

30 May 2020

On Friday's Close

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Market strengthens further whilst money is being raised

The Australian market has performed very differently so far in 2020, when compared to all of the previous years I can remember, particularly since the coronavirus was dumped on us. The 30% collapse in the market was driven by extreme fear but we quickly got over that with a V-shaped recovery that went beyond what even the optimists would have been prepared to predict, even while the casualties of the virus were mounting in the USA, the UK, Russia and now Brazil.

But what is puzzling is that the enthusiasm in the market seems even more optimistic than it was before the virus appeared. Are we to believe that there is no economic damage that needs to be factored in?

On a seasonal note, the months of May and June are traditionally quiet months in Australia as we approach the end of the fiscal year. It is normally a difficult time to raise money but there seems to be a voracious appetite for new issues at the moment.

One of the golden rules is that you should sell in May and go away, as we approach the northern hemisphere holiday period, but will there be a summer holiday period this year? Will the market remain more lively this year because no-one will be travelling?

Reality check for Sky Metals

Sky Metals (SKY) shareholders received a reality check last week with the release of assays from hole HUD003 at the Hume prospect of the Cullarin project last week. Expectations were high given HUD002 returned 93m at 4.24 gpt from 56m depth back in February, including 14m at 20.2 gpt, but this is where you need to analyse the numbers. If you take out the high grade section it leaves you with 79m at 1.41 gpt for the rest of the hole. Look more closely and most of the gold is in a smaller, 8.8m interval.

HUD003 only returned 20m at 0.95 gpt from 37m depth, including 7.3m at 2.08 gpt. Using the same method of analysis, that means the rest of the intercept was only 12.7m at 0.3 gpt. It is no surprise that the share price dropped by about 25% upon the release.

When you get 14m at 20.2 gpt it is very exciting but you have to find out whether it is representative of the rest of the "orebody", or whether it is just a pocket that has undergone some sort of enrichment or concentration. Simple extrapolation is a mistake made by many novices.

The region is not known for high grade gold. Typically the low grade gold is associated with base metals as well. Exploration has been a long drawn out affair with little to excite the market, over many decades. That is why a hole that returned 14m at 20.2 gpt was so exciting. It caused the share price to rise by over 300% as the optimists seized control of the agenda.

So, what the Company has now is a teaser. Can it find extensions to the high grade zone if indeed there is a zone as opposed to one great drill hole? Hole HUD004 may

have closed off the potential for a northerly extension, but the release did say that it was likely drilled too far to the east. HUD005 returned strong alteration and base metal sulphide alteration. HUD006 was scissored back to hit the region of HUD004 from a different direction. Holes HUD007 to 10 have been drilled to test extensions to the south. Assays for all of these holes are pending. These will provide insight as to whether this will be a prospect that continues with the instant gratification or whether it will be an extended jigsaw puzzle. Welcome to the realities of exploration. At this point the optimists are still in control of the agenda.

Kin Mining in the spotlight

Kin Mining has been a junior gold company operating around Leonora for a number of years now. Originally it IPO'd in 2013, to give a public face to exploration projects held by genuine prospectors and geologists (Terry Grammar, Trevor Dixon and Fritz Fitton) but the game plan changed in April 2014, when it acquired some interesting but unexciting oreodies from Navigator Resources. Comprising a minerals resource of 745,000 oz at 1.9 gpt, it was intended that these would be brought into production to establish the Company as a gold producer.

However, it hasn't been that easy. Notwithstanding its best intentions, Kin managed to get itself stuck in the chasm between having a resource and being able to turn it into a profitable mine. Some of the deposits were mined previously and so Kin was dealing with deeper and remnant positions. The variability of the metallurgy amongst the deposits was also a concern. It just couldn't come up with a financeable development proposition.

There has recently been a change of control. In February the Company gave a presentation based on a resource of 945,000 oz of gold with a PFS that supported an eight year mine life, producing 51,000 oz p.a. for the first five years, with a head grade of 1.09 gpt. The PFS was released back in August 2019, so the market has had plenty of time to digest it, but the market capitalisation was still only \$30m

As recently as March this year, Kin looked like a stranded orphan that was totally out of favour in the market, trading at 4-5¢ a share. Then, suddenly the shares entered a strong uptrend that has seen them hit 15.5¢ last week. What has happened to make them look like winners? Exploration.

Last week Kin released an exceptional (there is that word again) intercept of 4m at 113 gpt from air core drilling at Comedy King. Kin talked about a 3 km zone of interest and referred to other, air core holes that included a couple of nice intercepts, being 12m at 14.9 gpt and 4m at 8.3 gpt.

While these grades are good, we have to place them in perspective with all of the holes and the existing resource base. Are we dealing with a new discovery or an incremental one? Is it a game changer or just an addition?

Is the share price rise justified by a few good holes or is there a bigger picture we need to be aware of?

The market capitalisation has almost tripled to \$85m on what the company calls a “New Chapter of Exploration”. It will be interesting to see if it is good enough to progress to development.

Lindian MD resigned last week

We have written up Lindian Resources a number of times over the past six months, commenting on ASX releases as they have gone about proving the existence of very high grade conglomerate bauxite orebodies in Guinea. There has been good news flow and the shares have offered plenty of trading opportunities for the punters. So, all has been good, but what about the next chapter and the next share price driver?

Having found the orebody and confirmed its potential value, the initial leg of the speculative journey has been completed. The next task is to find someone who wants to buy the high quality product and negotiate a commercial deal. We might be able to see the value, but what do third parties think? What is on their agenda? Are they open to diversifying sources of ore, and on what terms? Discussions will be sensitive and likely be protracted, so news flow will probably be more constrained from this point.

There are dozens of companies out there with projects that look good on paper. They make sense, so why don't they get off the ground? Why are they still there in the next cycle? One answer to this is the lack of experienced and capable people to drive the project forward. Lindian did have a good MD up until last week, but his resignation leaves a hole in the organisation. Who will take over from him and will the replacement person be up to the job? Anything that I have previously written needs to be revisited with these questions considered.

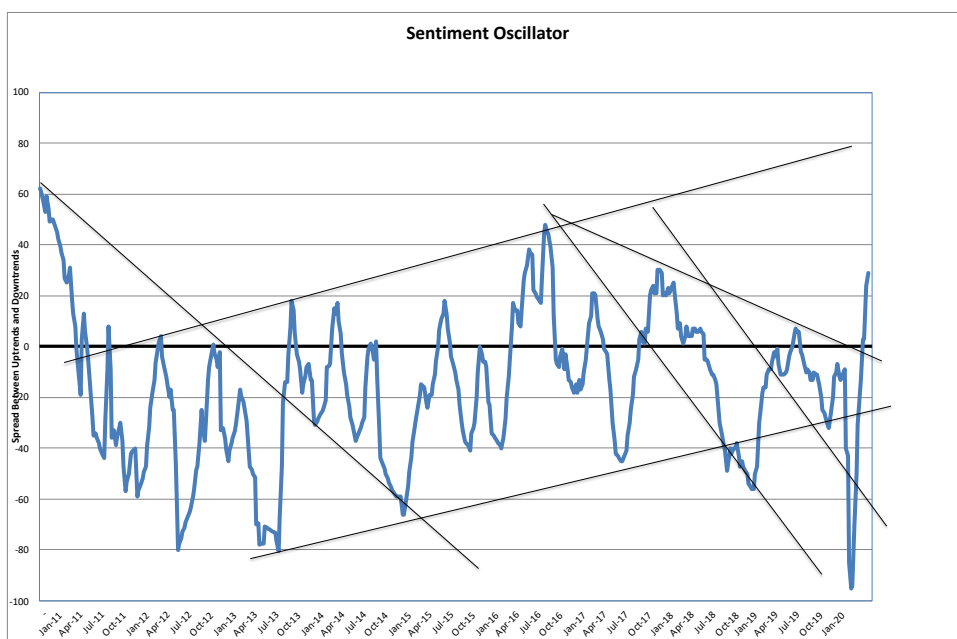
Entitlement issues and SPPs cause flatlines

There has been an unusual number of companies raising money over the last two months as the markets have continued to rebound after the virus selloff. Brokers have been making a killing as, surprisingly, investors have had a voracious appetite for new equity. Most of the funds are being raised by the quick, efficient method of placements.

Some companies have chosen to undertake entitlement issues. While these are the most equitable method of raising capital, they do take a number of weeks to complete. During that time the share price basically flatlines. Shareholders don't need to go into the market to buy more stock. They can just wait for the entitlement papers and often they can top up with over-subscriptions. If the share price is higher than the issue price, they can sell into the market knowing they can buy them back in the entitlement allocation, thereby locking in small profits. Once this temporary “oversupply” ends, when the issue closes, trading will usually return to normal market conditions.

We have added Lotus Resources (uranium in Malawi) and Manhattan Corporation (gold exploration in NW NSW) to the chart coverage. Lotus may have made an astute purchase of the failed Kayelekera uranium mine from Paladin, placing it in a good position for any revival of the uranium price, but further analysis is required. Manhattan has an interesting gold exploration program 200 km north of Broken Hill. Spectrum has been deleted following suspension.

Disclosure: FEC has received capital raising fees from Lindian.

























Sentiment Oscillator: Sentiment continued to improve with 53% (49%) of the charts in uptrend and 23% (25%) in downtrend on Friday's close. Maybe it is time to be taking some profits!

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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	strongly higher	
Metals and Mining	XMM	strongly higher	
Energy	XEJ	rising again	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Alpha HPA	A4N	new uptrend started	HPA
Adriatic Resources	ADT	rising again	zinc
Aeon Metals	AML	rising again, approaching resistance	copper + cobalt
Alacer Gold	AQG	new high	gold – production
Alkane Resources	ALK	surge higher	gold, zirconia
Alicanto Minerals	AQI	rising again	gold exploration
Allegiance Coal	AHQ	testing downtrend	coal
Alliance Resources	AGS	surge above resistance line	gold exploration
Apollo Consolidated	AOP	testing downtrend	gold exploration
Arafura Resources	ARU	breaching resistance line	rare earths
Aurelia Metals	AMI	risen to resistance line	gold + base metals
Australian Potash	APC	down	potash
Australian Mines	AUZ	base forming	cobalt/nickel
Australian Vanadium	AVL	new low	vanadium
BHP	BHP	surge to new high	diversified, iron ore
Base Resources	BSE	sideways through downtrend line	mineral sands
Bathurst Resources	BRL	down	coal
BBX Minerals	BBX	down	gold exploration
Beach Energy	BPT	rallied through downtrend	oil and gas
Beacon Mining	BCN	breached uptrend	gold production
Bellevue Gold	BGL	new high	gold exploration
Blackstone Minerals	BSX	testing uptrend	nickel
Breaker Resources	BRB	rising	gold exploration
Broken Hill Prospecting	BPL	rising	minerals sands
Buru Energy	BRU	rising	oil
Buxton Resources	BUX	turned down at resistance line	nickel exploration
Capricorn Metals	CMM	rising again	gold
Cardinal Resources	CDV	rising, on support line	gold exploration
Cassini Resources	CZI	at highs	nickel/Cu expl.
Central Petroleum	CTP	breached downtrend	oil/gas
Chalice Gold	CHN	sideways at highs	gold exploration
Chase Mining	CML	breached downtrend	nickel/copper/PGE
Chesser Resources	CHZ	new uptrend started	gold exploration
Cobalt Blue	COB	wedge forming	cobalt
Dacian Gold	DCN	collapse on recapitalisation	gold

Danakali	DNK		at resistance line now	potash
Davenport Resources	DAV		testing resistance line	potash
De Grey	DEG		at highs	gold
E2 Metals	E2M		risen to resistance line, again	gold exploration
Ecograf (was Kibaran)	EGR		surge higher but heavy pullback	graphite
Emerald Resource	EMR		breaching downtrend	gold
Evolution Mining	EVN		surge higher	gold
Exore Resources	ERX		strong uptrend	gold exploration
FAR	FAR		new low	oil/gas
First Graphene	FGR		sideways around entitlement price	graphene
Fortescue Metals	FMG		new high	iron ore
Galaxy Resources	GXY		down	lithium
Galena Mining	G1A		working higher	lead
Galilee Energy	GLL		rally through resistance line	oil and gas, CBM
Gold Road	GOR		rising	gold
Graphex Mining	GPX		suspended since 25th March	graphite
Heron Resources	HRR		breaching downtrend	zinc
Highfield Resources	HFR		strong rise	potash
Hillgrove Resources	HGO		still in downtrend	copper
Iluka Resources	ILU		surge confirms uptrend	mineral sands
Image Resources	IMA		slump out of short term uptrend	mineral sands
Independence Group	IGO		Uptrend	gold, nickel
ioneer (was Global Geoscience)	INR		down	lithium
Ionic Rare Earths (Oro Verde)	IXR		breached downtrend	rare earths
Jervois Mining	JVR		looking weaker	nickel/cobalt
Jindalee Resources	JRL		still under resistance line	lithium
Kin Mining	KIN		strongly higher	gold
Kingston Resources	KSN		uptrend through resistance line	gold
Kingwest Resources	KWR		surge to new high	gold
Legend Mining	LEG		surge to new high	nickel exploration
Lepidico	LPD		down	lithium
Lindian Resources	LIN		back to lows	bauxite
Lithium Australia	LIT		recovered to hit resistance line	lithium
Lotus Resources	LOT		testing uptrend	uranium
Lucapa Diamond	LOM		at lows	diamonds
Lynas Corp.	LYC		rising again	rare earths
Mako Gold	MKG		recovering	gold exploration
Manhattan Corp	MHC		rising	gold exploration
Marmota	MEU		strong recovery	gold exploration
MetalsX	MLX		recovered to hit resistance line	tin, nickel
Metro Mining	MMI		down	bauxite
Mincor Resources	MCR		rising	gold
Musgrave Minerals	MGV		strongly higher	gold exploration
Myanmar Minerals	MYL		breached downtrend	zinc

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Nelson Resources	NES		uptrend through resistance line	gold exploration
Neometals	NMT		continuing down	lithium
Northern Minerals	NTU		sideways	REE
Northern Star Res.	NST		back to highs	gold
NTM Gold	NTM		rising again	gold exploration
Oceana Gold	OGC		rising	gold
Oklo Resources	OKU		new high	gold expl.
OreCorp	ORR		rising	gold development
Orocobre	ORE		bounced off lows	lithium
Oz Minerals	OZL		testing downtrend	copper
Pacific American Holdings	PAK		new low	coal
Pacifico Minerals	PMY		breaching downtrend	silver/lead
Pantoro	PNR		rising	gold
Panoramic Res	PAN		down	gold , nickel
Peak Resources	PEK		rising again	rare earths
Peel Mining	PEX		down	copper
Peninsula Energy	PEN		down again	uranium
Pure Minerals	PM1		testing downtrend	nickel/cobalt/HPA
Pensana Metals	PM8		steeply higher	rare earths
Perseus Mining	PRU		back to highs	gold
Pilbara Minerals	PLS		breached steepest downtrend	lithium
PNX Metals	PNX		sideways	gold, silver, zinc
Polarex	PXX		breached final resistance	polymetallic exploration
Ramelius Resources	RMS		rising	gold production
Real Energy	RLE		down	gas
Red5	RED		breached downtrend	gold
Red River Resources	RVR		rallying, hit resistance line	zinc
Regis Resources	RRL		uptrend again	gold
Resolution Minerals	RML		heavy pullback	gold
Resolute Mining	RSG		rising	gold
RIO	RIO		breached downtrend	diversified, iron ore
Salt Lake Potash	SO4		rising	potash
Saracen Minerals	SAR		rising	gold
St Barbara	SBM		rising	gold
Sandfire Resources	SFR		rising	copper
Santos	STO		strong uptrend	oil/gas
Saturn Metals	STN		recapturing uptrend	gold exploration
Sheffield Resources	SFX		testing ST uptrend	mineral sands
Sky Metals	SKY		heavy correction	gold exploration
St George Mining	SGQ		back to downtrend after placement	nickel
Silex Systems	SLX		recovered to hit resistance line	uranium enrichment technology
Sipa Resources	SRI		testing downtrend	general exploration - Ni,Cu, Co, Au
Stanmore Coal	SMR		surge out of downtrend	coal
Strandline Resources	STA		breaching resistance line	mineral sands

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Syrah Resources	SYR		breaching steepest downtrend	graphite
Talga Resources	TLG		rising	graphite
Technology Metals	TMT		rising	vanadium
Tesoro Resources	TSO		good recovery	gold exploration
Titan Minerals	TTM		strong rise	gold
Vango Mining	VAN		drifting lower	gold
Venturex	VXR		down again	zinc
Vimy Resources	VMY		strong rally	uranium
West African Resources	WAF		new high	gold
Westgold Resources	WGX		rising	gold
West Wits Mining	WWI		rising	gold
Western Areas	WSA		testing downtrend	nickel
Whitebark Energy	WBE		down	oil and gas
Whitehaven Coal	WHC		turned down at resistance line	coal
Yandal Resources	YRL		rising	gold exploration
Zinc Mines of Ireland	ZMI		strong rally	zinc
Totals	53%	73	Uptrend	
	23%	32	Downtrend	
		139	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	22.3%
Gold Exploration	22	15.8%
Oil/Gas	8	5.8%

Nickel	9	6.5%	
Lithium	8	5.8%	
Coal	6	4.3%	
Zinc/Lead	10	7.2%	
Mineral Sands	6	4.3%	
Rare Earths	6	4.3%	
Potash/Phosphate	5	3.6%	
Copper	5	3.6%	
Cobalt	3	2.2%	
Graphite	4	2.9%	
Tin	1	0.7%	
Iron Ore	3	2.2%	
Uranium	3	2.2%	
Bauxite	3	2.2%	
Vanadium	1	0.7%	
Silver	2	1.4%	
Diamonds	1	0.7%	
Other	2		
Total	139		

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