

Value in the gold sector

It was another ugly week as many junior stocks slumped further, in many cases giving back the gains of recent weeks. Interestingly, some of the better quality gold stocks looked stronger.

The Sentiment Oscillator shows that the market has fallen back to the support line going back to April 2013, but note that there have been three occasions where this has been breached in spike-down events.

Last week Kerry Stevenson's Gold Conference in Sydney provided some welcome relief from the euphoria of battery metals, rare earths and other exotics which can motivate traders in the market. Activity in these latter stocks is based more on sentiment than sound fundamentals, whereas it is easier to work out earnings potential for gold companies.

It was a good opportunity to catch up with gold stories that have been somewhat overlooked in recent times. Without passing judgement on other stocks, we found two under-appreciated and interesting stories that we haven't covered previously; Astral Resources (AAR) and Vertex Minerals (VTX). Vertex is covered below. Astral will feature next week.

On a general note there were plenty of other gold stocks that are selling at depressed prices owing to the bear market. Now is the time to sifting through these in anticipation of the market turning upwards. It is usually easier to calculate fundamental value for companies with good quality gold resources than it is for most other commodities provide you go through the check list of important parameters and make sure that the management is up to the task.

Is Vertex about to get Hill End right?

Placing it in historical perspective.

Vertex is operating in an historical goldfield where many companies have tried to revive gold mining operations over the last 40 years. I first looked at Hill End in 1983, whilst working at Jackson Graham Moore and Partners. "Spike" Cleaver was the principal promoter. Like many IPOs, Northern Gold N.L. hit the bourse with plenty of promise, but nothing much came of it. The properties went through a succession of owners in the subsequent decades with well over \$100m being consumed, but commercial success eluded all of these companies. In the latest iteration we have Vertex Minerals, capitalised at a tiny \$6.5m, looking to succeed where all others have failed. Can it do it?

Back in the 1980s the revival of Australia's gold sector was almost entirely based on the low-grade open pits using CIL gold recovery techniques, in a hurry to maximise earnings before the Federal Government removed the income tax exemption on gold. There was very little underground mining experience and it remained that way for another 20 years. Only in more recent times have we seen a revival of these skills and the extension of deeper mines below

earlier open pits. So, there should be no show stopping technical or lack of skill reasons for unsuccessful underground gold mines today. They can still fail if the management and control is not there, but if you get these aspects correct there is no technical reason why companies should fail.

VTX IPO in Late 2021 raised \$5.5m

The primary objective of the IPO was to raise \$5.5m to explore around Hill End in NSW, approximately 50 km N of Bathurst in NSW. The Hill End and Tambaroora goldfields were among the richest goldfields worked in NSW, starting with alluvial operations in the 1850s. At the time of the IPO, since 1987, explorers have drilled 127 diamond holes and 235 RC holes, for a total of 28,392m at Hargraves. A resource of 2.4 Mt at 2.4 gpt for 177,652 oz was calculated for the Big Nugget Deposit. Total company resources were 3.7 Mt at 2.11 gpt for 257,000 oz of gold.

The ever important management team is led by geologist Roger Jackson, as Executive Chairman. Declan Franzmann is a mining engineer who started out doing airleg mining in the Cracow Gold mine in Queensland. Tully Richards, a local geologist, manages the exploration.

By May 2023, Vertex had almost completed the refurbishment of the gravity circuit plant and was preparing to commission it on stockpiled ore. It undertook a 1 for 3 entitlement issue at 10¢ a share to raise \$1.6m. It then announced an Indicated and Inferred Resource at the Reward Gold Mine, of 419,000 t at 16.7 gpt, for 225,000 oz. Taking other positions into account at Hargraves, the combined resource amounted to 485,000 oz.

The June Quarterly informed us that a conceptual mine plan was being prepared which would form the basis of a scoping study. An ASX release last week disclosed an Exploration Target of 524,000 t at 12.5 to 19 gpt, for 211,000 to 321,000 oz based on historic sampling of underground adits/stopes and diamond drilling.

Focusing on the high grade resource, which was calculated using a 5 gpt cut-off, the Company expects to recover 90% of the gold in the gravity circuit owing to the coarse nature of the gold. No chemicals will be needed so the process will be simple. Mining is expected to be on 15m levels with stoping widths of up to 2m on orebodies that dip at 65-70 degrees.

The 40,000 tpa gravity plant will start processing 60,000 tonnes of stockpile ore at a grade of 2 gpt within the next few months.

The Bottom Line

As you would expect, the Company was very positive in the presentation it gave me at the Conference. Notwithstanding the failure of previous owners, Vertex believes it can make this mine work for shareholders.

The \$6.5m market capitalisation, with \$2m in the bank, is very cheap given the potential upside. If they get it right, shareholders could make a multiple of their investments. The obstacles to success include the small cash balance now and the need for working capital to expand the operations once the gravity circuit is commissioned. To some extent it can be self funding, but that tends to be sub-optimal.

You need to have more than just money for projects like these. You need to have tight management that really understands how to make these narrow vein high-grade gold mines work. Mining needs to focus on grade and recovery rather than just tonnages through the mill. Too much available cash can lead to wastage, as appears to have happened with the previous owners.

The first year or two of any underground mine is always the most challenging as it often takes this much time to develop the mine and open up stopes. Fortunately there has been a considerable amount of development already completed by previous owners.

Numbers will become clearer with the release of a PFS in about six weeks. Maybe the malaise that currently affects the market will be easing by then. We will visit the site in the next month or two and hopefully come back with more detailed insights, but for the time being it looks like a very tightly held stock that could offer rapid share price appreciation if it can deliver favourable news flow to the market.

PGM stocks have been hard work in Australia

The Platinum Group Metals (PGMs) in Australia have been quite a challenge for explorers and investors since, forever. With each generation of new investors that enter the market we see them dabble in the sector but without any lasting success. Earlier companies that come to mind are Helix Resources, Platinum Resources and Hunter. Their projects have been picked up by others over time, but still without commercial success.

More recently we have a major new discovery by Challice at Julimar in WA. As good as this latter one appears to be, with the share price running from 21¢ to a high of \$9.60 over a two year period, the release of the Scoping Study last week was the catalyst for a collapse of the share price to \$3.20. Making money on PGM stocks is not easy, but it doesn't have to be as hard as it has been.

Go to South Africa for the greater certainty and lower technical risk in the PGM sector

The home of platinum stocks is South Africa. There you have major, long life mines based on well-understood geology and metallurgy. You have experienced operators and importantly, you have smelters and refineries that are purpose built for PGMs. It is a feature that these mines are owned by a small number of larger companies with there having been only rare occasions when juniors have managed to secure a foothold. Last week we saw a presentation given by Southern Palladium (SPD), a company that seems destined to become a long life PGM producer in the Eastern Limb of the Bushveld Complex.

A recent IPO raised \$19m

SPD IPO'd recently, in June 2022, raising \$19m at 50¢. The shares performed well initially, reaching a high of 96¢ in August 2022, but have since fallen heavily to a low of

27¢ a few days ago. Was this another example of over-enthusiastic pumping and dumping, or is it yet another victim of the resources bear market? The latter seems more probable, based on an assessment of the merits, though the selling by institutions would have been a major negative influence. If that selling has finished, which seems to be the case, maybe the share slide is bottoming out.

The Bengwenyama Project (70% SPD)

Bengwenyama is located in the heart of the Eastern Limb of the Bushveld Complex with > 200,000 oz PGE mines to its north and south. The companies owning these mines are multi-asset companies capitalised at A\$3bn to A\$7bn. At this juncture, being pre-production, Southern Palladium is capitalised at a minuscule A\$25m.

The initial 149 Mt Indicated and Inferred Resource at 4.5 gpt 4PGE contains 21.5 Moz in the classic Merensky and UG2 mineralisation, being the same tabular reefs currently mined by the major PGM companies. This figure has recently been increased to 25 Moz. The bulk of the resource is above 500m vertical depth, which is shallower than most operating PGM mines in the Bushveld Complex. The Indicated component accounts for 20% of the total.

Payment terms and products

PGE mines produce a suite of metals that report to concentrates via the well-know process of flotation. These are sold to smelters in and around Rustenburg in South Africa on payment terms of around 85% for PGMs and 70% for nickel and copper. Gold can account for 3% of the value and chromite for 5%. Government royalties are levied on a sliding scale depending on metal prices, from 0.5% to 5% of revenue.

As with any mine development, it takes time

The IPO raised money to conduct closer spaced drilling in order to increase the proportion of Indicated resources on which to prepare updated Scoping and subsequent studies. This involves closing the drill spacing from 1,000m used for Inferred resources, to 250-300m required for the Indicated category. This drilling and completion of a Pre-Feasibility Study is expected to consume \$7m of the existing cash balance of \$11.5m. The Company will plan for a 20 year mine life in the first instance, though expect a much longer life in reality. Fifty years is not out of the question.

The current timeline calls for a Scoping Study by January 2024, a Pre-Feasibility Study by mid 2024, and the granting of a Mining Right by late 2024. That would enable construction to commence in mid 2025, for commissioning two years later.

The Bottom Line

Once you understand the South African PGE mines, determining value is not difficult. Location is very important and with this in mind, SPD is perfectly situated in the middle of the fairway that hosts some great mines. Once the drilling and technical studies have confirmed the grade and consistency of the mineralisation, and other important parameters, development of a PGM mine becomes procedural.

At recent prices the shares have been selling at a heavy discount to the intrinsic value. At some point we will look back and say "Wow, that was the time to get set ... at the bottom of the market"; at least that is how I see it at the

moment. Timing of share price rises will depend upon how long it takes investors to appreciate the future value rather than any speculative event.

Even though South Africa has its issues, it is a better place to operate than in Russia or Zimbabwe, the other main PGM producing countries. It is the critical source of supply for PGMs and it will remain so for, perhaps forever.

A figure often quoted as a measure of relative value is the market capitalisation per ounce of resources. SPD is selling at only A\$1/oz, which is exceptionally low and less than 10% of the value attributed to many other PGM companies. Again, this emphasises deep value.

We need to overhaul the various state mines departments, attitudes and productivity

Irrespective of what commodity you are dealing with, companies still have to deal with government departments in order to advance their projects. The trend continues to be one of more difficulty and complexity as each year goes by. We could blame the politicians but the real bottleneck seems to be the public servants that administer the various mining legislation and regulations. Perhaps it is time to reset ground rules and attitudes to ensure the bureaucracy understands that the objective should be to facilitate new mining developments rather than obstruct them.

Productivity is not a word often used in government departments, but it should be. I was disturbed to hear from one company that it was going to take 12-18 months to get mine development approval in WA. Isn't WA supposed to be the premier mining jurisdiction in the world? There is nothing impressive about this time frame and it certainly wouldn't please shareholders. The trouble is, if a company complains, the narrow minded administrations may have a tendency to stretch the process out even further. It is time for an overhaul!

The Voice - do you smell a rat?

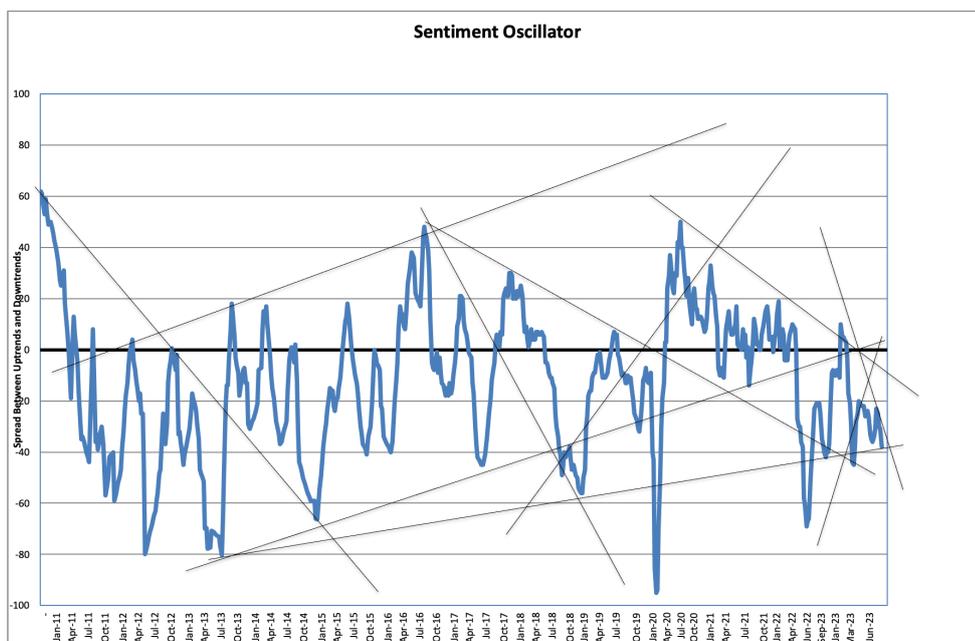
What's in a name when it is "The Voice". When I first heard it mentioned I thought it was about the TV show called The Voice, but then I thought, "what has the talent quest, The Voice, got to do with Aborigines"? Then the penny dropped.

You can guarantee that The Voice has been trademarked. No one can use it without a commercial arrangement. So, what is the arrangement between the owners of the trademark and the promoters of the referendum? How much has been paid, to whom, and who is financing it? I would like to know. Where is the disclosure?

The next question is, why use the name The Voice? Is it a case of deception? Is it designed to popularise a political initiative to minimise enquiry and resistance by confusing it with a TV show? How naive does the government really think the electorate is? Think about it. It is a pity we don't have a national corruption enquiry system in place yet to investigate what is going on. We are being duped. It certainly doesn't pass the pub test. The latest iteration of the con is the enlisting of singer of The Voice, John Farnham, to try and brainwash us even further.

The whole Voice campaign is a very carefully crafted exercise in deception. It wasn't mentioned in the lead up to the last Federal election. There was no disclosure and therefore no mandate, yet it has been the overwhelming objective of the Federal Government and ALP, for many months now. It is the greatest snowballing effort of the electorate in living memory, taking deception to new highs.

When I was directed to appear as a witness in the ICAC investigation into the allocation of coal licences in NSW, by the Labor Government in the day, I was asked by Watson SC if I smelt a rat. We should all be asking the same question today, about The Voice. Do we smell a rat?



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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	but rallying	
Metals and Mining	XMM	rallying	
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	All	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	sideways below 8c	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	testing support line on placement	copper
Carnaby Resources	CNB	testing downtrend	copper
Castile Resources	CST	rising from lows	gold/copper/cobalt

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Cazaly Resources	CAZ		sideways	rare earths
Celsius Resources	CLA		at lows	copper
Cobalt Blue	COB		strong surge, then a correction	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		on support line	iron ore
FYI Resources	FYI		down	HPA
Galena Mining	G1A		testing downtrend	lead
Genesis Minerals	GMD		rising	gold
Genmin	GEN		testing downtrend	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		down	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		testing uptrend	nickel

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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
Regergen	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		suspended	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		down	gold exploration

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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		still down	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	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		

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