

## 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¢, a price much lower than the shares were trading at in January (50-60¢). Chesser Resources (CHZ) also went into a trading halt, seeking approximately \$1.7m at 4¢ after having traded at 11¢ 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 .*

### *Chalice hits high grade nickel in WA*

You can still get good news and spectacular performance from companies, even in a very sick market. Take Chalice 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.

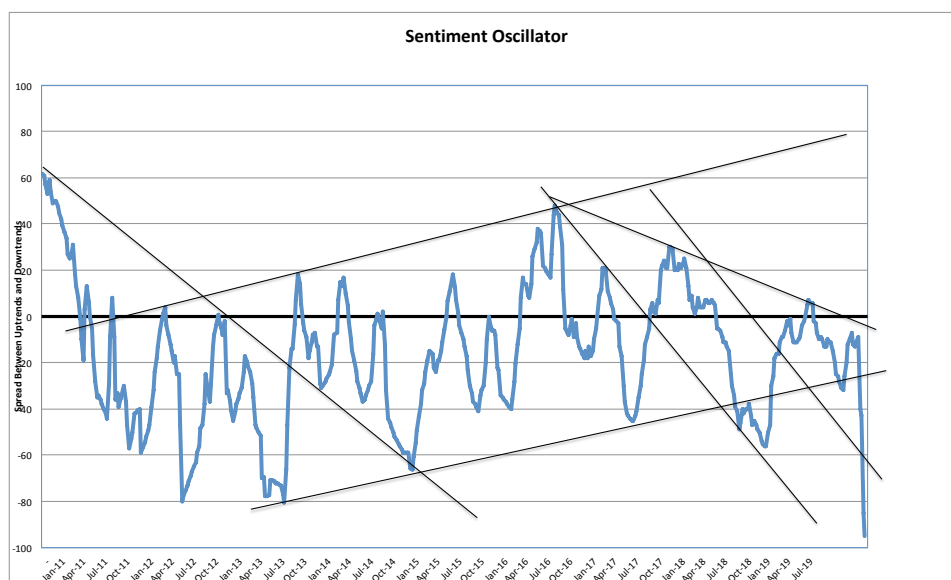
This 100% owned Julimar Ni-Cu-PGM project is located only 70 km NE of Perth. There will be some useful trading opportunities in the stock in the coming months.

### *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

*This commentary is provided at no charge and in good faith from sources believed to be reliable and accurate. Far East Capital Ltd directors and employees do not accept liability for the results of any action taken on the basis of information provided or for any errors or omissions contained therein. Readers should seek investment advice from their professional advisors before acting on information contained therein. Please see **Disclosure of Conflicts of Interest** at the end of this commentary.*

Base Resources	BSE		down	mineral sands
Bathurst Resources	BRL		down	coal
BBX Minerals	BBX		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	CMM		down	gold
Cardinal Resources	CDV		down	gold exploration
Cassini Resources	CZI		down	nickel/Cu expl.
Central Petroleum	CTP		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	COB		new low	cobalt
Dacian Gold	DCN		suspended	gold
Danakali	DNK		drifting lower	potash
Davenport Resources	DAV		at lows	potash
De Grey	DEG		Uptrend	gold
Ecograp (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

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.

Kin Mining	KIN		breached support line	gold
Kingston Resources	KSN		down	gold
Kingwest Resources	KWR		down	gold
Legend Mining	LEG		falling	nickel exploration
Lepidico	LPD		down	lithium
Lindian Resources	LIN		down	bauxite
Lithium Australia	LIT		down	lithium
Lucapa Diamond	LOM		off its lows	diamonds
Lynas Corp.	LYC		down	rare earths
Mako Gold	MKG		down	gold exploration
Marmota	MEU		down	gold exploration
MetalsX	MLX		new low	tin, nickel
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 Minerals	NTU		down	REE
Northern Star Res.	NST		down	gold
NTM Gold	NTM		down	gold exploration
Oceana Gold	OGC		down	gold
Oklo Resources	OKU		breaching uptrend	gold expl.
Orecorp	ORR		down	gold development
Oro Verde	OVL		breached uptrend	rare earths
Orocobre	ORE		down	lithium
Oz Minerals	OZL		down	copper
Pacific American Holdings	PAK		new low	coal
Pacifico Minerals	PMY		down	silver/lead
Pantoro	PNR		down	gold
Panoramic Res	PAN		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
Pensana Metals	PM8		down	rare earths
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
Red5	RED		down	gold
Red River Resources	RVR		now in secondary downtrend	zinc

*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.*

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		

**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 market or act as principal in transactions, in any relevant securities or provide advisory or other services to an issuer of relevant securities or any company therewith. Unless otherwise stated all views expressed herein (including estimates or forecasts) are solely those of our research department and subject to change without notice. This document may not be reproduced or copies circulated without authority. Copyright © Far East Capital Ltd 2019.