26m. Capex payback is estimated to be only seven months. The plant would be utilised to only 40% of capacity, so continuing exploration success will be needed to maximise the facility.

The market capitalisation of \$66m provides a good base for improvement in the share price on the restart of profitable operations.

### Kingwest's (KWR) discovery is growing

Another announcement last week on the Sir Laurance gold discovery confirmed that the dimensions are growing, being 2 km x 500 m now. While this is encouraging, with size being very important, it is still too early to be ascribing anything but generic grades for this style of orebody. There isn't enough drilling yet. So, while it is legitimate to call this a discovery, the shareholders will be hungry for drill results that confirm depth extensions whilst giving us a better flavour for the grade. As the Company has said, this could be "huge", but there is still plenty of work to do.

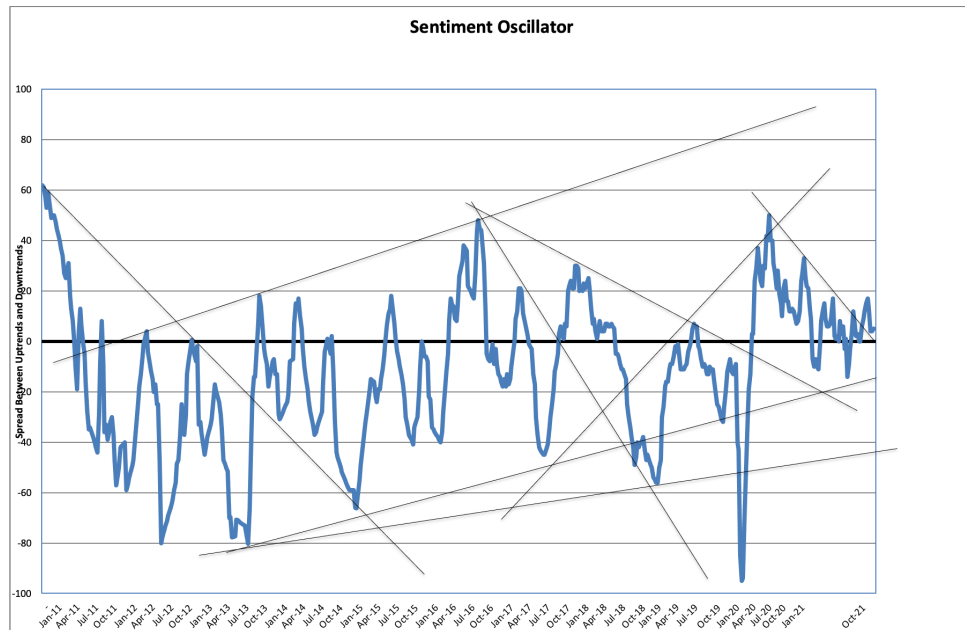
*Disclosure: Interests associated with the author own shares in Kingwest, and they are happy to be patient while this exploration story unfolds.*

### All not well at Celsius Resources?

A couple of weeks ago Celsius Resources (CLA) released a Scoping Study for the MCB Copper-Gold Project in the Philippines. The 25 year mine life was based on the high grade portion, being 49 Mt at 0.85% Cu and 0.41 gpt gold, all in the Indicated category. Metallurgical recoveries were 94% for copper and 74% for gold. Sub-level open stoping with paste backfill was the selected mining method for the study. C1 cash costs for the first 10 years was US\$0.73/lb and the LOM average was US\$1.29/lb. Initial capex of US\$253m has a payback period of 2.67 years.

These numbers all look quite attractive, so why is the share price falling heavily? Has it got something to do with the resignation of the Corporate Director, announced last week. I recall that he was the one who organised the \$6m placement at 3.6¢ back in April. Has there been some sort of disagreement at board level that has prompted selling of shares?

With the share price falling to 1.7¢, the level it was before picking up the project, the market capitalisation is only \$18m. That would suggest it is very cheap at these levels, but do we have all the facts?



**Sentiment Oscillator:** Sentiment was steady over the week. There were 35% (34%) of the charts in uptrend and 30% (30%) 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. 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		back above support line
Metals and Mining	XMM		continuing to rise off its lows
Energy	XEJ		breached support line
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Alpha HPA	A4N	meeting resistance	HPA
Adriatic Resources	ADT	down	zinc, polymetallic
Alkane Resources	ALK	but surged on drill result	gold
Alicanto Minerals	AQI	softer after placement	base metals, silver, gold
Altech Chemical	ATC	strongly higher	HPA, anodes
Alto Metals	AME	sideways	gold exploration
American Borates	ABR	surge higher	borate
American Rare Earths (was BPL)	ARR	breached steepest uptrend	rare earths
Antilles Gold	AAU	testing downtrend	gold
Arafura Resources	ARU	rising	rare earths
Ardea Resources	ARL	sideways through support line	nickel
Aurelia Metals	AMI	testing downtrend	gold + base metals
Australian Potash	APC	heavy fall	potash

Australian Rare Earths	AR3		rising again	rare earths
Auteco Minerals	AUT		back to lows	gold exploration
Azure Minerals	AZS		breached uptrend	nickel exploration
BHP	BHP		new uptrend	diversified, iron ore
Beach Energy	BPT		hit resistance line	oil and gas
Bellevue Gold	BGL		down to recent lows	gold exploration
Benz Mining	BNZ		new low	gold
Blue Star Helium	BNL		in a topping formation	gas, helium
BMG Resources	BMG		back to lows	gold exploration
Boab Metals	BML		in a secondary downtrend	silver/lead
Breaker Resources	BRB		heavy fall from highs	gold exploration
Buru Energy	BRU		rallying	oil
Calidus Resources	CAI		rising again	gold
Capricorn Metals	CMM		surge to new high	gold
Caravel Minerals	CVV		down	copper
Celsius Resources	CLA		new low	copper
Chalice Mining	CHN		new high	nickel, copper, PGMs, gold exploration
Chesser Resources	CHZ		new low	gold exploration
Cobalt Blue	COB		heading down	cobalt
Cyprium Metals	CYM		continuing down	copper
Danakali	DNK		long term downtrend	potash
De Grey	DEG		shallow downtrend being tested	gold
E2 Metals	E2M		surge higher, then heavy fall	gold exploration
Ecograf	EGR		surge out of downtrend, then heavy fall	graphite
Element 25	E25		secondary downtrend	manganese
Emerald Resources	EMR		rising again	gold
Euro Manganese	EMN		continuing to fall	manganese
Evolution Mining	EVN		testing downtrend	gold
Firefinch	FFX		strongly higher	gold
First Graphene	FGR		rising again	graphene
Fortescue Metals	FMG		new uptrend	iron ore
FYI Resources	FYI		collapse out of uptrend	HPA
Galena Mining	G1A		still down	lead
Galilee Energy	GLL		down	oil and gas, CBM
Genesis Minerals	GMD		testing downtrend	gold
Genmin	GEN		breaching downtrend	iron ore
Global Energy Ventures	GEV		downtrend	hydrogen
Gold Road	GOR		testing downtrend	gold
Great Boulder Resources	GBR		down	gold exploration
Hastings Technology Metals	HAS		testing uptrend	rare earths
Hazer Group	HZR		heavy correction	hydrogen
Highfield Resources	HFR		rising	potash
Hillgrove Resources	HGO		breached downtrend	copper
Iluka Resources	ILU		testing downtrend	mineral sands

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Image Resources	IMA		a bit stronger	mineral sands
Independence Group	IGO		new high	gold
ioneer (was Global Geoscience)	INR		testing uptrend	lithium
Ionic Rare Earths (Oro Verde)	IXR		recovering long term uptrend	rare earths
Jervois Mining	JVR		shallower uptrend	nickel/cobalt
Jindalee Resources	JRL		down again	lithium
Kairos Minerals	KAI		weaker	gold exploration, lithium
Kingston Resources	KSN		back to sideways pattern	gold
Kingwest Resources	KWR		strong uptrend	gold
Legend Mining	LEG		still down	nickel exploration
Lepidico	LPD		testing steepest uptrend	lithium
Lindian Resources	LIN		surge higher	bauxite
Lion One Metals	LLO		sideways	gold
Lithium Australia	LIT		heavy slump	lithium
Los Cerros	LCL		new low	gold exploration
Lotus Resources	LOT		testing uptrend	uranium
Lucapa Diamond	LOM		new uptrend	diamonds
Lynas Corp.	LYC		new high	rare earths
Magnetic Resources	MAU		sideways	gold exploration
Mako Gold	MKG		gently improving	gold exploration
Marmota	MEU		rallying	gold exploration
Marvel Gold	MVL		new high	gold exploration
Matador Mining	MZZ		breached downtrend	gold exploration
Meeka Gold	MEK		testing downtrend	gold
Megado Gold	MEG		sideways at lows	gold exploration
MetalTech	MTC		off the end of a ramp	gold
Meteoric Resources	MEI		down heavily	gold exploration
MetalsX	MLX		new high	tin, nickel
Metro Mining	MMI		back to lows	bauxite
Mincor Resources	MCR		testing uptrend	gold/nickel
Musgrave Minerals	MGV		testing downtrend	gold exploration
Neometals	NMT		new high	lithium
Northern Minerals	NTU		rising	REE
Northern Star Res.	NST		slump back into downtrend	gold
Nova Minerals	NVA		consolidating after steep rise	gold exploration
Oceana Gold	OGC		heavy slump	gold
Oklo Resources	OKU		breached uptrend	gold expl.
OreCorp	ORR		rise on government agreement	gold development
Oz Minerals	OZL		rising again	copper
Pacific American	PAK		back to lows	coking coal
Pantoro	PNR		consolidating at higher levels	gold
Panoramic Res	PAN		surge higher	nickel
Peak Minerals	PUA		new low	copper exploration
Peak Resources	PEK		testing downtrend	rare earths

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Peel Mining	PEX		testing downtrend	copper
Peninsula Energy	PEN		consolidating	uranium
Poseidon Nickel	POS		gently lower	nickel
Perseus Mining	PRU		slump	gold
Pilbara Minerals	PLS		new high	lithium
Queensland Pacific Metals	QPM		downtrend commencing	nickel/cobalt/HPA
Red River Resources	RVR		testing downtrend	zinc
Regis Resources	RRL		new low on large financing	gold
Renergen	RLT		breached downtrend	gas, helium
RIO	RIO		testing steep downtrend	diversified, iron ore
Rumble Resources	RTR		still giving up ground	gold exploration
S2 Resources	S2R		consolidating after steep rise	gold exploration
St Barbara	SBM		testing downtrend	gold
Sandfire Resources	SFR		rallying	copper
Santos	STO		falling	oil/gas
Saturn Metals	STN		breached short term uptrend	gold exploration
Silex Systems	SLX		breached support line	uranium enrichment technology
Silver Mines	SVL		testing downtrend	silver
South Harz Potash	SHP		turning down	potash
Stanmore Coal	SMR		new high	coal
Strandline Resources	STA		new high	mineral sands
Sunstone Metals	STM		surged higher	exploration
Talga Resources	TLG		heavy fall	graphite
Technology Metals	TMT		down	vanadium
Tesoro Resources	TSO		new low	gold exploration
Theta Gold Mines	TGM		sideways to lower	gold
Thor Mining	THR		downtrend	gold exploration
Tietto Minerals	TIE		strong rise	gold
Titan Minerals	TTM		sideways	gold
Turaco	TCG		slipped after placement	gold exploration
Vanadium Resources	VR8		testing uptrend	vanadium
Vimy Resources	VMY		down	uranium
West African Resources	WAF		new high	gold
Westgold Resources	WGX		breached downtrend but correcting lower	gold
West Wits Mining	WWI		breaching downtrend	gold
Western Areas	WSA		surge higher	nickel
Whitehaven Coal	WHC		down	coal
Wiluna Mining	WMC		gently higher	gold
Yandal Resources	YRL		breached uptrend	gold exploration
Zenith Minerals	ZNC		placement and downtrend	gold exploration
Zinc Mines of Ireland	ZMI		new uptrend	zinc
Totals	35%	49	Uptrend	
	30%	42	Downtrend	
		142	Total	

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### 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	21.8%	
Gold Exploration	26	18.3%	
Nickel	12	8.5%	
Copper	10	7.0%	
Lithium	6	4.2%	
Rare Earths	8	5.6%	
Oil/Gas	6	4.2%	
Iron Ore/Manganese	6	4.2%	
Zinc/Lead	4	2.8%	
Mineral Sands	3	2.1%	
Potash/Phosphate	5	3.5%	
Uranium	4	2.8%	
Graphite/graphene	4	2.8%	
Coal	3	2.1%	
Bauxite	2	1.4%	
Silver	2	1.4%	
Cobalt	1	0.7%	
Tin	1	0.7%	
Diamonds	1	0.7%	

Other	7		
Total	142		

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