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FAR EAST CAPITAL
The Mining Investment Experts

Weekly Commentary

2 November 2024 *Chart comments updated on Friday's close* Analyst : Warwick Grigor

Brazil Critical Metals - a victim of obscene broker greed

It seemed like there was no stopping the gold price last week as it closed in on US$2,800/oz, but then there was a US$50/oz correction. That was healthy as it took some of the hot air out of the price but the fundamentals remain the same. We still don't know what the US Presidential Election will do for the gold price. There are plenty of opinions but no-one really knows. It is all part of the uncertainty that we are dealing with today.

Brazil Critical has torched the shareholders

We recently covered Brazil Critical Minerals (BCM) on account of its unusual, innovative plan to employ in-situ leaching for its rare earths project in Brazil. That looks interesting. We liked it. So, why is the market capitalisation lagging at around $8.5m? Look at its recent capital raising and it is obvious.

Highly dilutive capital raising with broker options

A couple of weeks ago BCM announced a two tranche placement at 1¢ and a 1 for 3 entitlement issue to raise a total of $3.4m. Euroz Hartley's acted as lead manager, broker and corporate advisor.

BCM previously raised $2m at 2.3¢ as recently as June. Now it is raising another $3.4m, but at only 1¢. How would those who tipped in money at the higher price be feeling now? Unimpressed would be an understatement.

The Bottom Line - the broker options stink

The elephant in the room is the 339 million option package being issued to Euroz. It is obscenely large. Normally, when shares are issued, the options attach to the shares, but not here. The broker has skimmed off these options for its own self. Bugger the shareholders! This is broker greed at its worst.

The dilution to shareholders is crippling. After the shares have been allotted the outstanding number of shares on issue will be 1.158 billion, giving a market capitalisation of about $11m. The 339 mill options to Euroz potentially gives control of the company away. If they were exercised, Euroz would be sitting at just below 20% of the issued capital (taking into account 299 mill. options already on issue, at strike prices of 5¢ and 12¢). So much for a takeover premium - and don't tell me that the 1.75¢ strike price represents the premium. Interestingly, these options are transferable … subject to ASX escrow rules that may be applicable.

Now that package is okay, according to the ASX, provided shareholders approve the issue in general meeting. There is no moral judgement in this process and no consideration of what is equitable. There is just an ASX designated process and reliance on apathy of shareholders, most of whom don't look at the paperwork - especially a Notice of Meeting that is a ridiculous 46 pages long. Or, if they do, the smart thing would just be to exit the stock and not get involved in a battle.

The issue of 22.5 mill. performance shares to the MD is almost insignificant give the above numbers, especially given they will be awarded on real operational performance measures.

Whereas I was previously looking for an entry point into the stock, now I will avoid it like the plague. There are plenty of other companies out there, most of them with better corporate management.

Battery prices hit all time lows

Benchmark recently sent out an email saying battery prices have hit all time lows as raw material prices continue to decline. LFP is now less than $60/kWh. Battery spec improvements have also helped to cut per-kWh prices. Overcapacity is driving down Chinese anode utilisation rates.

While we are mostly convinced that the Chinese are manipulating commodity prices for battery input materials in an effort to hamstring the economics of Western world projects, what if this is only half of the story? What if the falling prices are a result of expansion and overcapacity in the manufacturing link in the supply chain? Expansions are usually embarked upon to satisfy increasing demand and this is what we are told is happening with the swing towards EVs, but are we seeing supply racing away too aggressively?

China's ambition to supply EVs to the rest of the world is the driving factor here. It is providing the stimulus by making more cars, requiring more battery input metals, but why do these metal prices keep falling. That is not intuitive. That isn't what you would expect.

China is running into problems with many countries imposing tariffs of up to 40% on Chinese EVs. What is China going to do if it can't sell its cars overseas? Does it slow down production? That should mean that metal prices will fall further, means more pain for lithium, graphite and rare earth companies. Increased supply from all the new projects is going to add to the pain. It all looks rather worrying for the emerging producers.

If this is correct it paints a gloomy picture for all those ASX companies involved in "new age" metals. What goes up - commodity prices of the metals - certainly comes down. We have seen it happen. The next question is "will these prices go up again, and when?" Will the foot be lifted off the throats of these companies, or just be eased a little. Most likely, everyone needs to adjust to a long term regime of lower prices?

There are way too many juniors in this space. Investors need to look critically for those few companies that may succeed, focusing not on rhetoric but on the hard commercial numbers (where they even exist). All the other companies will need to find another story line, or die.

Felix Gold - highly leveraged to the gold price

Felix Gold (FXG) is a company we have commented on several times in the past, originally due to its flagship gold exploration project, NW Array in the Fairbanks District of Alaska. Located only 25 km from Kinross's huge Fort Knox Gold Mine, NW Array has 25 Mt at 0.58 gpt gold for 476,000 oz. While this is low grade, the gold is in near surface flat-lying oxide mineralisation within 60m of the surface. Bottle roll tests have shown that > 90% of the gold is recoverable.

Nearby the Grants Mine is a higher grade, brownfields resource expansion project. This has both open pitiable and underground resources of 5.8 Mt at 1.95 gpt, for 364,000 oz. The underground component is 136,000 oz at 6.2 gpt.

The low-grade Alaskan gold plays have good geological and economic merit but Australian investors just don't seem to get it. Fort Knox has been a huge mine that started off with a Proved and Probable Reserve of 158 Mt at 0.83 gpt in a single pit, containing 4.2 Moz of gold. After the production 7.5 Moz, it still had a resource of 255 Mt at 0.3 gpt, in 2019. In 2023, it produced 290,000 oz at a cash cost of U$1,195/oz, with a head grade around 0.3 gpt. At these gold prices it would be very profitable.

Antimony has jumped into focus

More recently Felix has been promoting its antimony project, Treasure Creek, on the same licence as NW Array. The historic Scrafford Antimony Mine was one of Alaska's largest antimony mines, achieving past production grades of up to 58%. Felix says that a simple gravity separation and flotation could achieve 90% recovery of antimony, at low cost. Concentrate grade could achieve 60% levels, with gold and silver credits.

While Felix plans to fast track a small mine that could produce 5,000 tpa of antimony, it can't say this officially as guidance because it doesn't have a JORC compliant resource yet. Thus, Chapter 5 of the ASX Listing Rules stand in the way. Nevertheless, Felix believes it can be in business by the end of 2025. The mine is strategically located in the USA, meaning it is likely going to receive strong government support.

The Bottom Line

The antimony is certainly a hot topic and Felix is well-placed with the Scrafford Mine. The strong antimony price has resulted in quite a few companies declaring they have antimony projects in their portfolio, but none look as if they are as close to production as Felix.

However, I still get drawn back to the leverage on low-grade gold as the main appeal. The 476,000 oz resource at NW Array is a good start, but we expect additional drilling along strike will add to the resource.

The nearby Fort Knox mine could be a candidate to purchase ore for its mill, which is believed to have only three years life left on existing reserves, but speculating on deals with neighbours can often be difficult. Much will depend upon how much larger Felix can grow its resource base to make it a meal-sized target.

It is noteworthy that the Canadian institution, 1832 Asset Management, tipped into the recent placement at 7.5¢. It has also been an on-market buyer, paying as high as 12¢ a share on 1 October. It now has 7.38% of the issued shares. 1832 is a specialist investor that understands mining well, so its decision to buy into Felix is encouraging.

Disclosure: Interests associated with the author own shares in Felix Gold.

Aguia Quarterly - look at the drilling plans

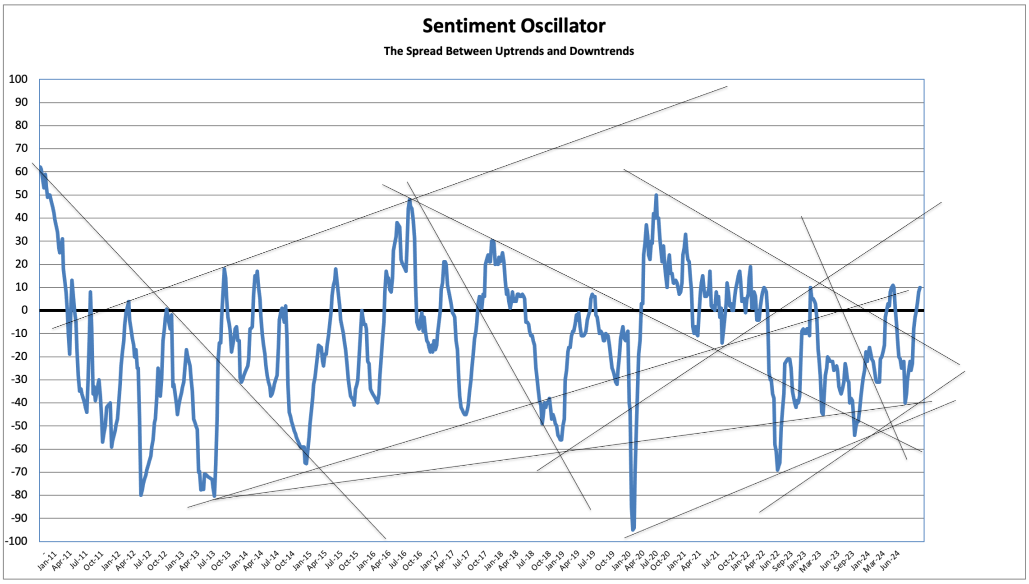
As we all know, Aguia Resource (AGR) doesn't have a JORC resource. That is why the ASX won't allow the Company to call Santa Barbara a "mine" yet and won't allow guidance. However, Aguia will soon address that anomaly. The quarterly report released last week gives a detailed plan of drilling that will commence in Q1 next year. Designed for the Santa Barbara and Mariana vein systems, the drill holes will explore the strike and dip continuity of the vein systems and test areas outside of the known vein systems for additional vein sets. There is a huge target of 7 km of veins that are awaiting drill testing. Given that there are parallels with the geology at Buritica, a 400,000 oz gold producer only circa100 km away, the blue sky appeal is compelling.

The first program involves 21 proposed drill holes for an estimated total of 2,044m of drilling. The holes are designed to intersect the target main vein at depths of 25m and 50m below the tunnel level in the first instance.

Disclosure: Interests associated with the author own shares and in Aguia and the author is the Executive Chairman.

We have added Felix Gold to our chart coverage this week, being a stock highly leveraged to the gold price.

Sentiment Oscillator: Sentiment improved a little. There were 41% (40%) of stocks in uptrend and 31% (32%) in downtrend at the close of the week. We are back above the equilibrium line.



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 steep uptrend	
Metals and Mining	XMM		pullback	
Energy	XEJ		strong rally	
Information Technology	XIJ		new high	
Stocks	**Code**		**Trend Comment (updated comments in bold)**	**Main Interest**
Aguia Resources	AGR		consolidating at highs	phosphate, gold
Alkane Resources	ALK		breached downtrend	gold
Alicanto Minerals	AQI		strongly higher	base metals, silver, gold
Alligator Energy	AGE		breached steepest downtrend	uranium
Almonty Industries	AII		rising	tungsten
Alpha HPA	A4N		rising again	HPA
Altech Chemical	ATC		spike through resistance then drifting	HPA, anodes
Alto Metals	AME		new high	gold
American Rare Earths	ARR		sideways breach of downtrend	rare earths
Anax Metals	ANX		new low after placement	copper
Andean Silver	ASL		new highs	silver
Anteotech	ADO		spike higher	silicon anodes, biotech
Arafura Resources	ARU		secondary downtrend in play	rare earths
Ardea Resources	ARL		down	nickel
Arizona Lithium	AZL		sideways through downtrend	lithium
Astral Resources	AAR		new high	gold
Auric Mining	AWJ		rising	gold
Averina	AEV		hugging downtrend line after initial breakout	phosphate

Aurora Energy Metals	1AE	back to lows	uranium
Aurelia Metals	AMI	rising	copper + base metals
Australian Gold and Copper	AGC	weaker	base metals, silver, gold
Australian Rare Earths	AR3	surge then heavy pullback	rare earths
Australian Strategic Materials	ASM	new uptrend breached	rare earths
BHP	BHP	secondary downtrend in play	diversified, iron ore
Barton Gold	BGD	gently higher	gold exploration
Beach Energy	BPT	new low	oil and gas
Bellevue Gold	BGL	recovering	gold
Besra Gold	BEZ	still down	gold
Black Cat Syndicate	BC8	slump on $80m placement at 52c	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	secondary downtrend in play	rare earths
Brightstar Resources	BTR	sideways	gold
Caravel Minerals	CVV	sideways	copper
Carnaby Resources	CNB	breached downtrend	copper
Castile Resources	CST	gently higher	gold/copper/cobalt
Catalyst Metals	CYL	surge to new high	gold
Cazaly Resources	CAZ	breached new downtrend	rare earths
Celsius Resources	CLA	sideways	copper
Challenger Gold	CEL	hugging uptrend line	gold
Cobalt Blue	COB	breached downtrend	cobalt
Critica. (was Venture)	CRI	sideways	tin
Cyprium Metals	CYM	down again	copper
Emerald Resources	EMR	rising, new high	gold
Empire Energy	EEG	breached uptrend	gas
EQ Resources	EQR	rising	tungsten
Evolution Energy	EV1	testing uptrend	graphite
Evolution Mining	EVN	rising	gold
Felix Gold	FXG	breaching steps uptrend	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	down	niobium
Gold 50	G50	breached downtrend	gold exploration + gallium
Great Boulder Resources	GBR	new low	gold exploration
Group 6 Metals	G6M	suspended	tungsten
Hamelin Gold	HMG	breached downtrend	gold exploration
Hastings Technology Metals	HAS	back in downtrend	rare earths
Heavy Minerals	HVY	testing brief, sharp uptrend	garnet
Hillgrove Resources	HGO	testing downtrend	copper
Iltani Resources	ILT	breached downtrend	antimony
Iluka Resources	ILU	rising again	mineral sands

ioneer (was Global Geoscience)	INR		rising	lithium
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
Krakatoa Resources	KTA		back to lows	rare earths
Larvotto Resources	LRV		steep rise	gold, antimony
Lindian Resources	LIN		sideways at lows	rare earths + bauxite
Li-S Energy	LIS		spiked higher	Lithium sulphur battery technology
LCL Resources	LCL		sideways at the bottom	gold/nickel exploration
Lotus Resources	LOT		breached downtrend, rising gently	uranium
Lucapa Diamond	LOM		collapsing due to institution dumping shares	diamonds
Lunnon Metals	LM8		steep rise	nickel
Lynas Corp.	LYC		rising	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		recovering	rare earths
Metro Mining	MMI		breached downtrend	bauxite
Midas Minerals	MM1		pullback	lithium
Nagambie Resources	NAG		returning to downtrend	gold, antimony
Neometals	NMT		breached uptrend	lithium
Newfield Resources	NWF		rallying	diamonds
Nexgen Energy	NXG		breached downtrend	uranium
Northern Star Res.	NST		rising again	gold
Nova Minerals	NVA		surged higher	gold exploration
Novo Resources	NVO		sideways through downtrend	gold exploration
Pacific Gold	PGO		breached downtrend	gold exploration
Paladin Energy	PDN		crunched down	uranium
Pantoro	PNR		rising again	gold
Patriot Battery Metals	PMT		collapse to a new low	lithium
Peninsula Energy	PEN		new low	uranium
Perseus Mining	PRU		correcting lower	gold
Provaris Energy	PV1		new low	hydrogen
QMines	QML		breached uptrend	copper
Queensland Pacific Metals	QPM		rising	nickel/cobalt/HPA
RareX	REE		sideways at the bottom of a downtrend	phosphate, rare earths
Regis Resources	RRL		new uptrend	gold
Renergen	RLT		surge on production news	gas, helium
Richmond Vanadium	RVT		sideways	vanadium
RIO	RIO		pullback	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
Santos	STO		down	oil/gas
Sarytogan Graphite	SGA		**testing downtrend**	graphite
Siren Gold	SNG		**spike and fall on corporate bid**	gold exploration
Southern Cross Gold	SXG		surging on antimony	gold exploration
Southern Palladium	SPD		**spiked higher**	PGMs
Stanmore Coal	SMR		risen to meet resistance line	coal
St George Mining	SGQ		down	rare earths, niobium
Stellar Resources	SRZ		rising again	tin
Summit Resources	SUM		down	niobium, rare earths
Sun Silver	SS1		rising	silver
Suvo Strategic Minerals	SUV		sideways through uptrend	kaolin
Talga Resources	TLG		**spike through downtrend**	graphite
Tamboran Resources	TBN		down	gas
Terra Uranium	T92		down	uranium
Theta Gold Mines	TGM		rising again	gold
Toro Energy	TOE		breached downtrend	uranium
Torque Metals	TOR		back to lows	gold exploration + lithium
Vanadium Resources	VR8		breached downtrend	vanadium
Vintage Energy	VEN		sideways at lows	gas
Vertex Minerals	VTX		steeply higher	gold
Walkabout Resources	WKT		sideways	graphite
Warriedar Resources	WA8		**down**	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	41%	55	Uptrend	
	31%	42	Downtrend	
		135	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	25	18.5%	
Rare Earths	16	11.9%	
Gold Exploration	14	10.4%	
Copper	11	8.1%	
Uranium	9	6.7%	
Lithium	6	4.4%	
Oil/Gas/Hydrogen	7	5.2%	
Graphite/graphene	5	3.7%	
Iron Ore/Manganese	4	3.0%	
Nickel	3	2.2%	
HPA/Kaolin	3	2.2%	
Tungsten	3	2.2%	
Tin	3	2.2%	
Silver	3	2.2%	
Antimony	4	3.0%	
Potash/Phosphate	2	1.5%	
Coal	2	1.5%	
Diamonds	2	1.5%	
Niobium	1	0.7%	
Vanadium	2	40.0%	
Zinc/Lead	1	0.7%	
PGMs	1	0.7%	
Mineral Sands	1	0.7%	
Bauxite	1	0.7%	
Cobalt	1	0.7%	
Other	5	3.7%	
Total	135		

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