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The Mining Investment Experts

Weekly Commentary

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On Friday's Close

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Gold over US\$2,000/oz. Where to now?

Gold is still the best place to be

The gold market, and the appetite for gold stocks, is the strongest that it has been since the 1980s. However, there is a big difference in circumstances. The gold price peaked at over US\$800/oz in January 1980. It then spent the next decade falling and rallying, but always in a long term downtrend. There were only four real gold producers in Australia at the start of the 1980s and three of them were associated with WMC; Central Norseman, Gold Mines of Kalgoorlie and Hill 50. Investors knew almost nothing about the sector. In fact, when I chose to become a specialist gold mining analyst in 1983, I was the only one.

Throughout the 1980s we saw many companies open up gold mines based around historic workings with the emphasis on open pittable oxidised orebodies. Interest rates were high at greater than 10% for many years and forward selling on a spot deferred basis was a good method of combatting the falling gold price. There was a rush to get the gold out of the ground before the inevitable imposition of a tax on profits derived from gold mining.

Today our gold mining sector is well established with dozens of operating mines, both open pit and underground. Profit margins are high in most cases due to the strong A\$ gold price. Interest rates are so low that there is no incentive to sell forward. The gold price is rising to hit a new high again and again. There is no expectation that the gold price has peaked, though no-one could reasonably refuse profit taking and corrections along the way. Still, no-one is in a hurry to sell out of gold completely. The gold market is going in the opposite direction to what was experienced in the 1980s.

Everyone is taking notice of gold now. The macroeconomic situation, the extremely low interest rates and the global geopolitical concerns point to gold holding the spotlight for some time. We haven't seen a blow-out in the gold price that comes with panic buying yet, but that may still happen. When it does, that will be a sell signal - at least in the short term. Maybe the gold price will spend an extended period in a broad topping pattern, removing the need for precise timing of an exit strategy while the price bounces around between the bulls and the bears.

Those are issues for the future, but not for now. The strong gold price will suck more buyers into the market, not sellers. The big winners in the last six months have been holders of gold shares and the bravado that comes with this will ensure that they are looking to increase their positions, not cut and run. There will be an appetite for new gold stories, even where there is dubious merit, and there will be plenty of promoters giving you the sales pitch. Even a turkey can fly if the wind is strong enough.

We are seeing the best gold market that I have ever seen, but I'm not in a hurry to be blowing the full time whistle any time soon.

Having said that, a number of the large gold producers' charts are either on, or are starting to test uptrend lines. The greatest level of interest is in the speculative end of the gold market - the explorers and new entrants to the sector.

West Wits scoping study confirms potential

As previously stated, West Wits (WWI) is an emerging gold producer that has been heavily discounted by the market with the company being frustrated due to the time that it takes to get a Mining Right in South Africa. In recent weeks the volatility in the share price has come from speculation about when the Right will finally get granted as the process is going through the final objections stages. The outcome is not in doubt, but the exact timing continues to be a bit rubbery.

WWI has updated its scoping study, this time having it prepared by external, independent assessors, Bara Consulting. This has confirmed the development pathway to a rapid BFS. A gold price of US\$1,500/oz was used.

The study has opted for refurbishment and development of an existing adit that would require significantly lower capex compared to constructing an incline shaft. The plan is to produce 50-60,000 oz pa from a resource of 3.6 Moz at a grade of 3.4 gpt. Previously mining rates were 80-100,000 oz pa when operating about 20 years ago. The same narrow reef great mining method is proposed, but where the reef dips at greater than 50° WWI may use other, mechanised mining techniques with greater efficiency.

A big advantage for WWI is the availability of a number of mills in the region that are hungry for ore. It won't need to build its own treatment plant. This actually opens the door to another possibility; that of a takeover or a trade sale. Don't be surprised if one of these other producers decides to buy the project rather than mess around with toll treatment deals.

In addition to the 3.6 Moz resource, there is an exploration target of 0.6-1.0 Moz at 3-4 gpt the K9A reef. You should be expecting some news on the K9A, amounting to a significant upgrade of resources.

The BFS is scheduled to commence in September, and could take 6-8 months to complete. While some shareholders have expressed frustration at this time frame, they should remember that the real value is in getting the Rights, expanding the resource and the rising gold price, not the physical production. It is all about leverage rather than the task of pouring gold.

Instead of trying to work out earnings and cash flows in order to come up with a valuation, it is simpler to just ask how much a buyer may pay for a gold resource with such a high level of confidence in its calculation. Given the rise in the gold price this year it would be easy to say it is worth at least US\$100/oz i.e. US\$360m. That means WWI's 67% equity would be worth US\$241m, or A\$340m. That works out at 33¢ per share on the current issued capital. Even

allowing for future share issues, that is 10x the current share price. Show me a gold company with better leverage than that!

For those of you who like to play the address of exploration ground, don't forget the Mt Cecelia tenement in the Paterson Range, WA. It is 75 km west of RIO's Winu discovery. RIO surrounds Mt Cecelia on three sides. Airborne exploration work will commence on this tenement soon.

Disclosure: Interests associated with the author have been long term shareholders in WWI, and FEC has received capital raising fees in the past.

Apart from the gold sector ...

The share price charts of many companies across a wide range of commodities are improving. It looks like the enthusiasm in the gold sector is flowing into other stocks as well; there is a general shortage of scrip.

Rare earths stocks looking better ...

Rare earth stocks have started looking strong over the last couple of weeks, led by industry leader Lynas Corporation. The PM8 share price has been very strong on the back of advancements with its Angolan project. American Rare Earths, Arafura Resources, Ionic and Peak Resources have all been strengthening. Even Northern Minerals seems to have finally turned the corner with the downtrend being breached. Developing a project and making money in this sector is hard work, just ask Lynas and Northern Minerals. While they might be the long term winners, trading the early stage companies may provide more volatile opportunities.

... and so are lithium and battery stocks

The two leading lithium companies in Australia, Galaxy and Pilbara, have both broken out of downtrends and look to be

heading higher. This is notwithstanding the modest outlook for lithium demand as suggested in the Albermarle's recent quarterly review. That company experienced a 14% drop in sales in Q2 2020, and a 29% drop in EBITDA. The Company noted that it plans to idle select battery grade production to respond to weakness in demand and high inventory levels. Nevertheless, an investment group out of Perth, GTT Ventures, believes a lithium revival is on the cards (see *tits ASX Market Ideas*, 7th August).

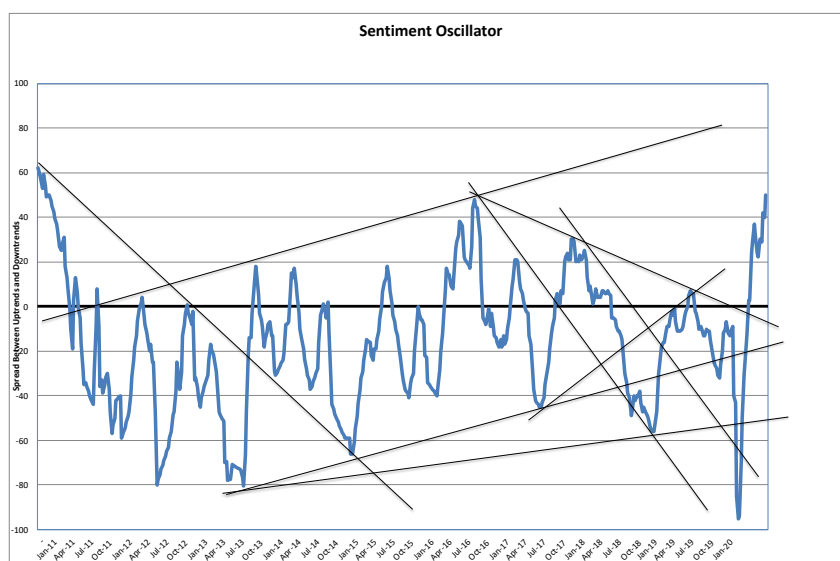
Cobalt Blue Placement well supported

Those who thought the cobalt sector was down for the count should think again, given the enthusiasm for the recent Cobalt Blue placement that raised \$3.75m and was heavily overbid. Sure, all those projects that are really nickel or copper projects with some useful cobalt by-products might not be on everyone's shopping lists, but Cobalt Blue is a different, unique story. Cobalt is the main product. It can produce the mixed hydroxide products that battery companies want and it is in a safe jurisdiction. It is a serious pre-development company as opposed to a traders play thing.

Disclosure: FEC has received capital raising fees from Cobalt Blue

Copper production drops in Peru

Further to our comments on copper supply last week, note that Peru saw copper production fall by 20% YoY in the June Half. However, in the month of June there was a strong recovery as mines resumed production. The outlook is still uncertain.



Sentiment Oscillator: Sentiment was much stronger over the week as the bull market enthusiasm flowed out of the gold sector and into a broad range of other companies/commodities. The trouble is, it is questionable whether these companies deserve the same enthusiasm. There were 66% (58%) of the charts in uptrend and 16% (18%) 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	breached uptrend	
Metals and Mining	XMM	surge to new high	
Energy	XEJ	starting downtrend	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Alpha HPA	A4N	new high	HPA
Adriatic Resources	ADT	surge to new high	zinc, olymetalicp
Aeon Metals	AML	new high	copper + cobalt
Alkane Resources	ALK	new high	gold, zirconia
Alicanto Minerals	AQI	surge to new high	base metals, silver, gold
Allegiance Coal	AHQ	at lows	coking coal
Alliance Resources	AGS	surge to new high	gold predevelopment
American Rare Earths (was BPL)	ARR	surge to new high	rare earths
Apollo Consolidated	AOP	new high	gold exploration
Arafura Resources	ARU	breached downtrend	rare earths
Aurelia Metals	AMI	continuing higher	gold + base metals
Australian Potash	APC	still in secondary downtrend	potash
Auteco Minerals	AUT	new high	gold exploration
BHP	BHP	back to highs	diversified, iron ore
Base Resources	BSE	hitting resistance	mineral sands
BBX Minerals	BBX	surge higher	gold exploration
Beach Energy	BPT	heading lower	oil and gas
Beacon Mining	BCN	still beneath resistance line	gold production
Bellevue Gold	BGL	new high again	gold exploration
Blackstone Minerals	BSX	rising	nickel
Blue Star Helium	BNL	down	gas, helium
Breaker Resources	BRB	still in LT downtrend	gold exploration
Buru Energy	BRU	sideways	oil
Buxton Resources	BUX	turned down at resistance line	nickel exploration
Capricorn Metals	CMM	new high	gold
Cardinal Resources	CDV	surge on takeover bid	gold exploration
Central Petroleum	CTP	shallower downtrend	oil/gas
Chalice Gold	CHN	rallying	nickel, copper, PGMs, gold exploration
Chase Mining	CML	testing downtrend	nickel/copper/PGE
Chesser Resources	CHZ	steep rise	gold exploration
Cobalt Blue	COB	gentle uptrend	cobalt
Dacian Gold	DCN	rallying	gold
Danakali	DNK	rising	potash
Davenport Resources	DAV	still in longer term downtrend	potash
De Grey	DEG	pullback and then a rally	gold

E2 Metals	E2M	at highs	gold exploration
Ecograf (was Kibaran)	EGR	sideways	graphite
Element 25	E25	surge to new high	manganese
Emerald Resource	EMR	new high	gold
Euro Manganese	EMN	at lows	manganese
Evolution Mining	EVN	at highs	gold
First Graphene	FGR	sideways	graphene
Fortescue Metals	FMG	new high	iron ore
Galaxy Resources	GXY	rising	lithium
Galena Mining	G1A	rising	lead
Galilee Energy	GLL	breached uptrend	oil and gas, CBM
Gold Road	GOR	rising	gold
Graphex Mining	GPX	hitting resistance	graphite, turning to gold
Highfield Resources	HFR	breached support	potash
Hillgrove Resources	HGO	still in downtrend	copper
Iluka Resources	ILU	higher	mineral sands
Image Resources	IMA	higher	mineral sands
Independence Group	IGO	Uptrend breached	gold
ioneer (was Global Geoscience)	INR	down	lithium
Ionic Rare Earths (Oro Verde)	IXR	gentle uptrend	rare earths
Jervois Mining	JVR	surge higher	nickel/cobalt
Jindalee Resources	JRL	still under resistance line	lithium
Kin Mining	KIN	uptrend	gold
Kingston Resources	KSN	new high	gold
Kingwest Resources	KWR	testing downtrend	gold
Legend Mining	LEG	testing downtrend	nickel exploration
Lepidico	LPD	testing downtrend	lithium
Lindian Resources	LIN	breached downtrend	bauxite
Lithium Australia	LIT	new uptrend	lithium
Lotus Resources	LOT	at highs	uranium
Lucapa Diamond	LOM	new uptrend started	diamonds
Lynas Corp.	LYC	new high	rare earths
Mako Gold	MKG	pullback	gold exploration
Manhattan Corp	MHC	new high	gold exploration
Marmota	MEU	strong recovery	gold exploration
MetalTech	MTC	rising	gold
MetalsX	MLX	sideways	tin, nickel
Metro Mining	MMI	slump	bauxite
Mincor Resources	MCR	sideways near high	gold/nickel
Musgrave Minerals	MGV	strongly higher	gold exploration
Myanmar Minerals	MYL	new high	lead, zinc, silver
Nelson Resources	NES	rising	gold exploration
Neometals	NMT	testing downtrend	lithium
Northern Minerals	NTU	breached downtrend	REE

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Northern Star Res.	NST		rallying	gold
NTM Gold	NTM		rising again	gold exploration
Oceana Gold	OGC		new high	gold
Oklo Resources	OKU		uptrend	gold expl.
OreCorp	ORR		rising	gold development
Orocobre	ORE		steep uptrend	lithium
Oz Minerals	OZL		on trend line	copper
Pacific American Holdings	PAK		at lows	coal
Pacifico Minerals	PMY		surge higher	silver/lead
Pantoro	PNR		uptrend	gold
Panoramic Res	PAN		down	gold , nickel
Peak Resources	PEK		steeply higher	rare earths
Peel Mining	PEX		uptrend	copper
Peninsula Energy	PEN		down again	uranium
Pure Minerals	PM1		rising	nickel/cobalt/HPA
Pensana Metals	PM8		new high	rare earths
Perseus Mining	PRU		rising	gold
Pilbara Minerals	PLS		rising	lithium
Polarex	PXX		uptrend	polymetallic exploration
Ramelius Resources	RMS		on trend line	gold production
Red5	RED		rallying	gold
Red River Resources	RVR		broken through resistance line	zinc
Regis Resources	RRL		testing support line	gold
Regergen	RLT		recapturing uptrend	gas, helium
Resolution Minerals	RML		rising again	gold exploration
Resolute Mining	RSG		rising	gold
RIO	RIO		surge higher	diversified, iron ore
Rumble Resources	RTR		rising again	gold exploration
Salt Lake Potash	SO4		hitting resistance	potash
Saracen Minerals	SAR		on trend line	gold
St Barbara	SBM		on trend line	gold
Sandfire Resources	SFR		breached downtrend but heavy pullback	copper
Santos	STO		sideways	oil/gas
Saturn Metals	STN		new high	gold exploration
Sheffield Resources	SFX		new high	mineral sands
Sky Metals	SKY		rallying	gold exploration
St George Mining	SGQ		breached uptrend	nickel
Silix Systems	SLX		on support line	uranium enrichment technology
Silver Mines	SVL		steeply higher	silver
Sipa Resources	SRI		rising	general exploration - Ni,Cu, Co, Au
Stanmore Coal	SMR		new low	coal
Strandline Resources	STA		on support line	mineral sands
Talga Resources	TLG		drifting	graphite
Technology Metals	TMT		on support line	vanadium

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Tesoro Resources	TSO		new high	gold exploration
Theta Gold Mines	TGM		uptrend	gold
Titan Minerals	TTM		new high	gold
Vango Mining	VAN		rising	gold
Venturex	VXR		testing downtrend	zinc
Vimy Resources	VMY		down	uranium
West African Resources	WAF		new high	gold
Westgold Resources	WGX		pullback	gold
West Wits Mining	WWI		rising	gold
Western Areas	WSA		back to support line	nickel
Whitebark Energy	WBE		down	oil and gas
Whitehaven Coal	WHC		secondary downtrend	coal
Wiluna Mining	WMX		sideways	gold
Yandal Resources	YRL		breached uptrend	gold exploration
Zinc Mines of Ireland	ZMI		still in downtrend	zinc
Totals	66%	91	Uptrend	
	16%	22	Downtrend	
		138	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	23.9%
Gold Exploration	22	15.9%
Zinc/Lead	9	6.5%
Nickel	8	5.8%

Oil/Gas	8	5.8%	
Lithium	8	5.8%	
Coal	5	3.6%	
Mineral Sands	5	3.6%	
Rare Earths	7	5.1%	
Potash/Phosphate	5	3.6%	
Copper	5	3.6%	
Graphite	3	2.2%	
Iron Ore/Manganese	5	3.6%	
Uranium	3	2.2%	
Bauxite	3	2.2%	
Silver	3	2.2%	
Cobalt	2	1.4%	
Tin	1	0.7%	
Diamonds	1	0.7%	
Other	2		
Total	138		

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