FAR EAST CAPITAL LIMITED
Suite 24, Level 6, 259 Clarence Street
SYDNEY NSW AUSTRALIA 2000
Mobile Telephone: +61 417 863187
Email : wgrigor@fareastcapital.com.au
AFS Licence No. 253003 ACN 068 838 193

FAR EAST CAPITAL

The Mining Investment Experts

Weekly Commentary

9 September 2023 *Chart comments at Friday's close* Analyst : Warwick Grigor

Astral Resources is another example of strong value in the gold sector

Just when the market was looking boring we have seen some elephant juice injected into a few stocks last week, thereby underlying why we are in the game. Picking the right stocks can still lead to big wins even whilst the general market is recessed.

Southern Cross Exploration came out with another cracker intercept down in Victoria, reporting 404m at 5.1 gpt AuEq as it drilled through 13 high grade veins at Sunday Creek. As good as this sounds, it would be more correct to analyse it according to the smaller high grade intercepts of 5.6m at 17.8 gpt AuEq, 5.4m at 39.3 gpt AuEq, 4.9m at 36.1 gpt AuEq and 6.9m at 205.2 gpt AuEq. It seems that some of these intercepts were enhanced by exceptionally high antimony grades. One cannot help but be impressed, especially with the share price performance. In the previous week the shares closed at 52¢. They spiked to 91.5¢ on the announcement before settling down in the following days.

On the other side of the continent Torque Metals (TOR) more than doubled, jumping from 12.5¢ to peak at 35¢ on Tuesday when it announced an option to acquire gold and lithium ground adjacent to Paris Gold Camp and the Bald Hill project that the AFR reported has been bid for by Mineral Resources. Alita Resources, which went into Administration when an earlier development of Bald Hill failed, is rumoured to be subject to an ambition to be relisted by Glencore with a valuation of $1.8bn.

It is premature to get too bullish yet, but these sort of performances are just what the market needs to bring players back to the table. Maybe we have seen the bottom of the market for the time being, consistent with what the Sentiment Oscillator was telling us last weekend. Time will tell.

Continuing on from the comments following Kerry's Stevenson's Gold Conference in Sydney and the view that there is good value in the gold sector, we feature Astral Resources this week.

Astral Resources (AAR) nee Anglo Australian

My previous opinion and performance since then

The last time I mentioned Anglo Australian Resources (now Astral) was in November 2011, when it was selling at 9¢ for a market capitalisation of $53m. The Egan Street team had recently entered the fray with the intention of advancing the Mandilla Gold Project near Wattle Dam, south of Kalgoorlie. My opinion was … *AAR looks like a straight forward company with a growing gold project well situated near infrastructure. It looks modestly priced at these levels. The sensible and focused management are good factors to have. In a perfect world we could see a similar scenario to what they delivered at Egan Street, with a corporate transaction at several times the current market valuation. It is definitely a stock worth considering.* How has it gone since then?

The modesty has continued with the share price not doing much, though it did rise to 10.8¢ at the end of 2021. Since then it has been in the range of 5.8¢ to 10¢, but more recently trading between 6¢ and 7¢. The market capitalisation is still $52m, having undertaken two capital raisings since then;

- a 1 for 10 entitlement at 6.5¢ raising $4.5m in September 2022, and
- it placed 46 mill. shares at 6.5¢ ($3m) at the end of July 2023. A $2m SPP was scheduled to close last Friday.

The Company changed its name to Astral Resources in April 2022.

Operational progress has been good

AAR has managed to repeatedly increase its Mineral Resource at Mandilla, firstly lifting it from 665,000 oz to 1 Moz in December 2022, then to 1.27 Moz in July 2023. The grade actually improved by a small margin, to 37 Mt at 1.1 gpt. The Indicated component is now 56%. Add the Feysville Project and the Company's JORC compliant resource edges up to 40 Mt at 1.1 gpt for 1.38 Moz. That puts it in the frame for a production rate of 100,000 oz p.a. The question to contemplate now is whether it is better for shareholders to develop a stand-alone operation, or utilise a neighbouring mill for a faster, lower risk return.

Some technical aspects to note

The cornerstone of a mine development will be the Theia deposit that contains 1 Moz in a single pit to a planned depth of 370m, though the orebody is open at depth. We are waiting on updated numbers in the Scoping Study, but we are expecting a waste to ore ratio of 5-6:1.

The gold is hosted in quartz veining within a large granite intrusion. Only 5% of the orebody is oxidised or transition material. The geologists have calculated up to 14 different alteration events. Astral has paid particular attention to the resource calculation methodology, not wanting to experience an embarrassing grade problem that has haunted the Dalgaranga gold mine restart.

Having said that, being particularly careful with the calculations, there is a good chance that Theia will have a strong conversion rate from resources to mineable ore, perhaps as high as 80%. Thus there could be 800,000 oz recovered over the mine life. Many other pits that we have seen over the years have conversion rates closer to 60%.

Being a hard rock deposit the sensitivity to grinding size and related costs is an important consideration. So far it seems as if the ore will only need to be coarsely ground, to 150 μm to achieve metallurgical recovery of >95%. The significance of this figure is that if it needed to be ground to 75 μm, the power costs of this step could double.

What chance for a deal with St Ives?

ASX rules don't allow the Company to speculate in its ASX releases as to the likelihood of doing a deal with a nearby mill, but there is nothing stopping us from weighing up the odds. The obvious mill to use would be at St Ives, which is only 22 km distant. Travelling on a dedicated haul road, in 180 tonne loads, could enable the low trucking cost of 12-13¢ t/km to the mill.

This isn't the first time that a company has expressed the common sense in dealing with a nearby mill, but for some reason the common sense approach doesn't always work. Maybe that comes down to personalities and the inability to negotiate effectively. The best we can do is quote the numbers and argue logic.

The St Ives mill has capacity for 4.7 Mtpa of mill feed. The last two years the throughput has been only 3.8 Mt and 4 Mt respectively, suggesting that Goldfields is having trouble filling the mill. Would it be smart for them to take ore from their neighbour? Probably. Would it be smarter to just buy the orebody? Maybe, but you would expect that Austral would want at least $150-200/oz of recoverable gold to make it worthwhile. That would deliver $80-$200m to shareholders, being an excellent premium compared to the current market capitalisation of $52m. See the table below on recent M&A transactions in WA (courtesy of Brightstar), and note that the acquiring company can afford to pay higher prices where it already has an operating plant and infrastructure. Maybe Astral would prefer a joint venture or a tolling arrangement. Time will tell.

The Bottom Line

Management ability is always the most important factor once a good project has been adopted. We have that in Astral. The team also has a proven track record of monetarising its projects successfully as demonstrated by the Egan Street Resources takeover.

We are looking forward to the release of a Scoping Study in the coming weeks and this should give some formal measure of expected value. It will then be a question of what is the best path going forward, to reward shareholders. Astral is a lower risk play in the emerging gold producers sector that still offers the possibility of a 2-4x return on your money over the next 12 months; the possibility but not a guarantee.

Footnote: Egan Street Resources (EGA) had the Rothsay Gold Project in WA. See the following link for our coverage on 2018. http://www.fareastcapital.com.au/imagesDB/newsletter/WeeklyComm3March2018.pdf. *It was taken over by Silver Lake Resources in December 2019, for $68m. Thus it was a profitable transaction for shareholders.*

Lindian delivering on the bauxite front, and more

Our initial interest in Lindian a few years ago was based on an exceptionally high grade bauxite deposit in Guinea but this took a back seat when the Kangankunde Rare Earths Project was acquired. Bauxite news flow has been limited, but last week Lindian announced an MoU with Compagnie des Bauxites de Guinée (CBG) a mining company 49% owned by the Guinean State with the balance held by US-registered Halco Mining Inc, a consortium comprising Rio Tinto-Alcan, Alcoa and Dadco Investments. CBG is one of the largest bauxite producers in the world.

The MoU provides the framework for the completion of a Feasibility Study on the high Gaoual Bauxite Project, comprising 84 Mt at 51.2% Al_2O_3. Screening can lift this grade to 53.8% to 58.4% whilst decreasing the silica grade from 9.8% SiO_2 to 2.8%.

This MoU has taken a few years to get to this point, and does not yet constitute a firm offtake or development agreement, but it is evidence of a growing relationship with a highly credible group. There will be another two years of studies and assessment so further patience is required. However, shareholders can take comfort that this MoU recognises this as a premium project that further underpins the value in the company beyond just the rare earths.

In a separate announcement, Sydney-based property developer Zuliang Park Wei has become a director and a substantial shareholder with 10.8% of the issued capital. Park Wei has been a good supporter of the Company since mid last year, participating in an earlier placement at 20¢ and continuing to buy. His continued support will be a key factor in building the share price from these levels.

Confirmation of non-radioactive 66% concentrates

You will see that rare earth companies frequently state that their product has low radiation levels but we usually have to take their word for it. Being low is usually a relative figure and not all companies actually provide factual data. Lindian has gone one step further and backed up its representation with an independent assessment from ANSTO. Kangankunde concentrates are officially non-radioactive for the purposes of transport logistics.

This assessment effectively leads to a simplification of transport options for the concentrates and it enables a broader range of global off-take options.

ANSTO has also confirmed that a 66% concentrate grade can be achieved employing beneficiating gravity and magnetic separation techniques. This greatly simplifies the process circuit and will enable a faster route to commerciality. It doesn't preclude the Company aiming for a higher concentrate grade at some point, if that is commercially sensible, but that becomes more complicated. There is a lot of common sense in keeping it simple, especially when the objective is early cash flow.

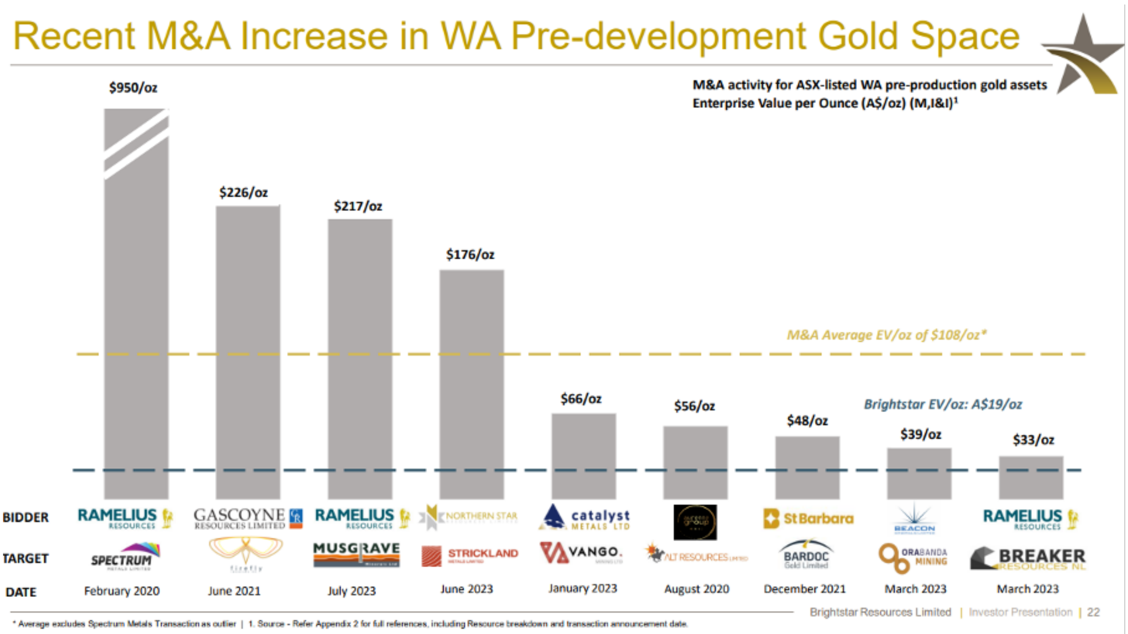
Disclosure: Interests associated with the author owns shares in Lindian Resources

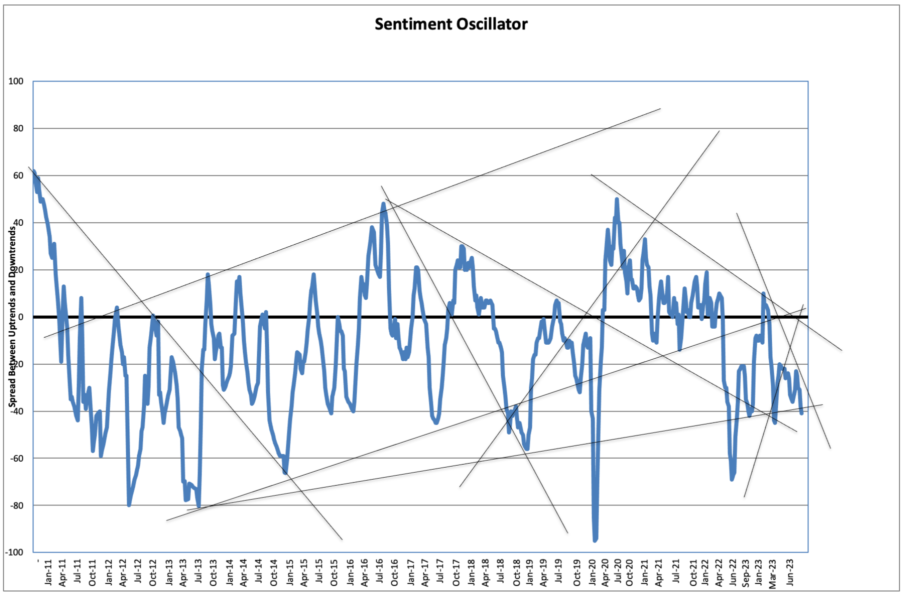
Sarama collapses on licence failure

Samara Resources (SRR) came out of suspension last week with the disturbing news that the Burkino Faso mines department had effectively cancelled its 100%-owned Tankoro 2 Exploration Licence. The Sanutura Project, with Indicated and Inferred Resources of 2.9 Moz of gold, was the primary asset of Samara. It has held the licence for 12 years and was in the final stages of preparation of a preliminary economic assessment when this happened. A $2m placement has just been completed in June, at 10¢ a share, in pursuit of this study.

This is obviously very disturbing news as Sarama effectively has had its major asset appropriated by the government. The Company will obviously fight this but even if it succeeds in retrieving the situation, the reputation of Burkina Faso will be tarnished forever. Anyone operating in that country must be feeling nervous. West African Resources, with an operating gold mine and a market capitalisation of $826m, would have the largest exposure and the most to lose if this is an example of the direction of government policy.

We have seen a number of recent coups in Africa. The French having pulled troops back from the Francophone countries, the Wagner Group has become more active and the jihadists have been making consistent inroads in Sub-Saharan countries. The credibility of Africa as a continent has taken a nosedive. Coups and wars in Burkina Faso, Eritrea, Ethiopia, Gabon, Mali, Niger and Sudan, to name the obvious ones, have been part of the continental decline into turmoil. The southern end of Africa is further removed from these troubles with South Africa continuing to be the most productive, stable economy over there. Yes, it has its issues, but it stands head and shoulders above most others. Why then is it avoided by so many companies and investors in preference to much higher risk jurisdictions?





Sentiment Oscillator: Sentiment dipped last week. There were 18% (20%) of the charts in uptrend, and 59% (51%) in downtrend.

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		rallied then collapsed	
Metals and Mining	XMM		rallied then collapsed	
Energy	XEJ		edging higher	
Information Technology	XIJ		sideways at highs	
Stocks	**Code**		**Trend Comment (updated comments in bold)**	**Main Interest**
5EA Advanced Materials	5EA		new low	boron
92 Energy	92E		new low on placement	uranium
A-Cap Energy	ACB		testing downtrend	uranium
Alpha HPA	A4N		new high	HPA
Adriatic Resources	ADT		new high	zinc, polymetallic
Advance Metals (was Pacific American)	AVM		back to lows	coal, gold exploration
Alkane Resources	ALK		down	gold
Alicanto Minerals	AQI		back to lows after placement	base metals, silver, gold
Almonty Industries	AII		weaker	tungsten
Altech Chemical	ATC		new low on placement	HPA, anodes
Anteotech	ADO		new low on placement	silicon anodes, biotech
Alto Metals	AME		at lows with a placement	gold exploration
American Rare Earths	ARR		testing steepest downtrend	rare earths
Antilles Gold	AAU		testing downtrend	gold and copper expl.
Anax Metals	ANX		new low	copper
Arafura Resources	ARU		new low	rare earths
Ardea Resources	ARL		testing downtrend	nickel
Aurelia Metals	AMI		back to lows	gold + base metals
Australian Rare Earths	AR3		down	rare earths
Australian Strategi Materials	ASM		steeply higher, then heavy correction	rare earths
Arizona Lithium	AZL		new low	lithium
Azure Minerals	AZS		another surge higher then pullback	nickel exploration
BHP	BHP		down	diversified, iron ore
Barton Gold	BGD		down	gold exploration
Beach Energy	BPT		spiked through downtrend	oil and gas
Bellevue Gold	BGL		new high	gold exploration
Benz Mining	BNZ		surging out of downtrend	gold
Black Cat Syndicate	BC8		new low on placement	gold
BMG Resources	BMG		down	gold exploration
Boab Metals	BML		at resistance line	silver/lead
Calidus Resources	CAI		new low	gold
Caravel Minerals	CVV		still down	copper
Carnaby Resources	CNB		testing downtrend	copper
Castile Resources	CST		rising from lows	gold/copper/cobalt

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.*

Cazaly Resources	CAZ	sideways	rare earths
Celsius Resources	CLA	at lows	copper
Cobalt Blue	COB	down again	cobalt
Cyprium Metals	CYM	suspended	copper
Dateline	DTR	down	rare earths
Ecograf	EGR	new low	graphite
Emerald Resources	EMR	rising, new high	gold
Empire Energy	EEG	risen to resistance line	gas
EQ Resources	EQR	placement at a premium	tungsten
Euro Manganese	EMN	new low	manganese
Evolution Energy	EV1	breached downtrend	graphite
Evolution Mining	EVN	off its highs	gold
First Graphene	FGR	down	graphene
Fortescue Metals	FMG	testing support line	iron ore
FYI Resources	FYI	down	HPA
Galena Mining	G1A	testing downtrend	lead
Genesis Minerals	GMD	rising	gold
Genmin	GEN	suspended	iron ore
Gold 50	G50	down	gold exploration + gallium
Great Boulder Resources	GBR	sideways to lower	gold exploration
Group 6 Metals	G6M	down	tungsten
Hamelin Gold	HMG	testing downtrend	gold exploration
Hastings Technology Metals	HAS	bounced off lows	rare earths
Hazer Group	HZR	down on entitlement issue	hydrogen
Heavy Minerals	HVY	down	garnet
Highfield Resources	HFR	down	potash
Hillgrove Resources	HGO	rising gently	copper
Iluka Resources	ILU	heavy fall	mineral sands
ioneer (was Global Geoscience)	INR	down	lithium
Ionic Rare Earths	IXR	testing downtrend	rare earths
Jervois Mining	JVR	new low	nickel/cobalt
Jindalee Resources	JRL	at lows	lithium
Kaiser Reef	KAU	sideways through downtrend	gold
Kalina Power	KPO	testing downtrend	power station additive
Krakatoa Resources	KTA	secondary downtrend	rare earths
Kingfisher Mining	KFM	down	rare earths
Lepidico	LPD	improving	lithium
Lindian Resources	LIN	rallying	rare earths + bauxite
Lion One Metals	LLO	surge out of downtrend	gold
Li-S Energy	LIS	breached downtrend	Lithium sulphur battery technology
Los Cerros	LCL	on support line	gold exploration
Lotus Resources	LOT	down	uranium
Lucapa Diamond	LOM	testing downtrend	diamonds
Lunnon Metals	LM8	down	nickel

Lynas Corp.	LYC		down	rare earths
Mako Gold	MKG		sideways	gold exploration
Marmota	MEU		breached downtrend	gold exploration
Matador Mining	MZZ		down	gold exploration
Mayur Resources	MRL		breached uptrend	renewables, cement
Meeka Gold	MEK		rising	gold
Megado Minerals	MEG		down	rare earths, gold exploration
MetalsX	MLX		down	tin, nickel
Meteoric Resources	MEI		off its high	rare earths
Metro Mining	MMI		rising	bauxite
Midas Minerals	MM1		slump	lithium
Musgrave Minerals	MGV		up on takeover approach	gold exploration
Nagambie Resources	NAG		new low	gold, antimony
Neometals	NMT		breached downtrend	lithium
Newfield Resources	NWF		down	diamonds
Northern Star Res.	NST		down	gold
Nova Minerals	NVA		spiked higher	gold exploration
Orecorp	ORR		rising	gold development
Pacific Gold	PGO		breached short term uptrend	gold exploration
Pantoro	PNR		fallen back to lows	gold
Panoramic Res	PAN		collapse on placement	nickel
Parabellum Resources	PBL		down - suspended	rare earths
Patriot Battery Metals	PMT		breached uptrend	lithium
Peak Resources	PEK		testing downtrend	rare earths
Peninsula Energy	PEN		collapse	uranium
Perseus Mining	PRU		breached downtrend	gold
Poseidon Nickel	POS		collapse	nickel
Provaris Energy	PV1		spiked higher, then pullback	hydrogen
QMines	QML		back to lows	copper
Queensland Pacific Metals	QPM		long term down	nickel/cobalt/HPA
RareX	REE		breached downtrend	rare earths, phosphate
Regis Resources	RRL		collapse	gold
Renergen	RLT		rising gently	gas, helium
Richmond Vanadium	RVT		sideways	vanadium
RIO	RIO		rallied to meet resistance line	diversified, iron ore
Rumble Resources	RTR		secondary downtrend	gold exploration
S2 Resources	S2R		improving	gold exploration
Sandfire Resources	SFR		rising again	copper
Santos	STO		rising	oil/gas
Sarama Resources	SRR		down heavily	gold exploration
Sarytogan Graphite	SGA		down	graphite
Siren Gold	SNG		breaching short term uptrend	gold exploration
South Harz Potash	SHP		down again	potash
Southern Cross Gold	SXG		surge higher	gold exploration

Southern Palladium	SPD		down	PGMs
Stanmore Coal	SMR		**stronger**	coal
Strandline Resources	STA		collapse on placement	mineral sands
Sunstone Metals	STM		meeting resistance line	gold/copper exploration
Suvo Strategic Minerals	SUV		**back to lows**	kaolin
Talga Resources	TLG		holding support line	graphite
Tamboran Resources	TBN		down	gas
Technology Metals	TMT		down	vanadium
Theta Gold Mines	TGM		strong rise	gold
Thor Mining	THR		sideways	gold exploration
Tietto Minerals	TIE		**further slump**	gold
Vanadium Resources	VR8		drifting lower	vanadium
Venture Minerals	VMS		down	tin, tungsten
Vintage Energy	VEN		down	gas
Voltaic Strategic Resources	VSR		strong bounce	REO + lithium
West African Resources	WAF		breached downtrend	gold
West Cobar	WC1		down	rare earth + lithium
Westgold Resources	WGX		off its highs	gold
West Wits Mining	WWI		**sideways**	gold
Whitehaven Coal	WHC		**down**	coal
Xantippe Resources	XTC		down	lithium
Zenith Minerals	ZNC		**breached downtrend**	gold exploration
Totals	18%	25	Uptrend	
	59%	84	Downtrend	
		142	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 Exploration	**21**	**14.8%**	
Gold	**20**	**14.1%**	
Rare Earths	**17**	**12.0%**	
Lithium	**10**	**7.0%**	
Oil/Gas	**8**	**5.6%**	
Copper	**9**	**6.3%**	
Nickel	**7**	**4.9%**	
Iron Ore/Manganese	**5**	**3.5%**	
Graphite/graphene	**5**	**3.5%**	
Uranium	**5**	**3.5%**	
Silver	**4**	**40.0%**	
Tungsten	**3**	**2.1%**	
Mineral Sands	**2**	**1.4%**	
Vanadium	**3**	**30.0%**	
Zinc/Lead	**2**	**1.4%**	
Coal	**2**	**1.4%**	
Potash/Phosphate	**2**	**1.4%**	
Bauxite	**2**	**1.4%**	
Tin	**2**	**1.4%**	
Cobalt	**1**	**0.7%**	
Diamonds	**2**	**1.4%**	
Other	**10**		
Total	**142**		

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. 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 capital raising fees from a number of companies but it does not receive payment for research. See individual disclosure notes in the body of the Weekly where they are relevant. Its primary business is investing and managing its own money, but it does occasionally raise money for resource companies.