

## Canadian stocks look much cheaper

In recent weeks I have been attending a number of virtual conferences in which there has been a predominance of TSX companies presenting. As a generalisation there seems to be much better value in these companies at present with many of them selling at half the valuation of equivalent companies in Australia. Maybe this explains the lethargy we are witnessing in the junior mining sector of the ASX. While many of our local companies have merit, we seem to have run out of reasons to commit new money to them, and when new buying fails to materialise, the stocks invariably drift lower. So, the quest now is all about finding new stories and jumping on any good news flow early.

Many of the Canadian stocks are silver specialists, and most of them have significantly better prospects than Australian-based projects. So, while they sell at high valuations in many cases, there is no direct comparison with the Australian companies. Mexico and South America feature strongly in the Canadian company portfolios.

There is one company in particular that is worth having a look at when it starts trading some time over the next few weeks: Tier One Silver. I'll try and provide more information in next week's edition.

### *Latitude is on the march with resource upgrade*

We introduced Latitude Consolidated (LCD) on 24/4/21 stating it was one of the new gold stocks to pay attention to. It hasn't taken long for the CEO, Tim Davidson, to start delivering the good news.

Last Tuesday it announced a 44% growth in the resource base to 1.1 Moz. at a grade of 2.6 gpt. Key to this upgrade was the growth in the Turnberry Mineral Resource to 11.3 Mt at 1.7 gpt for 610,000 oz of gold, with 64% in the Indicated category. Recall that previously the resource was 4.2 Mt at 2.0 gpt containing 271,000 oz, but that was based on a cut-off grade of 1 gpt. As expected, the lowering of the cut-off grade to 0.5 gpt enabled a significantly larger resource to be calculated.

There continues to be plenty of exploration upside at depth and along strike, within a 5.5 km long trend of gold anomalism. Have a read of the release to obtain a good understanding of the mineralisation at Turnberry/St Anne's.

### *Metro Mining - what happens when insto's sell*

I am no expert on Metro Mining (MMI), though I do keep a watching brief via the charts and allow price and volume movements to alert me to any significant developments. There is no secret that the bauxite business has had its challenges in recent times, meaning that despite the Bauxite Hills mine performing credibility as it was commissioned and optimised, the industry headwinds have held Metro's shares in a lengthy downtrend since early 2018.

I have been watching and waiting for positive news on the operational front that might indicate it is time to start buying, but on the 14th May, there was a substantial shareholder

notice that has taken precedence over everything else. Black Rock Group has sold 3.77 million shares on market to take its holding from 10.42% to 9.41%. The shares then went into a free fall, dropping from 5.2¢ to hit a low of 2.6¢ on Thursday last week.

Having an institution on the register of a small cap mining company can be a double edged sword. It is a good promotional point when you have the imprimatur of a credible institution, but there can be carnage if such an institution decides to exit the stock, as we are witnessing here. An announcement such as that of 14/5/21, will always send investors running for the hills. With 130 million more shares that will probably hit the market at some point soon (if there is enough buying), the immediate outlook for the share price looks grim.

Yet, it would not be unreasonable to suggest that this is a great buying opportunity. Enterprising brokers will be looking to see if they can find one or more buyers for a block trade, whereby the institution can quit the rest of its stock in one day. Everyone will be looking at such an event as a trading buy signal and the share could quickly bounce, but what about the fundamentals? Should you be looking at these levels as being a good entry point for a longer term investment viewpoint?

### *Record high freight costs have cut margins*

Bauxite is one of the few commodities that hasn't really recovered much from the 2020 virus lows, to any meaningful extent, though there are early signs of an improvement in 2021. At the same time we are seeing record high freight costs for the industry that are placing pressure on operating margins. During the quarter ocean freight costs increased sharply across all vessel classes, and in particular the vessels used by Metro (i.e. Supramax and Ultramax sized vessels). This has resulted from a variety of factors including new and longer shipping routes caused by changing Chinese buying patterns, stronger commodity prices, limited new vessel builds during 2020 with the uncertainty of COVID, and heavy congestion at ports around the world; all these factors have reduced the capacity of the current fleet.

### *Bauxite Hills - an operation in a tropical environment*

Metro's Bauxite Hills mine is located on the western side of the York Peninsula, in a tropical environment with a wet season shutdown each year. The variability and intensity of the wet can affect the timing and duration of the shutdown and it has had some impact this year with heavy rain continuing well into April.

Last year the mine closed early due to lack of additional sales, in mid September rather than end December. That meant a \$50m reduction in revenue for the period.

### *Stage 2 expansion is on the horizon*

Metro has achieved production rates above the Stage 1 design capacity of 4 Mtpa. Since commissioning the

operation in 2018, it has been upgrading the size of the transshipping barges from 3,000 to 6,000 t, enabling greater flexibility and efficiency, which has led to reduced costs. Ultimately the plan is to have Stage 2 lift production to 6 Mtpa at a cost of \$50m. Metro's cash and receivables position was \$15.7m at 31 March. Metro has only to drawdown its proposed \$47.5M NAIF facility and will likely restructure or refinance its current debt position, which is \$35m now. The first debt repayment of \$6.7m is scheduled for September 2021, with no other repayments due until late 2022.

### *The Bottom Line*

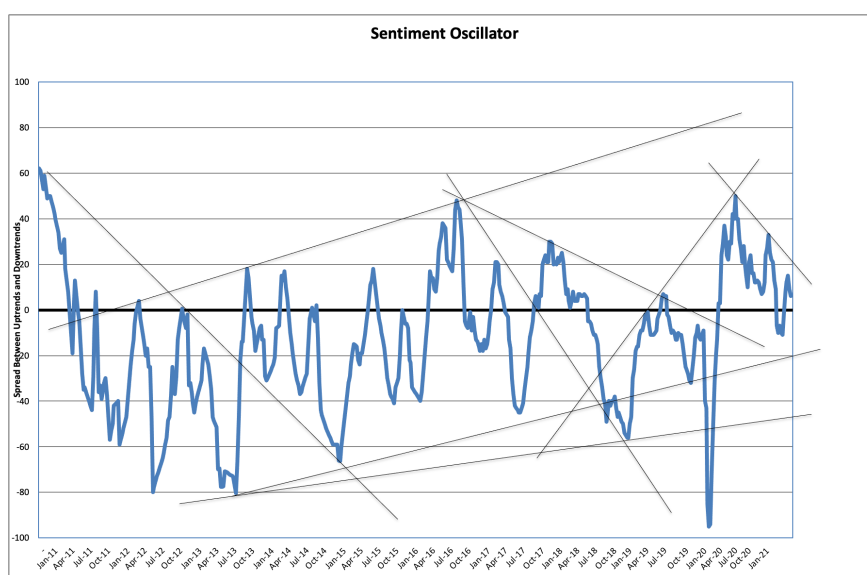
Metro could be excellent buying at current levels with the shares likely to bounce once the Black Rock line is dealt with, but the longer term future requires consideration of future freight rates and bauxite prices that will impact on operating margins. In turn, these margins will have implications for the funding of the Stage 2 expansion. The future is not crystal clear at present so there continues to be some speculative risk in the company. That means there could also be some commensurately good upside. So, it should be viewed as a turnaround type of investment.

### *Bitcoin and the gold price*

I must admit that Bitcoin and cryptocurrencies are not my expertise, but I do listen to what other people are saying. I do know that they consume enormous amount of electricity with the computer activity. I have heard that they have been sucking money and attention away from the gold price (until recently), but that trend seems to have been reversed now with Bitcoin falling by 50% and the gold price is looking stronger very week. Gold stocks are looking like the best sector to be in at the moment with the continuing strength in the gold price.

### *Graphene now featuring in a Netflix series*

It has sometimes been commented that themes that appear in science fiction stories often turn into reality at some point. Last week I was watching a Netflix series, *Travelers*, when they referred to graphene as a nanomaterial that performed a critical role in repairing the human body after an accident. That made me chuckle with pleasure. In a subsequent episode the people from the future were using a tiny but very powerful communication device that was powered by the natural electricity that is in the human body. The graphene age is only just starting. There is much more to come.



**Sentiment Oscillator:** Sentiment was steady over the week. There were 39% (39%) of the charts in uptrend and 33% (33%) 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	off from high	
Metals and Mining	XMM	correcting lower	
Energy	XEJ	lower	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Alpha HPA	A4N	new high	HPA
Adriatic Resources	ADT	surge higher	zinc, polymetallic
Alkane Resources	ALK	spike out of downtrend on drill result	gold, zirconia
Alicanto Minerals	AQI	stronger	base metals, silver, gold
Altech Chemical	ATC	breaching support line	HPA, anodes
Alto Metals	AME	testing resistance line	gold exploration
American Rare Earths (was BPL)	ARR	down	rare earths
Apollo Consolidated	AOP	down	gold exploration
Arafura Resources	ARU	on support line	rare earths
Ardea Resources	ARL	sideways	nickel
Aurelia Metals	AMI	rallying	gold + base metals
Australian Potash	APC	breaching trend line	potash
Auteco Minerals	AUT	down	gold exploration
BHP	BHP	fallen to support line	diversified, iron ore
Base Resources	BSE	weaker	mineral sands
Beach Energy	BPT	down, near lows	oil and gas
Bellevue Gold	BGL	down	gold exploration
Blue Star Helium	BNL	down	gas, helium
Boab Metals	BML	down	silver/lead
Breaker Resources	BRB	down	gold exploration
Buru Energy	BRU	slump on placement	oil
Calidus Resources	CAI	still down	gold
Capricorn Metals	CMM	rising	gold
Caravel Minerals	CVV	new high	copper
Celsius Resources	CLA	surge higher	uptrend
Chalice Gold	CHN	new high	nickel, copper, PGMs, gold exploration
Chase Mining	CML	slump	nickel/copper/PGE
Chesser Resources	CHZ	down now	gold exploration
Cobalt Blue	COB	down	cobalt
Cyprium Metals	CYM	new high	copper
Danakali	DNK	breached uptrend	potash
De Grey	DEG	steeply higher	gold
E2 Metals	E2M	downtrend	gold exploration
Ecograf (was Kibaran)	EGR	down	graphite
Element 25	E25	breached downtrend	manganese

*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.*

Emerald Resources	EMR		rising	gold
Euro Manganese	EMN		downtrend	manganese
Evolution Mining	EVN		rising	gold
Firefinch	FFX		strongly higher	gold
First Graphene	FGR		breached short term downtrend	graphene
Fortescue Metals	FMG		slump	iron ore
Galaxy Resources	GXY		rising again	lithium
Galena Mining	G1A		on support line	lead
Galilee Energy	GLL		pullback	oil and gas, CBM
Genesis Minerals	GMD		down	gold
Gold Road	GOR		rising	gold
Hastings Technology Metals	HAS		down	rare earths
Hazer Group	HZR		testing uptrend	hydrogen
Highfield Resources	HFR		rising	potash
Hillgrove Resources	HGO		spiked higher on drill intercept	copper
Iluka Resources	ILU		new high	mineral sands
Image Resources	IMA		sideways	mineral sands
Independence Group	IGO		bouncing	gold
ioneer (was Global Geoscience)	INR		continuing down	lithium
Ionic Rare Earths (Oro Verde)	IXR		collapse on scoping study	rare earths
Jervois Mining	JVR		rising again	nickel/cobalt
Jindalee Resources	JRL		at highs	lithium
Kairos Minerals	KAI		testing downtrend	gold exploration
Kin Mining	KIN		sideways	gold
Kingston Resources	KSN		sideways	gold
Kingwest Resources	KWR		down	gold
Latitude Consolidated	LCD		strongly higher	gold
Legend Mining	LEG		turned down at resistance line	nickel exploration
Lepidico	LPD		down	lithium
Lindian Resources	LIN		testing downtrend	bauxite
Lithium Australia	LIT		down	lithium
Los Cerros	LCL		rising again on drill results	gold exploration
Lotus Resources	LOT		surge to new high	uranium
Lucapa Diamond	LOM		breaking downtrend	diamonds
Lynas Corp.	LYC		testing downtrend	rare earths
Magnetic Resources	MAU		uptrend	gold exploration
Mako Gold	MKG		down again	gold exploration
Manhattan Corp	MHC		down	gold exploration
Marmota	MEU		still down	gold exploration
Marvel Gold	MVL		on support line	gold exploration
Matador Mining	MZZ		new uptrend	gold exploration
MetalTech	MTC		heavy fall	gold
Meteoric Resources	MEI		down	gold exploration
MetalsX	MLX		near highs	tin, nickel

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.

Metro Mining	MMI	down again	bauxite
Mincor Resources	MCR	down	gold/nickel
Musgrave Minerals	MGV	rising	gold exploration
Myanmar Minerals	MYL	breaching downtrend	lead, zinc, silver
Nelson Resources	NES	down heavily	gold exploration
Neometals	NMT	rising	lithium
Northern Minerals	NTU	down	REE
Northern Star Res.	NST	rising	gold
Oceana Gold	OGC	surge higher	gold
Oklo Resources	OKU	down	gold expl.
OreCorp	ORR	breached downtrend	gold development
Orocobre	ORE	steeply higher	lithium
Oz Minerals	OZL	new high	copper
Pacific American Holdings	PAK	sideways	coal
Pantoro	PNR	breached support line	gold
Panoramic Res	PAN	breaching uptrend	nickel
Peak Minerals	PUA	new low	copper exploration
Peak Resources	PEK	testing downtrend	rare earths
Peel Mining	PEX	testing support	copper
Peninsula Energy	PEN	new high	uranium
Poseidon Nickel	POS	down	nickel
Perseus Mining	PRU	testing downtrend	gold
Pilbara Minerals	PLS	back to highs	lithium
Polarex	PXX	down	polymetallic exploration
Queensland Pacific Metals	QPM	new high	nickel/cobalt/HPA
Ramelius Resources	RMS	rising again	gold production
Red5	RED	testing downtrend	gold
Red River Resources	RVR	down	zinc
Regis Resources	RRL	new low on large financing	gold
Regergen	RLT	heavy fall	gas, helium
Resolution Minerals	RML	new low	gold exploration
Resolute Mining	RSG	down	gold
RIO	RIO	correcting lower	diversified, iron ore
Rumble Resources	RTR	surge to new high	gold exploration
Salt Lake Potash	SO4	down	potash
St Barbara	SBM	testing downtrend	gold
Sandfire Resources	SFR	new high	copper
Santos	STO	testing uptrend	oil/gas
Saturn Metals	STN	breached downtrend	gold exploration
Sheffield Resources	SFX	rising	mineral sands
St George Mining	SGQ	risen to resistance line	nickel
Silex Systems	SLX	secondary downtrend	uranium enrichment technology
Silver Mines	SVL	surge higher	silver
Sipa Resources	SRI	testing downtrend	general exploration - Ni,Cu, Co, Au

*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.*

South Harz Potash	SHP		rising again	potash
Stanmore Coal	SMR		breached steepest downtrend	coal
Strandline Resources	STA		pullback	mineral sands
Sunstone Metals	STM		improving	
Talga Resources	TLG		testing downtrend	graphite
Technology Metals	TMT		sideways	vanadium
Tesoro Resources	TSO		testing downtrend	gold exploration
Theta Gold Mines	TGM		down	gold
Thor Mining	THR		rising	gold exploration
Tietto Minerals	TIE		at lows	gold
Titan Minerals	TTM		sideways	gold
Venturex	VXR		surge on funding	zinc
Vimy Resources	VMY		steeply higher	uranium
West African Resources	WAF		higher	gold
Westgold Resources	WGX		breached downtrend	gold
West Wits Mining	WWI		off its highs	gold
Western Areas	WSA		testing downtrend	nickel
Whitehaven Coal	WHC		breached uptrend	coal
Wiluna Mining	WMX		down	gold
Yandal Resources	YRL		rising again	gold exploration
Zenith Minerals	ZNC		surge to new high	gold exploration
Zinc Mines of Ireland	ZMI		rising	zinc
Totals	39%	57	Uptrend	
	33%	48	Downtrend	
		145	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	33	22.8%	
Gold Exploration	26	17.9%	
Nickel	12	8.3%	
Copper	9	6.2%	
Oil/Gas	6	4.1%	
Lithium	8	5.5%	
Zinc/Lead	7	4.8%	
Rare Earths	7	4.8%	
Mineral Sands	5	3.4%	
Iron Ore/Manganese	5	3.4%	
Potash/Phosphate	5	3.4%	
Coal	4	2.8%	
Uranium	4	2.8%	
Graphite	2	1.4%	
Bauxite	2	1.4%	
Silver	2	1.4%	
Cobalt	1	0.7%	
Tin	1	0.7%	
Diamonds	1	0.7%	
Other	5		
Total	145		

**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 Alicanto Minerals, Blackstone Minerals, Broken Hill Prospecting, Cobalt Blue, First Graphene, Golden Rim, Lindian Resources, Lucapa Diamond Company, Orinoco Gold, Pacific American 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

*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.*

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 2020.