

Red River is another promising gold/antimony producer

We have seen a number of stocks break out of their freefall downtrends, confirming that the selloff has run its course for the time being. Those who deliberately, or fortuitously bought near the bottom when everyone else was selling, will have the opportunity to take profits out of movements that might just prove to be rallies. Volumes have been low due to the tentative nature of the recovery with most people sitting on the sidelines until their confidence levels start to improve. However, by the time they recommit, they may have lost what has been a good trading opportunity.

Frequent comments on the charts this week were *"rallying, but about to meet resistance line"* and *"breached steepest downtrend"*. That means we have seen the worst of it for the time being, but we are not out of the woods yet.

One of the aspects of the markets and international economics today is the muted role being played by China when compared to the rest of the past decade. China's appetite for all commodities was a major factor in buoying their markets, and therefore share prices of companies supplying those commodities. China is still very important but the aggressive growth in GDP is now a thing of the past due to Xi's efforts to eliminate Covid. The multi-decade period of extraordinary growth seems to be over. China has caught up with the rest of the world, and some, and markets are now reverting to the norm. Some of China's appetite is being satisfied by Russia and that is taking the heat out of commodity prices for the time being, with the stronger US\$ also being a factor.

Lower freight prices offer side benefit

On the bright side of the China slowdown, we are seeing its freight rates fall by 20%. Average prices have fallen from >US\$4,000 in Europe in August 2021, to US\$3,455 in Hamburg and US\$2,741 in Rotterdam in June. Prices have dropped from nearly US\$5,500 to US\$3,788 in Los Angeles over the same period. Average prices at the three major Chinese ports, Shanghai, Qingdao and Ningbo for a 40-foot standard high cube container have fallen to between US\$3,900 and US\$4,200 from US\$6,000 over the past 10 months.

Red River well placed in the antimony space

Following on from our recent references to antimony and gold, it would be remiss not to acknowledge Red River's (RVR) activity in this space. While the main operation of Red River is still the Thalanga base metals operation in Queensland, from which it is earning NPAT of \$10m p.a. (annualising the six months to December 2021), Hillgrove will increase in importance.

Some company history

In its quest to become a producer, RVR agreed to purchase Thalanga in July 2014, paying \$5m cash, deferred cash of \$1.5m and a 1.5% NSR royalty to Kagara Ltd which was in liquidation. In September 2014, RVR raised \$7.5m at 10¢ a

share, then in October 2014, it placed another \$3.6m worth of shares at 18¢, enabling the completion of the acquisition later that month. The market didn't seem impressed with the deal judging by the halving of the share price to 13¢ by December 2014, giving a market capitalisation of a paltry \$22.5m. Perhaps it was factoring in further dilution along the path to restarting the operation, by the issuance of more shares.

Subsequent raisings included \$3.9m at 10.5¢ in October 2015, \$8.9m at 12.5¢ in July 2016, then \$30m at 18.5¢ in December 2016. Thus it had raised \$53.9m by the time the plant was recommissioned in September 2017, and concentrates were first produced.

The Company successfully met its forecast and was profitable in its first year of operation. Yet, when we last covered the Company in mid 2019, the shares were only selling on a 4x cash generation multiple of \$20m p.a. The shares had already peaked at 36.5¢, on 31/1/2018, and had fallen back to around 18¢.

Today, the share price is 14-15¢, it has around \$10m in the bank, and the market capitalisation is still only \$75m.

Hillgrove - a \$4m bargain - gold and antimony

When Hillgrove announced the purchase of the Hillgrove gold/antimony project in the New England region of NSW in mid-2019, we were fearful that it might have bought a pup. After all, it had already sent a number of companies broke over the previous 40 years that I had been following it. Hundreds of millions of dollars had been blown on the project by names that included Straits Resources and Robert Champion de Crespigny. (see *the Weekly from 6 July, 2019 ... on the FEC website*). Sure, RVR picked up Hillgrove for a great price of only \$4m in shares, but that was only going to be good if they could make it work operationally. Back then I was a sceptic.

The Hillgrove acquisition included a 250 ktpa capacity processing plant comprising a gravity gold circuit with intensive leach reactor, a selective flotation circuit (capable of producing antimony-gold and refractory gold concentrates), an antimony leach/EW/refining & casting plant, a gold cyanide leach circuit & gold room and a pressure oxidation circuit. That POX circuit has a replacement cost of \$120m today. Historical expenditure totalled \$180m.

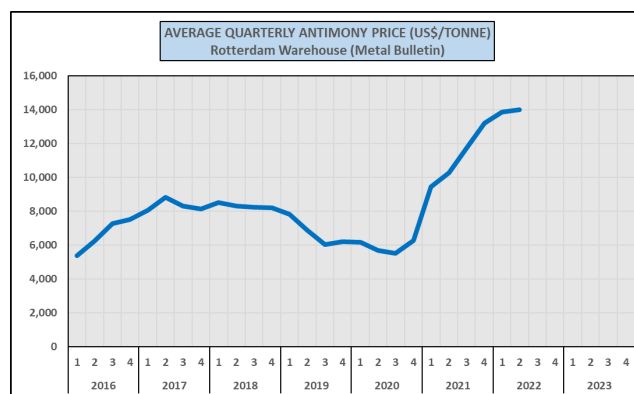
Production from Bakers Creek stockpiles commenced in early 2021, with the first gold pour in March of that year. Drilling enabled RVR to double the Hillgrove Mineral Resource estimate to 1 million ounces of gold, plus 90,000 tonnes of antimony; 7.23 Mt at 4.5 gpt Au and 1.2% Sb. It confirmed Hillgrove as hosting the largest antimony resource in Australia and the ninth largest antimony resource in the world.

Since then the Company has made a number of ASX releases detailing high grade gold intercepts at Hillgrove.

The most recent one was on the 5th of July, 2022, with an assay of 4.5m at 29.5 gpt gold and 0.3% stibnite from the Baker Creek deposit which was mined until 1921, producing 300,000 oz of gold. This included an interval of 0.45m at 257 gpt gold from 467m down hole. Intercepts like this can be expected from time to time, but not in every hole.

Could Hillgrove deliver much more?

After ringing Mel Palancian, the Managing Director, to discuss my findings from the recent Victorian goldfields visit covering the high grade gold and stibnite projects, I began to appreciate just how good an acquisition Hillgrove is looking to be. One of his opening comments was that the size of the resource could justify the doubling of the plant capacity. Another was that the most recent prior owners of Hillgrove, and probably many of their predecessors, had let Hillgrove down by not focussing more strongly on gold. Notwithstanding that view, the antimony is looking like it will be a strong contributor to earnings going forward. The chart below shows the strength in the antimony price in recent years.



Interestingly, Hillgrove has very strategic facilities to produce antimony metal, thereby circumventing the need to sell to Chinese smelters with low payability rates of only 60%. This has implications for Victorian producers of antimony concentrates as well, provided they can successfully negotiate mutually beneficial deals and truck the concentrates to Hillgrove.

We have not gone to the extent of estimating potential earnings from Hillgrove, but as a generalisation it should be able to achieve at least on par with mines like Costerfield. The fact that it has never been this profitable in the past doesn't mean it can't reach such a goal with good management and the better antimony price. Perhaps a plant expansion and greater emphasis on gold are also needed. Bringing all these together could result in a long life, highly profitable operation.

But the CEO is retiring

RVR owes much of its operational success to Mel Palancian, who has shown himself to be one of the most competent underground mine managers around. Unfortunately, Mel has decided he needs a break from the grind for a while. He still has the best interests of the Company at heart, and won't be departing before they find a suitable replacement, but he will still be missed.

The Bottom Line

Hillgrove promises to add another dimension to Red River with its acquisition of that project looking like it was in the right place at the right time. There is still more work required to establish a profitable operation and to maximise the potential, but we can afford to be optimistic.

The base metal operation at Thalanga has had some ups and downs but it seems to have a good future with additional resource positions being identified.

With a \$75m market capitalisation, \$10m in the bank, a profitable zinc plus other base metals operation in Queensland, and plenty of potential with gold and antimony at Hillgrove, the Company offers excellent fundamental value at these prices. It is a company of substance priced much lower than many truly speculative, blue sky companies.

Disclosure: Interests associated with the author own shares in Red River.

Castile Resources finds a new high-grade zone

When we last mentioned Castile Resources (CST) on 30 April, we commented that it was rare to find such good fundamental value. At the time the shares were trading at 18¢. It is noteworthy that today they are selling at 16¢, down from that earlier price, but not dramatically so.

Just to remind you, CST has the Rover 1 Project near Tennant Creek in the NT, with an Indicated and Inferred Resource of 4.7 Mt at 1.73 gpt gold, 1.63% copper and 0.08% cobalt. That would support a 500,000 tpa operation for eight years on our estimates, but the official line from the Company will come out with the release of a PFS, in the fourth quarter of 2022. The company has delayed the PFS due to the fact that on 4th July 2022, it discovered a major new high grade gold zone. In addition, Castile indicated that the interpreted mineralised IOCG alteration of the Jupiter Deeps zone has substantially increased in size. The Company announced that it will re-calculate a new Mineral Resource Estimate given the major significance of these new results. This new resource will then be fed into the PFS which will now be released in the fourth quarter of 2022.

Drill results in July 2022

On the 4th of July, Castile announced the discovery a new high-grade gold zone at Rover 1. Hole 22CDR001, drilled outside the current resource, hit this zone about 120m lower down in the IOGC ironstone host rock. The broader intercept was 31m at 4 gpt Au, 1% Cu and 0.1% Bi but the higher grade portion was 9.5m at 9.6 gpt Au, 1.4% Cu and 0.2% Bi, from 868m down hole.

Assays from the follow-up hole 22CRD001-2A, confirmed the discovery with 27m at 1% Cu and 0.5 gpt Au. There was no mention of a the high grade core in the ASX release, so maybe this was peripheral to that core.

What does this mean?

We shouldn't over-analyse individual holes and exact grades. Rather, we can observe that this new orebody at depth will undoubtedly extend the mine life beyond the

eight years postulated earlier. A longer life is always better when you invest in the plant and infrastructure, even though it might not have a major impact on an NPV. It will also assist in attractive longer term employees looking for a career move rather than just a short term assignment. Being deeper, it will likely be mined sequentially. The value just keeps getting better.

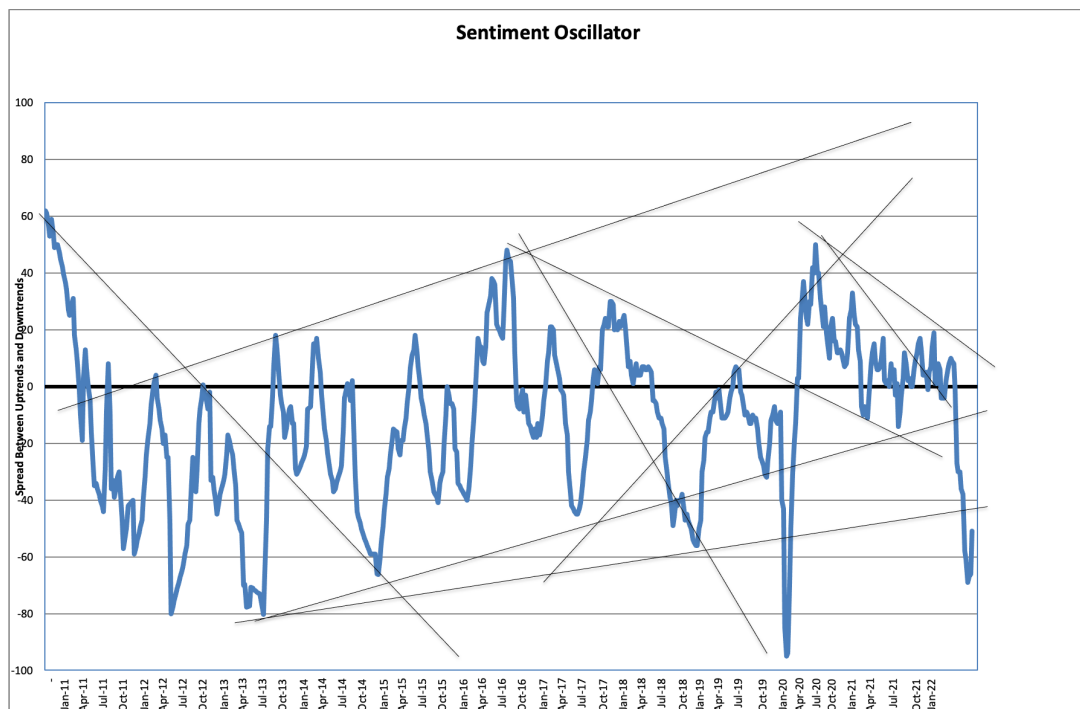
Commentary on graphene

We know graphene has a great future in many fields but we also know that it is not providing instant gratification. Taking any new technology from the laboratory to industry takes time for many reasons, including resistance from beneficiaries of existing technologies that don't want to see their business models disrupted. Nevertheless, with something like graphene having so many companies making progress in their niche areas, there is a broad level of advancement in many sectors.

With this in mind Matt Ferrell has made a 12 minute video that looks at just how far graphene has come, and where it is likely to go. There is good coverage of First Graphene from the six minute mark that is worthwhile having a look at, but there is no harm in watching the entire clip. Click on the picture opposite to see an independent view of where the graphene sector sits today.



Disclosure: Interests associated with the author own shares in First Graphene and the author is a director.



Sentiment Oscillator: As we said a few weeks back, sentiment never stays extreme i.e. more than 70% in uptrend or downtrend, for more than a few weeks. This has proved itself again with a sharp fall of stocks in downtrend as they start to recover from the heavy falls. There were 8% (7%) of the charts in uptrend and 59% (73%) 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	rallying, but about to meet resistance line	
Metals and Mining	XMM	testing steepest downtrend	
Energy	XEJ	testing support line	
Information Technology	XIJ	rallying, but about to meet resistance line	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
A-Cap Energy	ACB	testing downtrend	uranium
Alpha HPA	A4N	downtrend	HPA
Adriatic Resources	ADT	new low	zinc, polymetallic
Advance Metals (was Pacific American)	AVM	down	coal, gold exploration
Alkane Resources	ALK	new low	gold
Alicanto Minerals	AQI	testing downtrend	base metals, silver, gold
Altech Chemical	ATC	bouncing off lows	HPA, anodes
Anteotech	ADO	new low	silicon anodes, biotech
Alto Metals	AME	testing uptrend	gold exploration
American Rare Earths	ARR	meeting resistance line	rare earths
Antilles Gold	AAU	still down	gold
Arafura Resources	ARU	heavy fall	rare earths
Ardea Resources	ARL	testing downtrend	nickel
Aurelia Metals	AMI	new low	gold + base metals
Australian Potash	APC	new low	potash
Australian Rare Earths	AR3	rallying, but about to meet resistance line	rare earths
Auteco Minerals	AUT	new low	gold exploration
Arizona Lithium	AZL	new low	lithium
Azure Minerals	AZS	new low	nickel exploration
BHP	BHP	new low	diversified, iron ore
Beach Energy	BPT	new uptrend confirmed	oil and gas
Bellevue Gold	BGL	new low	gold exploration
Benz Mining	BNZ	new low	gold
Blue Star Helium	BNL	sideways through downtrend	gas, helium
BMG Resources	BMG	down	gold exploration
Boab Metals	BML	testing steepest downtrend	silver/lead
Breaker Resources	BRB	breached support	gold exploration
Buru Energy	BRU	new low	oil
Calidus Resources	CAI	new low	gold
Capricorn Metals	CMM	breached support line	gold
Caravel Minerals	CVV	new low	copper
Castile Resources	CST	testing downtrend	gold/copper/cobalt
Celsius Resources	CLA	new low	copper
Chalice Mining	CHN	down	nickel, copper, PGMs, gold exploration

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Chesser Resources	CHZ		new low	gold exploration
Cobalt Blue	COB		testing downtrend	cobalt
Cyprium Metals	CYM		new low	copper
De Grey	DEG		new low	gold
E2 Metals	E2M		testing steepest downtrend	gold exploration
Ecograf	EGR		at lows	graphite
Element 25	E25		rallying, but meeting resistance line	manganese
Emerald Resources	EMR		breaching support	gold
Empire Energy	EEG		sideways through downtrend	gas
Euro Manganese	EMN		meeting resistance line	manganese
Evolution Mining	EVN		collapse	gold
Firefinch	FFX		new low	gold
First Graphene	FGR		breached downtrend	graphene
Fortescue Metals	FMG		bound off lows	iron ore
FYI Resources	FYI		sideways through downtrend	HPA
Galena Mining	G1A		new low	lead
Galilee Energy	GLL		testing trendline	oil and gas, CBM
Genesis Minerals	GMD		down	gold
Genmin	GEN		sideways	iron ore
Gold Road	GOR		down	gold
Great Boulder Resources	GBR		new low	gold exploration
Hastings Technology Metals	HAS		breached support line	rare earths
Hazer Group	HZR		strong rally	hydrogen
Heavy Minerals	HVY		breached support line	garnet
Highfield Resources	HFR		testing downtrend	potash
Hillgrove Resources	HGO		testing downtrend	copper
Iluka Resources	ILU		rallying, but meeting resistance line	mineral sands
Image Resources	IMA		down	mineral sands
ioneer (was Global Geoscience)	INR		breached steepest downtrend	lithium
Ionic Rare Earths	IXR		sideways through downtrend	rare earths
Jervois Mining	JVR		new low	nickel/cobalt
Kingston Resources	KSN		new low	gold
Krakatoa Resources	KTA		rallying, but meeting resistance line	rare earths
Kingfisher Mining	KFM		breaching support line	rare earths
Kingwest Resources	KWR		good rally	gold
Legend Mining	LEG		new low	nickel exploration
Lepidico	LPD		recovering from lows	lithium
Lindian Resources	LIN		new high	bauxite
Lion One Metals	LLO		rising again	gold
Los Cerros	LCL		rising off its lows	gold exploration
Lotus Resources	LOT		down	uranium
Lucapa Diamond	LOM		breached downtrend	diamonds
Lynas Corp.	LYC		breached support line	rare earths
Magnetic Resources	MAU		new low	gold exploration

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Mako Gold	MKG		new low	gold exploration
Marmota	MEU		sideways through uptrend	gold exploration
Marvel Gold	MVL		new low	gold exploration
Matador Mining	MZZ		new low	gold exploration
Mayur Resources	MRL		new low	renewables, cement
Meeka Gold	MEK		but pullback	gold
Megado Gold	MEG		back to downtrend	rare earths, gold exploration
MetalsX	MLX		new low	tin, nickel
Metro Mining	MMI		rising	bauxite
Mincor Resources	MCR		recovering from lows	gold/nickel
Mithril Resources	MTH		down	gold/silver
Musgrave Minerals	MGV		testing downtrend	gold exploration
Nagambie Resources	NAG		stronger	gold, antimony
Neometals	NMT		sideways through downtrend	lithium
Northern Star Res.	NST		new low	gold
Nova Minerals	NVA		rallying, but meeting resistance line	gold exploration
Oceana Gold	OGC		down	gold
Oklo Resources	OKU		spiked through downtrend	gold expl.
OreCorp	ORR		new low	gold development
Oz Minerals	OZL		risen off lows	copper
Pantoro	PNR		new low	gold
Panoramic Res	PAN		down	nickel
Peak Minerals	PUA		new low	copper exploration
Peak Resources	PEK		breached steepest downtrend	rare earths
Peel Mining	PEX		new low	copper
Peninsula Energy	PEN		new low	uranium
Poseidon Nickel	POS		new low	nickel
Perseus Mining	PRU		softer	gold
Provaris Energy	PV1		good rally	hydrogen
PVW Resources	PVW		testing downtrend	rare earths
QMiner	QML		new low	copper
Queensland Pacific Metals	QPM		new low	nickel/cobalt/HPA
Red River Resources	RVR		new low	zinc
Regis Resources	RRL		new low	gold
Reenergy	RLT		testing downtrend	gas, helium
Resource Mining Corp.	RMI		pullback on placement	nickel exploration
RIO	RIO		new low	diversified, iron ore
Rumble Resources	RTR		new low	gold exploration
S2 Resources	S2R		testing downtrend	gold exploration
St Barbara	SBM		off its lows	gold
Sandfire Resources	SFR		bounced off low	copper
Santos	STO		uptrend	oil/gas
Saturn Metals	STN		sideways	gold exploration
Silex Systems	SLX		new high	uranium enrichment technology

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Silver Mines	SVL		down	silver
South Harz Potash	SHP		testing downtrend	potash
Southern Cross Gold	SXG		ST down	gold exploration
Stanmore Coal	SMR		pullback	coal
Strandline Resources	STA		strong rise	mineral sands
Sunstone Metals	STM		downtrend	exploration
Talga Resources	TLG		testing steepest downtrend	graphite
Technology Metals	TMT		down	vanadium
Tesoro Resources	TSO		new low	gold exploration
Theta Gold Mines	TGM		down	gold
Thor Mining	THR		sideways through downtrend	gold exploration
Tietto Minerals	TIE		strong rise	gold
Titan Minerals	TTM		down	gold
Turaco Gold	TCG		downtrend	gold exploration
Vanadium Resources	VR8		breached uptrend	vanadium
West African Resources	WAF		holding uptrend	gold
Westgold Resources	WGX		down	gold
West Wits Mining	WWI		new low	gold
Whitehaven Coal	WHC		new high	coal
Wiluna Mining	WMC		new low	gold
Yandal Resources	YRL		new low	gold exploration
Zenith Minerals	ZNC		breached steepest downtrend	gold exploration
Zinc Mines of Ireland	ZMI		new low	zinc
Totals	8%	12	Uptrend	
	59%	84	Downtrend	
		143	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	32	22.4%	
Gold Exploration	23	16.1%	
Rare Earths	11	7.7%	
Nickel	10	7.0%	
Copper	10	7.0%	
Oil/Gas	8	5.6%	
Iron Ore/Manganese	6	4.2%	
Zinc/Lead	5	3.5%	
Lithium	4	2.8%	
Uranium	4	2.8%	
Graphite/graphene	3	2.1%	
Potash/Phosphate	3	2.1%	
Coal	3	2.1%	
Mineral Sands	3	2.1%	
Silver	2	1.4%	
Bauxite	2	1.4%	
Vanadium	2	1.4%	
Cobalt	1	0.7%	
Tin	1	0.7%	
Diamonds	1	0.7%	
Other	9		
Total	143		

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