

Strong aggregate cashflow will boost Anax's fortunes

It seems like the pack of cards is still being shuffled ahead of Trump's inauguration. The gold price is rising even though the US\$ is stronger. Normally there is an inverse relationship. With the A\$ falling, we are now seeing the A\$ gold price reaching new highs, surging to A\$4,375/oz in an uptrend that knows no ceiling. That contrasts with the performance of base metals prices and copper, which was the darling of the market a year ago. Gold is the only game in town. Forget those speciality metals.

Interest rates have been rising in the US over the last month, causing the strength in the US\$. This is not what Trump wants to see. His preference is for a lower US\$ which would take the gold price even higher. Wall Street analysts have already started calling for prices of US\$3,000-\$3,500/oz in 2025. China continues to be named as the key driver, both privately and on the government account, as economic uncertainty clouds its future.

Anax Metals has a strong cash flow opportunity.

When we think of Anax we think of the Whim Creek copper project in the Pilbara. Anax bought an 80% interest a few years back, spending \$4m and paying \$3m in cash. Whim Creek is a brownfields copper project in the Pilbara. Previously, Straits Resources operated an oxidised ore heap leach copper mine from 2004 to 2009. The deeper primary ore was not mined at the time. Recently there has emerged a new cash flow opportunity for Anax in aggregate production.

a) Near Term Aggregate Production

Given the hurdles for a junior to develop a \$100m copper project, smaller, lower risk cash flow projects looks eminently more appealing, especially in such a difficult equities market. So, let's focus on the ASX release of 17/12/24.

That release refers to a 4-5 Mt stockpile of waste rock left over from previous mining. This is located midway between Port Hedland and Karratha. A 12,000 tonne trial exercise has confirmed its suitability for crushing and sale as an aggregate for road building and construction works.

Almost all that is needed is a mobile two stage crushing circuit to create a product that is 100% < 20mm in size. At the moment the stockpiles comprise material up to 500mm in size. A jaw crusher and a gyrator crusher would do the trick.

Economics seem favourable with operating costs estimated to be \$15 pt. The selling price could range from \$30-\$50 per tonne. The target rate is 500,000 tpa, suggesting an operating margin of \$7.5m to \$15m, over a project life of around 10 years. DEMIRS and DWER approvals have already been received (Department of Energy, Mines and Industry Regulation and Department of Water Environmental Regulation).

The Company believes it can start the project by the end of Q1 2025., but it would take some time to get sales to the 500,000 tpa project limit as approved by the Government. Crushing would probably be a stop-start affair on a campaign basis, depending upon the sales contacts. That would be normal in the aggregate business.

b) Whim Creek Copper Project

When we last reviewed the Company there were four orebodies that cumulatively amounted to about 11 Mt of resources containing copper, zinc, lead and some precious metal credits. Each orebody has its own characteristics. **Mons Cupri** has a mining inventory from the pit floor at 50m depth, to 200m, of 2.6 Mt at 1.15% Cu, 1.3% Zn and 0.56% Pb. Anax plans to deepen the pit to 200m, with a waste to ore ratio of 4.6:1. Mineralisation extends deeper, to at least 300m, and the Company is investigating the potential.

The **Whim Creek** orebody is smaller with inventory of 0.7 Mt at 1.5% Cu. It is located 4 km from Mons Cupri. Again there will be an open pit mine with a waste to ore ratio of 7:1, to a depth of 170m.

Evelyn is higher grade and open down plunge, with a reserve of 0.5 Mt at 2.1% Cu, 3.3% Zn and 0.9 gpt Au. A small underground operation is planned for Evelyn once the open pits at Mons Cupri and Whim Creek are complete.

The final orebody in the portfolio is **Salt Creek**, which has a copper domain of 1.72 Mt at 1.73% Cu, and a zinc domain of 1.03 Mt at 8.83% Zn. Anax expects this could deliver a mineable inventory of 1.0 Mt at 5.4% Zn and 1.3% Cu. Salt Creek remains open at depth. Further work is planned.

Earlier Plans for a 400,000 tpa treatment facility

Anax released a positive DFS in September 2023, showing a \$270m pre-tax NPV and a 54% IRR. At the time the estimated capex was \$71m, but today we are probably looking \$100m (for 100% equity) including working capital. We will simply say that it is a project of merit without digging in to all the details. Go to the ASX releases for more information, including the presentation from October 2024. We are more interested in the recently announced aggregate production opportunity. See the ASX release of 17 December 2024.

Smaller projects can be problematic

There are plenty of smaller base metal orebodies dotted around the country that seem to have solid geological merit, and can even look good in the right spreadsheets, but they never seem to get across the line. This is usually because there is not enough critical mass, meaning a mine life that is too short and too dependent upon needing the sweet spot of the commodity price cycle. It is easier to raise money at the top of the cycle, but a successful project has to be profitable during the downturns as well.

So, maybe companies with these assets should look at them as being asset trading opportunities. Accumulate them at the bottom of the cycle and flick them on for capital gains at the peak of the cycle. It is a good business model if you can get the timing right.

A variation of this strategy involves consolidation of a portfolio of these assets, within economic proximity of each other, to achieve the critical mass needed to start project development. In the case of Whim Creek, that brings into consideration Greentech Metal's (GRE) Whundo polymetallic project.

Greentech is another unloved junior, wallowing around with a market capitalisation of only \$6.5m. Whundo is another one of those good, smaller projects that never seem to get off the ground. It has a combined Indicated and Inferred Resource of 6.2 Mt at 1.12% Cu, and 1.04% Zn in VMS style mineralisation along a 2 km strike, mostly at depths shallower than 150m. The Company likes to refer to the exploration upside, but the market doesn't really appreciate projects like this i.e. where there is merit but much more money has to be spent on it to get over the threshold ... with no guarantees of success.

Anax and Greentech have signed a Memorandum of Understanding as a platform to investigate potentially mutually beneficial scenarios, but the success of such ventures is often very ego dependent. Think of it as a "think tank" at this juncture. Nevertheless, there may be some upside if the relationship develops.

Where is the Wow Factor?

Back in January 2023, we acknowledged the merits of the Whim Creek project economics but we questioned the presence of the "wow factor". Investing in juniors is frequently more of an emotional decision than one governed by careful analysis, with stock market performance depending on how many people come into the stock more so than actual forecast fundamentals. At the time it was a fair criticism, but let's progress to The Bottom Line to get today's perspective.

The Bottom Line

Anax is capitalised at only \$9.6m today, which is significantly lower than the \$26m price back in January 2023. The cash balance was \$2m at 30 September and there has been a subsequent raising of \$2.54m at 1.5¢. That tells us that the market is not currently interested in the copper story. The \$100m startup cost for Whim Creek is too intimidating so we should be focusing on the aggregate production opportunity.

If the aggregate can start up in the next six months at 500,000 tpa, with gross operating margins of \$15-\$30 pt, Anax could be earning \$7.5-15m p.a. That places it on a cash flow multiple of 1-2x with a project life of almost 10

years. If you owned the project privately you would be chuffed, but how should we look at it in an ASX-listed vehicle?

Right here and now, when raising equity capital at the junior end, availability of this sort of cash flow is a life saver. The Company can be self funding without having to dilute shareholders further. At the very least it buys Anax time as it tries to figure out the big picture for the copper project.

One of the criticisms of Whim Creek in the past has been that it lacks the scale to attract institutions, but that is a red herring. Companies don't exist solely for the pleasure of institutions with their sets of investment criteria and the equity capital market operators that feed off them. It is like saying that a gold company needs to be producing 100,000 oz to be worth looking at. Wrong. It is about profitability and returns to shareholders. That is what should take priority, not empire building to satisfy egos.

If Anax continues with the aggregate and starts to make good money, Whim Creek will offer, at the very least, good leverage to the copper market throughout the cycle but without being dependent upon it for survival. It can be negotiating corporate outcomes without a gun at its head as it seeks to maximise the value for shareholders. There are many CEOs that would give their right arm to be in this position.

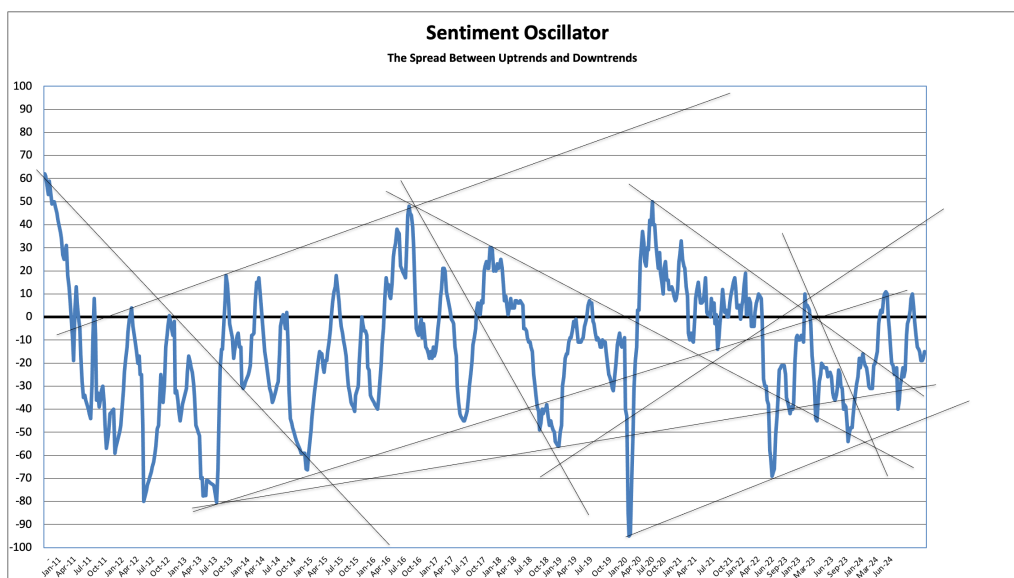
Disgracefully excessive board payments at Lucapa

I was once a loyal supporter of Lucapa Diamond Company but those days are over. There are many reasons but the failure of management to achieve satisfactory results over a period of years is the main one, from which all else flows. Shareholders have been repeatedly disrespected while the Company has been paying top dollar to management and the board.

Reading the prospectus for the current issue at 2¢ a share was like rubbing salt into the wound. Page 56 tabled the remuneration paid to directors. I thought it was generous, but then, to my horror, I noted that the payments were all in US\$. The CEO, since retired, was paid ~A\$1m in 2023 and ~A\$887,000 in 2024. His receipts were the pinnacle of the problem, but the excessive generosity spilled over to other board members. The magnitude of the numbers is disgraceful, especially when you consider how much money the Company has burnt and the performance of the share price.

There are no prizes for guessing how I will vote at the EGM on 20th January, though my votes won't make any difference to the outcome. At best, they will amount to a protest vote.

Sentiment Oscillator: Sentiment improved slightly with 28% (27%) in uptrend and 43% (45%) 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	testing downtrend	
Metals and Mining	XMM	down	
Energy	XEJ	still down	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Agua Resources	AGR	back to long term support line	phosphate, gold
Alkane Resources	ALK	forming a wedge	gold
Alicanto Minerals	AQI	strongly higher	base metals, silver, gold
Alligator Energy	AGE	breached uptrend	uranium
Almonty Industries	All	rising	tungsten
Alpha HPA	A4N	rising again	HPA
Altech Chemical	ATC	breached support line	HPA, anodes
American Rare Earths	ARR	sideways breach of downtrend	rare earths
Anax Metals	ANX	new low after placement	copper
Andean Silver	ASL	back to support line	silver
Anteotech	ADO	back to low	silicon anodes, biotech
Arafura Resources	ARU	secondary downtrend in play	rare earths
Ardea Resources	ARL	down	nickel
Arizona Lithium	AZL	new low	lithium
Astral Resources	AAR	on support line	gold
Aureka	AKA	rising after name change from Navarre	gold exploration
Auric Mining	AWJ	breached uptrend	gold
Averina	AEV	hugging downtrend line after initial breakout	phosphate
Aurora Energy Metals	1AE	surge on asset sale	uranium

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Aurelia Metals	AMI		rising	copper + base metals
Aurum Resources	AUE		falling	gold
Australian Gold and Copper	AGC		weaker	base metals, silver, gold
Australian Rare Earths	AR3		sideways at lows	rare earths
Australian Strategic Materials	ASM		testing downtrend	rare earths
BHP	BHP		secondary downtrend in play	diversified, iron ore
Ballymore Resources	BMR		sideways	gold exploration
Barton Gold	BGD		gently higher	gold exploration
Beach Energy	BPT		rising	oil and gas
Bellevue Gold	BGL		down	gold
Besra Gold	BEZ		still down	gold
Black Cat Syndicate	BC8		new high	gold
Boab Metals	BML		rising	silver/lead
Brazil Critical Minerals	BCM		new low - two tranche plus 1 for 3	rare earths
Brazilian Rare Earths	BRE		back to downtrend	rare earths
Brightstar Resources	BTR		less steep uptrend	gold
Caravel Minerals	CVV		improving	copper
Carnaby Resources	CNB		down	copper
Castile Resources	CST		gently higher	gold/copper/cobalt
Catalyst Metals	CYL		breached downtrend	gold
Cazaly Resources	CAZ		sideways	rare earths
Celsius Resources	CLA		sideways	copper
Challenger Gold	CEL		struggling to hold downtrend breach	gold
Cobalt Blue	COB		at lows	cobalt
Critica. (was Venture)	CRI		testing downtrend	tin
Cyprium Metals	CYM		strong rally	copper
Emerald Resources	EMR		breached uptrend	gold
Empire Energy	EEG		breached uptrend	gas
EQ Resources	EQR		testing uptrend	tungsten
Evolution Mining	EVN		rising	gold
Felix Gold	FXG		breached downtrend	gold exploration, antimony
First Graphene	FGR		down	graphene
Fortescue Metals	FMG		rally run out of steam	iron ore
Genesis Minerals	GMD		rising	gold
Globe Metals and Mining	GBE		sideways	niobium
Gold 50	G50		rising again	gold exploration + gallium
Great Boulder Resources	GBR		new low	gold exploration
Hamelin Gold	HMG		back to lows	gold exploration
Hastings Technology Metals	HAS		breached downtrend	rare earths
Heavy Minerals	HVY		sideways	garnet
Hillgrove Resources	HGO		testing downtrend	copper
Iltani Resources	ILT		down	antimony
Iluka Resources	ILU		testing downtrend	mineral sands
ioneer (was Global Geoscience)	INR		breached uptrend	lithium

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Ionic Rare Earths	IXR		new low	rare earths
Jindalee Lithium	JLL		new low	lithium
Jupiter Mines	JSM		new low	manganese
Kaiser Reef	KAU		improving	gold
Kalina Power	KPO		breaching steep uptrend	carbon sequestration
Larvotto Resources	LRV		new high	gold, antimony
Lindian Resources	LIN		down	rare earths + bauxite
Li-S Energy	LIS		down again	Lithium sulphur battery technology
Lotus Resources	LOT		continuing down	uranium
Lucapa Diamond	LOM		collapsing due to institution dumping shares	diamonds
Lunnon Metals	LM8		down	nickel
Lynas Corp.	LYC		down	rare earths
Marmota	MEU		testing downtrend	gold/uranium exploration
Mayur Resources	MRL		stronger	renewables, cement
Meeka Gold	MEK		uptrend	gold
MetalsX	MLX		rising	tin, nickel
Meteoric Resources	MEI		down	rare earths
Metro Mining	MMI		back to high	bauxite
Midas Minerals	MM1		pullback	lithium
Nagambie Resources	NAG		weaker	gold, antimony
Neometals	NMT		down	lithium
Newfield Resources	NWF		suspended	diamonds
Nexgen Energy	NXG		breached uptrend	uranium
Northern Star Res.	NST		falling back to support line	gold
Nova Minerals	NVA		surged higher	gold exploration
Novo Resources	NVO		down	gold exploration
Pacific Gold	PGO		new low	gold exploration
Paladin Energy	PDN		testing steep downtrend	uranium
Pantoro	PNR		down	gold
Patriot Battery Metals	PMT		collapse to a new low	lithium
Peninsula Energy	PEN		reconstructed	uranium
Perseus Mining	PRU		correcting lower	gold
Provaris Energy	PV1		new low	hydrogen
QMines	QML		down	copper
Queensland Pacific Metals	QPM		rising	nickel/cobalt/HPA
RareX	REE		sideways at the bottom of a downtrend	phosphate, rare earths
Regis Resources	RRL		breaching uptrend	gold
Regergen	RLT		down	gas, helium
Richmond Vanadium	RVT		down	vanadium
RIO	RIO		down	diversified, iron ore
RTG Mining	RTG		down	copper
Rumble Resources	RTR		slump on placement	zinc exploration
S2 Resources	S2R		down	gold exploration
Sandfire Resources	SFR		rising again - new high	copper

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Santana Minerals	SMI		falling	gold
Santos	STO		down	oil/gas
Sarytogan Graphite	SGA		still down	graphite
Siren Gold	SNG		spike and fall on corporate bid	gold exploration
Southern Cross Gold	SXG		new high - consolidating with Mawson	gold exploration
Southern Palladium	SPD		pullback	PGMs
Stanmore Coal	SMR		rising	coal
St George Mining	SGQ		suspended	rare earths, niobium
Stellar Resources	SRZ		sideways	tin
Summit Resources	SUM		down	niobium, rare earths
Sun Silver	SS1		breached downtrend	silver
Suvo Strategic Minerals	SUV		down	kaolin
Talga Resources	TLG		back to downtrend line	graphite
Tamboran Resources	TBN		spike out of downtrend	gas
Terra Uranium	T92		down	uranium
Theta Gold Mines	TGM		rising again	gold
Toro Energy	TOE		down	uranium
Torque Metals	TOR		back to lows	gold exploration + lithium
Vanadium Resources	VR8		back to lows	vanadium
Vintage Energy	VEN		sideways	gas
Vertex Minerals	VTX		steeply higher	gold
Warriedar Resources	WA8		testing downtrend	gold exploration
West Cobar	WC1		new low	rare earth + lithium
Westgold Resources	WGX		spiked higher	gold
West Wits Mining	WWI		sideways	gold
Whitehaven Coal	WHC		strong rally	coal
Totals	28%	37	Uptrend	
	43%	57	Downtrend	
		132	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	26	19.7%	
Rare Earths	14	10.6%	
Gold Exploration	15	11.4%	
Copper	11	8.3%	
Uranium	9	6.8%	
Lithium	6	4.5%	
Oil/Gas/Hydrogen	7	5.3%	
Graphite/graphene	3	2.3%	
Iron Ore/Manganese	4	3.0%	
Nickel	3	2.3%	
HPA/Kaolin	3	2.3%	
Tungsten	2	1.5%	
Tin	3	2.3%	
Silver	3	2.3%	
Antimony	4	3.0%	
Potash/Phosphate	2	1.5%	
Coal	2	1.5%	
Diamonds	2	1.5%	
Niobium	1	0.8%	
Vanadium	2	40.0%	
Zinc/Lead	1	0.8%	
PGMs	1	0.8%	
Mineral Sands	1	0.8%	
Bauxite	1	0.8%	
Cobalt	1	0.8%	
Other	5	3.8%	
Total	132		

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