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FAR EAST CAPITAL
The Mining Investment Experts

Weekly Commentary

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

Newfield is ramping up production of a rich diamond project

Sentiment improved a little over the week as optimism has begun to filter back into the psychology. We have started to see some better economic signals from China. Iron ore prices have ticked 8% higher over the week. Gold prices are holding their own. Inflation concerns have started to moderate, but the higher oil prices might work in the opposite direction.

The leading indices relevant to the resources sector finished the week on a strong note (see the iron ore price), which was good to see, but they are still below resistance lines of downtrends. A number of stocks looked like they want to go higher at the end of the week, but maybe that was a relief rally. There is no fundamental reason why stocks should fall further, other than the procession of new capital ratings. We are just waiting for reasons to buy.

Uranium seems to be stirring up more interest in recent days with the spike above US$60/lb. This is another commodity that represents a supply risk with Russia accounting for nearly half of the world's share of uranium conversion and enrichment, but if the bottleneck is the processing of uranium, rather than the supply of uranium itself, then maybe there is not a real reason for the uranium price to spike. Nevertheless, brokers and press articles are bullish.

While I believe we should all be embracing an expansion of nuclear power generation as the only way we can effectively combat carbon emissions, I am fearful that an explosion in a Ukraine nuclear power plant could have a devastating effect on sentiment that would cause the price of uranium stocks to fall 50% overnight. It is a clear and present danger that shouldn't be overlooked.

Newfield is an emerging diamond producer

Newfield Resources (NWF) is an emerging diamond producer in Sierra Leone that almost no-one has heard of. The share price has taken a haircut like the rest of the junior sector, falling from 42¢ in September 2022, to 15¢ last week. Volume has been almost non-existent. The Company is seeking to address that, hence the visit to our office last week. It wants to start appearing on people's radar. So, take this as an introduction.

Some early history first

Newfield originally IPO'd in 2012, with a portfolio of WA gold prospects, raising $2.3m. It changed direction in March 2014, issuing 29 mill. shares and options to acquire Allotrpoes Diamonds Pty Ltd, a diamond explorer in Sierra Leone. As is common with diamond projects, exploration commenced for both alluvial and kimberlitic diamonds. It met with early success, discovering kimberlite dykes in September 2014 (but these were subsequently found to be uneconomic). At the same time it commissioned a 40 tph DMS plant to assess the gravels for alluvial diamonds. The share price was performing quite well at the time, rising to 77¢ by April 2015, when the DMS plant was commissioned. Over the next few years the Company was busy advancing the projects and raising money, but with minimal commercial success. By the December Quarter of 2017, small sales were being achieved for revenue of $0.25m (US$462/ct, 534 ct total, largest being 5 ct E colour). However, the kimberlite exploration only achieved sub-economic results. The alluvial Inferred Resource was a modest 7,200 carats at a grade 0.66 carats.

Acquisition of Stellar

In February 2018, Newfield upped the ante with a proposal to acquire AIM-listed Stellar Diamonds via a scrip bid, valuing the target at £7.7m. At the time Stellar held diamond projects in Sierra Leone and Liberia. Capital raisings in support of the deal included a placement of $7m and an entitlement issue that raised another $30m, at 15¢ a share.

At the time of the acquisition, historical exploration at the Tongo-Tonguma Project had consumed US$43m, involving 66,000m of drilling and evaluation work. By November 2018, Newfield was able to announce a JORC compliant resource of 7.4 million carats in four kimberlites at the Tongo Project with valuations of US$182-US$194/ct, at grades mostly around 300 cpht. (For the gold buffs, this has similar value to 12 gpt). The Indicated category accounted for 25% of the total resource. The project was being promoted by Newfield as "*Africa's Next Great Diamond Mine*". The resource was subsequently increased to 8.3 million carats in January 2021, from just five of the 11 known kimberlites on the licence, and mostly only down to a 200m vertical depth.

The diamonds are typical of those for which Sierra Leone is known; mostly white, colourless and transparent with excellent crystal shapes with a high yield on polishing.

Going through an extended ramp-up period

The milestone of first diamond production was reported in December 2020, as part of the ramp-up and commissioning process that underground mines go through ahead of full design capacity. Some 14 months later, by February 2022, there had been 1,127m of development completed and the first mining stopes were being developed. The first sale of 5,330 carats, in May 2022, achieved a price of US$269/ct for total revenue of US$1.43m.

There was another raising in September 2021, being a 1 for 4 entitlement issue at 35¢ a share for $50.8m. However, there was a 50% shortfall. Placement of shortfall stock in the subsequent three months took the total raising to $31.2m.

Fast forward to the recently closed June Quarter, and we see that the mine is continuing in the ramp-up phase, operating from stopes three and four on the first level and continuing to process ore in a small 5 tph plant. A second sale of 7,000 carats in June, in a weaker market, achieved US$184/ct. The mine had not yet achieved breakeven production levels, having a negative $3.3m cashflow according the the Appendix 5B statement. The cash position had fallen to nominal levels.

Description of operations

The underground mine access is achieved with a decline that starts off with dimensions of 6 x 4m, that later splits off into two 4m x 4m declines to access different orebodies. Rather than being a conventional kimberlite pipe, the diamonds are found in narrow fissures that can extend up to 2 km in length.

Earlier mining in the 1970s and 1980s, by artisanal operators in the top several metres and from alluvials, reportedly recovered 15 million carats.

Newfield has reported JORC resources of 8.3 million carats to a depth of 200m, but drilling has confirmed the fissures extend to at least 400m vertical depth. It expects that it can mine up to 400,000 carats p.a., when fully operational.

Consistent requirement for additional capital

Like many diamond companies before it, Newfield has been required to frequently raise additional capital as it has progressed along the development and ramp up phases. In addition to the raisings mentioned above, it is now seeking a US$50m debt facility from the African Finance Corporation (AFC). Still subject to due diligence and a supportive US$15m equity raising, the funds will be used to accelerate ramp-up and the construction of a full scale, 50 tph treatment plant. Just last Thursday, it announced a trading halt pending the release of news on a capital raising initiative. We will see what the Company comes out with.

The Bottom Line

By all accounts it seems that Newfield has a good quality, high value diamond mine in the making. The grades and diamond valuations are good. There is strong geological certainty in the resource and the promise of a long mine life - at least 15 years. Why then is the share price so low at 15¢, some 66% lower than it was almost two years ago when development was much less advanced?

The most obvious answer is one that applies to most junior mining stocks; they are in a bear market. An associated, compounding issue has been the need to raise more capital … at the bottom of the stock market cycle. The Company still has a market capitalisation of $115m, even after the extended fall, so it has some substance.

One market related problem is the lack of turnover of shares on the ASX. It doesn't trade on many days and for that, it could be called a “lobster pot”; you can get in but you can't get out. One solution to this predicament is a campaign of promotion to lift the awareness in the minds of stock market investors, but this doesn't happen with just one road show. Often it takes six months to achieve the objective.

Sometimes directors and management have an aversion to promotion, preferring to deliver results and trusting the market to give credit where credit is due, but that is not how the stock market works. Delivery and promotion need to go hand in hand to get the best outcome.

Newfield has strong, supportive major shareholders, but they are already set and are not looking to wade into the market to buy more shares. It will be the incremental buyers coming into the stock that will move the share price. The Company needs to find and seduce these investors.

Another issue at the moment for Newfield is that it hasn't cleared the commissioning hurdle. Yes, the mining is going well and there has been good reconciliation of production with resource modelling, but the 5 tph plant is only 10% of the capacity of the ultimate intention. It is not going to become cash flow positive until the 50 tph scale is achieved.

So, the shares could be very good value at these levels, but only time will tell.

Don't be fooled by artificial diamonds

While we are on diamonds, there have been press reports about recent, softer diamond prices being caused by artificial diamonds affecting the market. There is nothing new in this. Journalists periodically get on this bandwagon as they look for disruptive stories. The trouble is, we have heard it all before.

The reality is that no-one wants an artificial diamond if they can get the real thing. To quote a real life example, my son-in-law wanted to buy his wife a nice two carat diamond, but thought he would get better value i.e. a larger stone for the same amount of money, if he bought a synthetic diamond. At a later date he thought he might trade it in on a better diamond, but the jeweller put a stop to that fantasy. She said that there was no second hand market for artificial diamonds. They are worthless once they walk out the door, unlike natural diamonds. An artificial diamond may be a cheap entry point, but most people want the real thing.

De Beers has just announced that it is spending US$20m to promote natural diamonds. This is the first time in many years that it has embarked upon such an initiative. It can't do any harm.

Dalaroo could be a lithium flyer

Back in April we introduced Voltaic Strategic Resources (VSR), which had a market capitalisation of $8.2m. We saw it as an exploration company with good addresses in the Gascoyne region of WA, an emerging hot spot for rare earths, and potential for lithium.

As luck would have it, the share price shot up from 2¢ to 8¢ within a matter of weeks on the back of early reports of broad intercepts of pegmatite mineralisation. Momentum subsequently carried the price to 11.7¢. However, as we cautioned, pegmatite doesn't necessarily mean lithium. You need to have spodumene. The share price has subsequently fallen to 3.2¢ on the absence of spodumene in the assays. Nevertheless, traders have had a run in the park with the smart sellers booking great profits.

Early geological similarities to Delta's ground

We met with Dalaroo Metals (DAL) last week to hear of its plans to drill pegmatites on its Lyons River Project, located west of Voltaic's ground. Exploration has returned anomalous lithium values in soil and rock chip sampling. Distinguishing it from VSR's ground, Dalaroo's analysis has demonstrated geology similar to that of Delta Lithium's (DLI) Yinatharra lithium project 30 km further NE of Lyons River, where Delta has reported a 43m intercept at 1.22% Li_2O. Delta earlier reported a Mineral Resource of 12.7 Mt at 1.2% Li_2O for the Mt Ida Project (October 2022).

The big boys are positioning themselves, evidenced by Mineral Resources acquiring 17.44% of Delta. Its CEO, Chris Ellison, has just been appointed as Chairman of Delta. Its market capitalisation is now $426m.

Drilling will test for spodumene in November

Dalaroo plans a $300,000 RC program in November to test the pegmatites for spodumene. An optimist would say that the similarities to the Delta mineralisation auger well for spodumene, but we won't know until assays come in.

The Bottom Line

Dalaroo is modestly valued with the recent 5.5¢ share price giving a market capitalisation of only $4.1m. Positive drill results could have a dramatic affect on the share price, much like we saw with Voltaic. However, with a cash balance of only $0.84m at 30 June, we should expect a small raising over the coming weeks in order to finance the drilling. It could be a very opportune juncture for punters to get set, whereas going in to the market to buy volume would be likely to drive the share price up prematurely. If this one tickles your fancy, contact us and we will see what we can arrange for you.

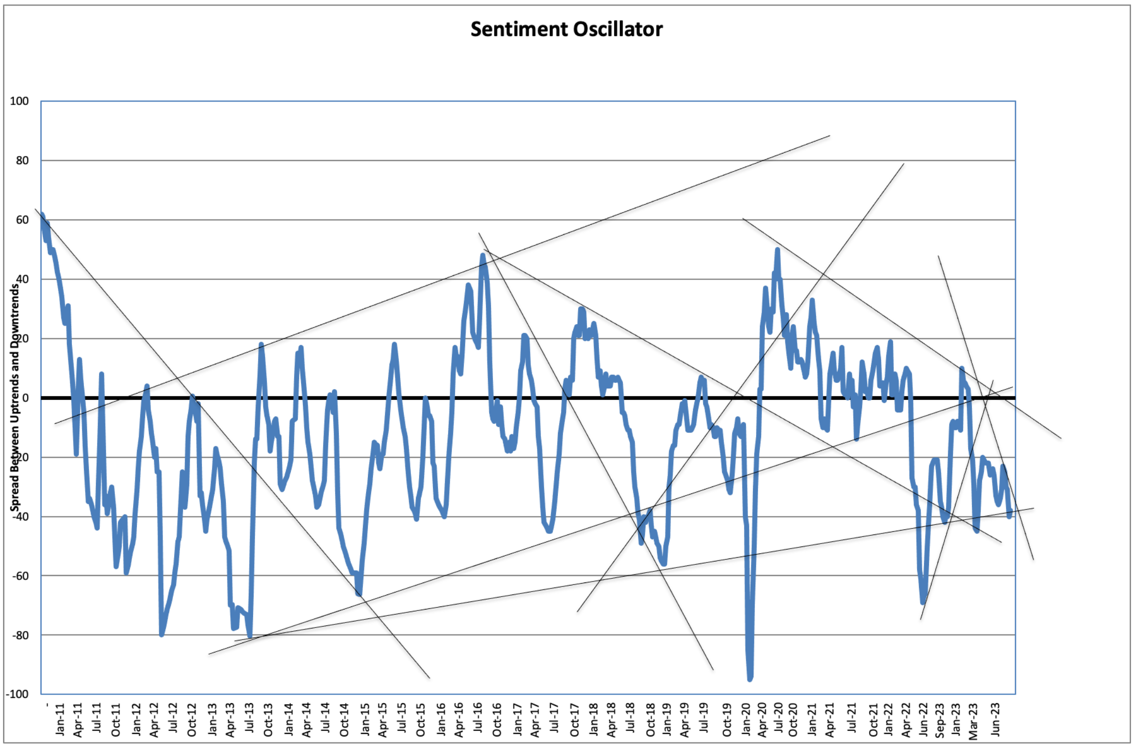
Note strong performance of Southern Palladium

We covered Southern Palladium in our Weekly dated 2/9/23, when the shares were less than 30¢. We note with interest the strong share price performance since then, with the share price hitting 49¢ on Thursday. Shareholders haven't needed to be as patient as we might have suggested.

A very good commentary on the Yes/No debate, worth watching

We are being inundated with communications urging us to vote Yes by a ratio of 10 to 1. That is not a balanced campaign. It is indoctrination and propaganda from that trusted class of people known as politicians. Who is providing us with the balance? This commentary is one of the best I have seen and well worth watching.
http://Youtube.com/watch?v=QmtyCgmBGTM

Disclosure: Nothing to disclose this week.



Sentiment Oscillator: Sentiment improved ever so slightly last week. There were 19% (19%) of the charts in uptrend, and 57% (59%) 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	still in downtrend
Metals and Mining	XMM	rallied then collapsed
Energy	XEJ	at highs
Information Technology	XIJ	sideways at highs

Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
5EA Advanced Materials	5EA	bouncing	boron
92 Energy	92E	heavy fall on exploration news	uranium
A-Cap Energy	ACB	new uptrend	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	bouncing a little	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	breached 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	breached steepest downtrend	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

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	bounced above downtrend 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	back to downtrend	Lithium sulphur battery technology
Los Cerros	LCL	on support line	gold exploration
Lotus Resources	LOT	rising	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		breached 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		at rock bottom	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		breached downtrend	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 Energy	THR		breached downtrend on consolidation	uranium
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	19%	27	Uptrend	
	57%	81	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	20	14.1%	
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	6	4.2%	
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		

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