#### **FAR EAST CAPITAL LIMITED**

Suite 24, Level 6, 259 Clarence Street SYDNEY NSW AUSTRALIA 2000

Tel: +61-2-9230 1930 Mob: +61 417 863187 Email: wgrigor@fareastcapital.com.au AFS Licence No. 253003 ACN 068 838 193



# Weekly Commentary

The Mining Investment Experts

28 March 2020 On Friday's Close Analyst : Warwick Grigor

## We are finding out just how bad the cure really is

Markets seem to be trying to bottom out at these levels but sentiment is still at rock bottom. Each day we learn a little bit more about how painful the cure/prevention really is. The shutdown has turned to lockdown and this is squeezing the guts out of industry, both small and large. If someone wanted to systematically destroy a business society, this would be a good roadmap to follow. At some point the governments have to step back before there is nothing left to save.

Led by the USA, governments are throwing trillions of dollars at the problem as all of the natural laws of business are being overridden or discarded. This will be the greatest expansion of money supply that the world have ever seen. Governments are taking on debt that would have seemed inconceivable 12 months ago, yet it is happening now at the same time that taxation receipts will be falling through the floor for the double whammy. Where will it end? How will the debt be paid back or even reduced to manageable levels. If ever there was a scenario that was going to lead to runaway inflation, this is it.

We are witnessing the sharpest swing towards national socialism and a command economy that we have ever seen in this country, and in other democratic countries around the world. The media is full of bravado from celebrities telling us that "we can do this" in what amounts to indoctrination, trying to give confidence that we are on the right path. The world is changing, and most likely, not for the better.

So where does this leave the equity markets and more specifically the stocks this Weekly specialises in? We don't know. It depends on how long the foot remains on our throat.

#### Some companies are still raising money

It is interesting how some companies are prepared to go to the market for additional equity funds even though they are being forced to deal at much lower prices than two months ago. I have seen more than one email from financial groups telling their clients to get ready for what could be a great season for cheap placements.

Bellevue Gold (BGL) announced a raising of \$26.5m with a placement at  $30\phi$ , a price much lower than the shares were trading at in January (50-60 $\phi$ ). Chesser Resources (CHZ) also went into a trading halt, seeking approximately \$1.7m at  $4\phi$  after having traded at  $11\phi$  in February. Heavily discounted prices to the recent high are the new reality. Expect more of the same.

Saturn Minerals (STN) has also entered a trading halt. There hasn't been an ASX release yet, but we believe that the placement is in the order of \$3m, at 27¢. Further, a North American fund is believed to have bid for \$2m, and this was the motivator for doing the raising. If it is 1832, the

fund that has been building a stake, it may result in less buying pressure for the stock in the short term.

Disclosure: Interests associated with the author hold shares in Saturn Minerals .

## Challice hits high grade nickel in WA

You can still get good news and spectacular performance from companies, even in a very sick market. Take Challice as an example (CHN). On 23 March, it announced an impressive intersection of 19m at 2.59% Ni, 1.04% Cu and some PGMs. Within this was a 13m intercept of massive sulphides grading 3.15% Ni. This came from the first hole drilled in a 2 km x 0.5 km layered ultramafic intrusion open in all directions. The shares jumped from 16¢ to 39¢ on the day, then hitting 55¢ on Friday.

Getting such a good hole first up is wonderful, but it will take subsequent drilling to get the full picture. Not every hole will add to the fervour. For example, no massive sulphides were reported in a second hole reported to the ASX on 24 March, though it should be noted that this was a separate target.

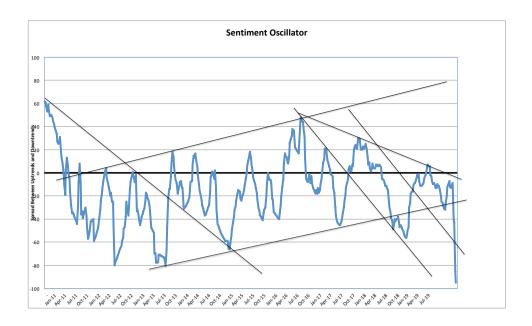
This 100% owned Julimar Ni-Cu-PGM project is located only 70 km NE of Perth. There will be some useful trading opportunities in the stock in the coming months.

### There will be opportunistic takeover bids

Smart and strong companies are likely to hoover up smaller companies that have been brutalised by the collapse in investor sentiment we are witnessing. The first of these to surface is Cardinal Resources, which has received a notice from Nord Gold SE that it has acquired 19.9% of the shares in Cardinal, having purchased Goldfields Limited's 16.4%. No formal proposal has been received, but Nordgold has indicated that it would like to bid 45.77¢ for the balance of the shares. We wait to see what happens, and whether the balance of the shares are strong enough to fight off this opportunistic bid.

## What stocks should we consider buying?

It is not good enough to buy something just because it has come down too far. Everything has done that and it is easy to look for those stocks that will bounce, on a balance of probabilities, but remember that there will be plenty of stale bulls around. As a generalisation, buy those companies that have an expanding information curve and a real chance of adding value in the near term e.g. exploration stocks that are proving up new discoveries. The four companies mentioned above all fall into this category.



**Sentiment Oscillator:** Sentiment remains in the intensive care unit with 2% (1%) of the charts in uptrend and 96% (96%) 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	collapse	
Metals and Mining	XMM	collapse	
Energy	XEJ	collapse	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Alpha HPA	A4N	down	HPA
Adriatic Resources	ADT	heavy pullback	zinc
Aeon Metals	AML	falling again	copper + cobalt
Alacer Gold	AQG	down	gold – production
Alkane Resources	ALK	fallen through support line	gold, zirconia
Alicanto Minerals	AQI	down	gold exploration
Allegiance Coal	AHQ	down	coal
Alliance Resources	AGS	breached uptrend	gold exploration
Apollo Consolidated	AOP	down	gold exploration
Arafura Resources	ARU	down	rare earths
Aurelia Metals	AMI	down again	gold + base metals
Australian Potash	APC	down	potash
Australian Mines	AUZ	base forming	cobalt/nickel
Australian Vanadium	AVL	new low	vanadium
BHP	BHP	heading lower	diversified, iron ore

Far East Capital Ltd - 28 March I	2020		Weekly Commentary
Base Resources	BSE	down	mineral sands
Bathurst Resources	BRL	down	coal
BBX Minerals	ввх	down	gold exploration
Beach Energy	BPT	heavy fall	oil and gas
Beacon Mining	BCN	down	gold production
Bellevue Gold	BGL	down	gold exploration
Blackstone Minerals	BSX	heavy fall	nickel
Breaker Resources	BRB	down	gold exploration
Broken Hill Prospecting	BPL	at lows	minerals sands
Buru Energy	BRU	turning down	oil
Buxton Resources	BUX	turned down at resistance line	nickel exploration
Capricorn Metals	СММ	down	gold
Cardinal Resources	CDV	down	gold exploration
Cassini Resources	CZI	down	nickel/Cu expl.
Central Petroleum	СТР	down	oil/gas
Chalice Gold	CHN	surge on nickel discovery	gold exploration
Chase Mining	CML	heavy slump	nickel/copper/PGE
Chesser Resources	CHZ	down	gold exploration
Cobalt Blue	СОВ	new low	cobalt
Dacian Gold	DCN	suspended	gold
Danakali	DNK	drifting lower	potash
Davenport Resources	DAV	at lows	potash
De Grey	DEG	Uptrend	gold
Ecograf (was Kibaran)	EGR	down	graphite
Emerald Resource	EMR	slump	gold
Evolution Mining	EVN	down	gold
Exore Resources	ERX	down	gold exploration
FAR	FAR	new low	oil/gas
First Graphene	FGR	slump	graphene
Fortescue Metals	FMG	down	iron ore
Galaxy Resources	GXY	down	lithium
Galena Mining	G1A	breached steepest downtrend	lead
Galilee Energy	GLL	downtrend forming	oil and gas, CBM
Gold Road	GOR	breached uptrend	gold
Graphex Mining	GPX	down	graphite
Heron Resources	HRR	new low	zinc
Highfield Resources	HFR	down	potash
Hillgrove Resources	HGO	still in downtrend	copper
Iluka Resources	ILU	slump out of downtrend then rebound	mineral sands
Image Resources	IMA	still in downtrend	mineral sands
Independence Group	IGO	testing support line	gold, nickel
ioneer (was Global Geoscience)	INR	down	lithium
Jervois Mining	JVR	testing resistance line	nickel/cobalt
Jindalee Resources	JRL	spike to hit resistance line	lithium

Kingsten Resources         KSN         down         gold           Legend Mining         LEG         tailing         nickel exploration           Lindan Resources         LIN         down         tailing           Lindan Resources         LIN         down         tailing           Lindan Resources         LIN         down         tailing           Limburn Australa         LIT         down         timburn           Lucapa Diamond         LOM         off is love         diamonds           Mayar Corp         LYC         down         rare earths           Makos Gold         MKG         down         gold supploration           Meratik         MLX         nee low         tim, nickeal           Meratik         MLX         nee low         tim, nickeal           Meratik         MLX         nee low         tim, nickeal           Musgrave Minerals         MGV         breached uptered         gold           Musgrave Minerals         MYL         down         zinc           Myannar Minerals         MYL         down         zinc           Myannar Minerals         MTU         down         zinc           Nothern Minerals         NTT         down	rai Easi Capilai Elu - 20 Maich	2020		Weekly Commentary
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Lepidicio         LPD         down         lithium           Lindian Resources         LIN         down         bauxile           Lithium Australia         LIT         down         inhum           Lucqua Diamond         LOM         off its lows         damonds           Lyca Corp.         LVC         down         rare earths           Mako Gold         MKQ         down         gold exploration           Material         MEU         down         pold exploration           MetataX         MLX         innickel           Minor Resources         MCR         breached uptrend         gold exploration           Minory Resources         MCR         breached uptrend         gold exploration           Missparw Almerals         MYL         down         zinc           Musparw Almerals         MYL         down         zinc           Myannar Minerals         MYL         down         zinc           Nesson Resources         NES         talling again         gold exploration           Northern Siac Flea.         NST         down         pold exploration           Northern Minerals         NTU         down         pold exploration           Octation         NEE         <	Kingwest Resources	KWR	down	gold
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Lithlum Australa         LT         down         lithlum           Lucapa Diamond         LOM         off its lows         diamonds           Lyras Corp.         LYC         down         rare earths           Mako Gold         MKO         down         gold exploration           Marmota         MEU         down         gold exploration           MettaX         MLX         new low         th, nickel           MettaX         MMI         down         baudie           Minor Resources         MCR         breached uptrend         gold exploration           Musgrave Minerals         MGV         breached uptrend         gold exploration           Musgrave Minerals         MYL         down         zinc           Musgrave Minerals         MYL         down         zinc           Musgrave Minerals         MYL         down         zinc           Musgrave Minerals         MYL         down         gold exploration           Nestorneasures         NST         down         gold exploration           Nestorneasures         NST         down         gold exploration           NTM Gold         NTM         down         gold exploration           Orecorp         ORR	Lepidico	LPD	down	lithium
Lucipa Diamond         LOM         off fits lows         diamonds           Lyca Corp.         LYC         down         rare earths           Mako Gold         MKG         down         gold exploration           Marmota         MEU         down         gold exploration           Metax         MLX         new low         tin, nickel           Metro Mining         MMI         down         bauxite           Mircor Resources         MCR         breached uptrend         gold exploration           Missgraw Minerals         MVL         down         zinc           Nelson Resources         NES         falling again         gold exploration           Neston Resources         NES         falling again         gold exploration           Nometals         NNT         continuing down         tithium           Northern Star Res.         NST         down         REE           NTM Gold         NTM         down         gold exploration           Oceana Gold         OGC         down         gold exploration           Orecorp         ORR         down         gold exploration           Orecorp         ORR         down         gold exploration           Orecorp         O	Lindian Resources	LIN	down	bauxite
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Metabx MLX new low tin, nickel  Metabx MLX new low tin, nickel  Metabx MLX new low tin, nickel  Metro Mining MMI down bauxite  Mincor Resources MCR breached uptrend gold exploration  Musgrave Minerals MGV breached uptrend gold exploration  Myanmar Minerals MYL down zinc  Nelson Resources NES tailing again gold exploration  Nemetals NMT continuing down lithium  Northern Minerals NTU down REE  Northern Minerals NTU down gold exploration  Northern Minerals NTU down gold exploration  Oceana Gold OGC down gold  ORC down gold exploration  Orecorp ORR down gold development  Oro Verde OVL breached uptrend gold expl  Orocobre ORE down lithium  Oz Minerals OZL down coal  Pacific American Holdings PAK new low coal  Pacific American Holdings PAN down gold or rare earths  Peak Resources PEK down gold inickel cobabit-HPA  Penseus Mining PEX down rare earths  Peaseus Mining PEX down rare earths  Peaseus Mining PEX down rare earths  Penseus Mining PRU breached uptrend gold  Penseus Mining PRU breached uptrend gold exploration  Penseus Mining PRU breached uptrend gold exploration  Penseus Mining PRU breached uptrend gold exploration  PRUX breached uptrend gold exploration  PRUX breached uptrend gold production	Lynas Corp.	LYC	down	rare earths
MetalaX         MLX         new low         tin, nickel           Metro Mining         MMI         down         bauxite           Mincor Resources         MCR         breached uptrend         gold           Musgrave Minerals         MVL         down         zinc           Nelson Resources         NES         falling again         gold exploration           Nacometals         NMT         continuing down         lithium           Northern Minerals         NTU         down         pold           Northern Star Res.         NST         down         gold           NTM Gold         NTM         down         gold exploration           Oceana Gold         OGC         down         gold exploration           Orecorp         ORR         down         gold exelopment           Ore Verde         OVL         breached uptrend         rare earths           Orcocbre         ORE         down         gold exelopment           Orcocbre         ORE         down </th <th>Mako Gold</th> <th>MKG</th> <th>down</th> <th>gold exploration</th>	Mako Gold	MKG	down	gold exploration
Metro Mining         MMI         down         bauxite           Mincor Resources         MCR         breached uptrend         gold           Musgrave Minerals         MGV         breached uptrend         gold exploration           Myanmar Minerals         MYL         down         zinc           Nelson Resources         NES         falling again         gold exploration           Neometals         NMT         continuing down         lithium           Northern Marcals         NTU         down         REE           Northern Star Res.         NST         down         gold           NTM Gold         NTM         down         gold development           Oceana Gold         OGC         down         gold development           Orecorp         ORR         down         gold development           Or overde         OVL         breached uptrend         rare earths           Orcobre         ORE         down         lithium           Orcobre         ORE         down         lithium           Orcobre         ORE         down         coapl           Pacific American Holdings         PAK         new low         coal           Pantoro         PNR         down </th <th>Marmota</th> <th>MEU</th> <th>down</th> <th>gold exploration</th>	Marmota	MEU	down	gold exploration
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Myanmar Minerals         MYL         down         zinc           Nelson Resources         NES         falling again         gold exploration           Neometals         NMT         continuing down         lithium           Northern Minerals         NTU         down         REE           Northern Star Res.         NST         down         gold           NTM Gold         NTM         down         gold exploration           Oceana Gold         OGC         down         gold exploration           Oko Resources         OKU         breaching uptrend         gold expl           Orecorp         ORR         down         gold development           Orocobre         ORE         down         gold development           Orocobre         ORE         down         gold development           Or corocobre         ORE         down         gold expl           Orocobre         ORE         down         copper           Pacific American Holdings         PAK         new low         coal           Partico Minerals         PMY         down         gold           Panoramic Res         PAN         down         gold , nickel           Penel Mining         PEX         down	Mincor Resources	MCR	breached uptrend	gold
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Northern Minerals         NTU         down         REE           Northern Star Res.         NST         down         gold           NTM Gold         NTM         down         gold exploration           Oceana Gold         OGC         down         gold development           Orceorp         ORR         down         gold development           Orocorp         ORR         down         gold development           Orocobre         ORE         down         lithium           Oz Minerals         OZL         down         copper           Pacific American Holdings         PAK         new low         coal           Pacific Minerals         PMY         down         gold           Pantoro         PNR         down         gold , nickel           Pantoro         PNR         down         gold , nickel           Peak Resources         PEK         down         rare earths           Peel Mining         PEX         down         uranium           Pure Minerals         PMI         sideways channel         nickel/cobalt/HPA           Pensana Metals         PMB         down         rare earths           Perseus Mining         PRU         breached uptrend	Nelson Resources	NES	falling again	gold exploration
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Pacifico Minerals  PMY  down  gold  Pantoro  PNR  down  gold, nickel  Peak Resources  PEK  down  rare earths  Peel Mining  PEX  down  copper  Peninsula Energy  PEN  down  uranium  Pure Minerals  PM1  sideways channel  nickel/cobalt/HPA  rare earths  Perseus Mining  PRU  breached uptrend  pilbara Minerals  PNX  down  gold, silver, zinc  polymetallic exploration  Ramelius Resources  RMS  heavy fall  new low  gold production  silver/lead  silver/lead  silver/lead  silver/lead  sold  silver/lead  sold  sold  gold, nickel  copper  rare earths  rare earths  prace earths  prace arths  prace arths  prace arths  prace arths  prace arths  gold  silver, zinc  polymetallic exploration  gold production  gas	Oz Minerals	OZL	down	copper
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Peak Resources PEK down rare earths copper  Peninsula Energy Peninsula Ene	Pantoro	PNR	down	gold
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Pensana Metals  Perseus Mining  PRU  breached uptrend  gold  Pilbara Minerals  PNX  Bout strong rally  but strong rally  down  gold, silver, zinc  Polarex  PXX  breached uptrend  polymetallic exploration  Ramelius Resources  RMS  heavy fall  new low  gas	Peninsula Energy	PEN	down	uranium
Perseus Mining PRU breached uptrend gold  Pilbara Minerals PLS but strong rally lithium  PNX Metals PNX down gold, silver, zinc  Polarex PXX breached uptrend polymetallic exploration  Ramelius Resources RMS heavy fall gold production  Real Energy RLE new low gas	Pure Minerals	PM1	sideways channel	nickel/cobalt/HPA
Pilbara Minerals  PLS  but strong rally  Idwin  gold, silver, zinc  polarex  PXX  breached uptrend  polymetallic exploration  Ramelius Resources  RMS  heavy fall  new low  gas	Pensana Metals	PM8	down	rare earths
PNX Metals  PNX down  gold, silver, zinc  polymetallic exploration  Ramelius Resources  RMS heavy fall  new low  gas	Perseus Mining	PRU	breached uptrend	gold
Polarex PXX breached uptrend polymetallic exploration Ramelius Resources RMS heavy fall gold production Real Energy RLE new low gas	Pilbara Minerals	PLS	but strong rally	lithium
Ramelius Resources RMS heavy fall gold production  Real Energy RLE new low gas	PNX Metals	PNX	down	gold, silver, zinc
Real Energy RLE new low gas	Polarex	PXX	breached uptrend	polymetallic exploration
	Ramelius Resources	RMS	heavy fall	gold production
Red5 RED down gold	Real Energy	RLE	new low	gas
	Red5	RED	down	
Red River Resources RVR now in secondary downtrend zinc	Red River Resources	RVR	now in secondary downtrend	

Regis Resources	RRL		down	gold
Resolute Minerals	RML		heavy fall (was Northern Cobalt)	cobalt
Resolute Mining	RSG		testing downtrend	gold
RIO	RIO		down	diversified, iron ore
Salt Lake Potash	SO4		down	potash
Saracen Minerals	SAR		breached uptrend	gold
St Barbara	SBM		still in shallow downtrend	gold
Sandfire Resources	SFR		down	copper
Santos	STO		down	oil/gas
Saturn Metals	STN		off its highs	gold exploration
Sheffield Resources	SFX		new low	mineral sands
Sky Metals	SKY		off its highs	gold exploration
St George Mining	SGQ		down	nickel
Sipa Resources	SRI		down	general exploration - Ni,Cu, Co, Au
Spectrum Metals	SPX		testing uptrend	gold exploration
Stanmore Coal	SMR		down again	coal
Strandline Resources	STA		down	mineral sands
Syrah Resources	SYR		down again	graphite
Talga Resources	TLG		down	graphite
Technology Metals	TMT		down	vanadium
Vango Mining	VAN		breached uptrend	gold
Venturex	VXR		strong rally, hit resistance line	zinc
Vimy Resources	VMY		new low	uranium
West African Resources	WAF		uptrend again	gold
Westgold Resources	WGX		breached uptrend	gold
West Wits Mining	WWI		testing uptrend	gold
Western Areas	WSA		breached support line	nickel
Whitebark Energy	WBE		down	oil and gas
Whitehaven Coal	WHC		down	coal
Yandal Resources	YRL		down	gold exploration
Zinc Mines of Ireland	ZMI		down	zinc
Totals	2%	3	Uptrend	
	96%	128	Downtrend	
		134	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	23.1%		
Gold Exploration	19	14.2%		
Oil/Gas	8	6.0%		
Nickel	9	6.7%		
Lithium	8	6.0%		
Coal	6	4.5%		
Zinc/Lead	10	7.5%		
Mineral Sands	6	4.5%		
Rare Earths	6	4.5%		
Potash/Phosphate	5	3.7%		
Copper	5	3.7%		
Cobalt	3	2.2%		
Graphite	4	3.0%		
Tin	1	0.7%		
Iron Ore	3	2.2%		
Uranium	1	0.7%		
Bauxite	3	2.2%		
Vanadium	1	0.7%		
Silver	2	1.5%		
Diamonds	1	0.7%		
Other	2			
Total	134			

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