

How to make money in the changing gold sector?

There is obviously something more than the outlook for interest rates affecting the gold price. We are back to that stage of the cycle where it is being driven by emotional buying rather than simple interest rate expectations. It is not rationally mathematical and therefore it is not predictable. Much of that buying is coming from the fear emanating from China so it is not merely trading. It could be a fundamental shift in the Chinese savings strategy as the citizens switch into the hardest currency there is - gold. Property is no longer an alternative destination for their savings.

This is a whole new dynamic that has already delivered a period of upwards volatility in the gold price. If there is one factor that drags in more buying, it is the perception that the market is going higher and the traders are missing out. It is good old fashioned FOMO.

As we have observed in recent weeks, the enthusiasm for bullion has barely moved many gold company share prices. However, it is only a matter of time before that changes. The rise above US\$2,300/oz might just be the start of the next upward leg. People could come rushing back to the gold equities market, but how do you decide which companies are going to be the best investments ... or trades? Read on.

Why is the Chinese population worried?

In the opening paragraphs above we note that the physical buying of gold by Chinese people is becoming an increasingly important dynamic in the gold market. Why should they be worried? The Economist just ran an interesting commentary that adds some insight. It observes that;

- the property boom has turned to bust and could take years to fix, so property investment is no longer attractive,
- the global system of free trade that China used to enrich itself is disintegrating,
- Xi Jinping's strategy of remaking the Chinese economy is not working,
- Xi's centralist planning tactic to dominate the industries of tomorrow, and an obsession with security is increasing grounds for anxiety and potentially conflict (economic or otherwise) with the Western world. An example of this is the panic that is emerging with Europe fearing that the Chinese will wipe out its car makers.

The Chinese population was happy while every one was making money but the mood in China is now dour. Consumers are depressed, deflation lurks and many entrepreneurs are disillusioned.

China today is a very different proposition to what it was 20 years ago. Back then it was riding the wave of globalisation. It was still making up for the lost years of growth that were imposed upon it by extremist communist policies. The goodwill of the rest of the world towards China

underwrote incredible growth. Massive expansion of manufacturing capacity with a low cost base enabled world prices to be kept low due to the beneficial economies of scale. Urbanisation of hundreds of millions of people fuelled an unprecedented property boom that fuelled further growth. Capitalist tendencies were encouraged and a new breed of wealthy businessmen scoured the world for opportunities. But the economic miracle was brought to a screeching halt by the Covid pandemic. The wheels started to fall off as the Xi regime became more restrictive and then combative with the rest of the World. Globalisation turned into slowbalisation as Chinese narcissism began to destroy any offerings of goodwill that had previously favoured China.

We are seeing a return to nationalism that is accelerating the anxiety in China. The dominance of Xi is becoming increasingly dictatorial and his closer alliance with Putin is isolating the country on the global stage even more. Is it any wonder that there has been a surge of interest in gold as a safe haven?

What gold stocks give the best leverage?

The gold price has been at historically high prices for some time - years in fact. Producers have been having a good time of it. At the same time there have been many companies that have boasted good gold credentials with apparently sizeable resources, but they haven't progressed to the producer status. Why is that? Is it because there hasn't been the management capability, or was it because the economics weren't right? The recent, higher gold price will address one of these questions, but not the other. Will we see a resurgence in production, or just heavier promotion of the increasing value of gold, being money in the ground? More importantly, what will investors be seeking as they belatedly seek to embrace the new era for gold? Where will their funds flow? Where will they see the best leverage?

It is basic economics to observe that marginal producers will be the greatest beneficiaries of higher gold prices. Low grade companies with the highest cash operating costs will have the most to gain e.g. the Dalgaranga Gold Mine and Red 5. The opposite of vulnerability to lower gold prices is positive leverage to higher gold prices. Companies with the largest in-ground resource bases will also be great beneficiaries e.g. West Wits. Those companies with rapidly expanding resource bases will increasingly benefit. Companies do not have to be in production for their share prices to go higher. Analysts will increase their price targets with each rise in the gold price.

Traders and speculators who are unafraid of volatility will look at daily gold price movements in determining whether to buy or sell. However, investors must take a longer look at management capability. Believing the gold price will continue an upward trend is one thing, and the trend can

be comforting, but the opportunity that comes with that trend can be wasted when management is substandard. As always, don't be complacent on you assessment of management.

Nevertheless, if the gold price keeps moving higher you may find that a rising tide lifts all boats

Agua's move into gold couldn't be timed better.

As if guided by divine intervention, Agua's diversification into gold couldn't have been timed better. Launching of the takeover bid for Andean Mining in December/January and the rapid influx of acceptances now sets the scene for a new, profitable chapter for the Company. The very high grades should ensure it makes strong profits, though it doesn't make for as great a leverage on the very low operating costs. However, the commencement of drilling of the 7 km of veins could rapidly deliver a JORC resource for the first time, offering leverage to an expanding resource.

Just to remind you, the Santa Barbara Gold mine does not have JORC resources yet. So, how can we be confident about the future?

Remember how we wrote about underground narrow vein, high grade gold projects previously, stating how a typical time from initial discovery to achieving commercial operating status was probably more than seven years in Australia. The obsession with a JORC resource drags out the time frame considerably. However, having a resource is only one of the ingredients of a profitable operation. It is not actually a precondition. You can make money out of a gold mine without resources, provided you can mine and treat the ore successfully. A JORC resource cannot give you this kind of certainty. It just gives you a measure of confidence that there is an orebody and it leaves many unanswered questions.

If is more critical to understand the geometry of an orebody, its dimensions in the mining function and the underground rock mechanics i.e. can it be mined effectively? These

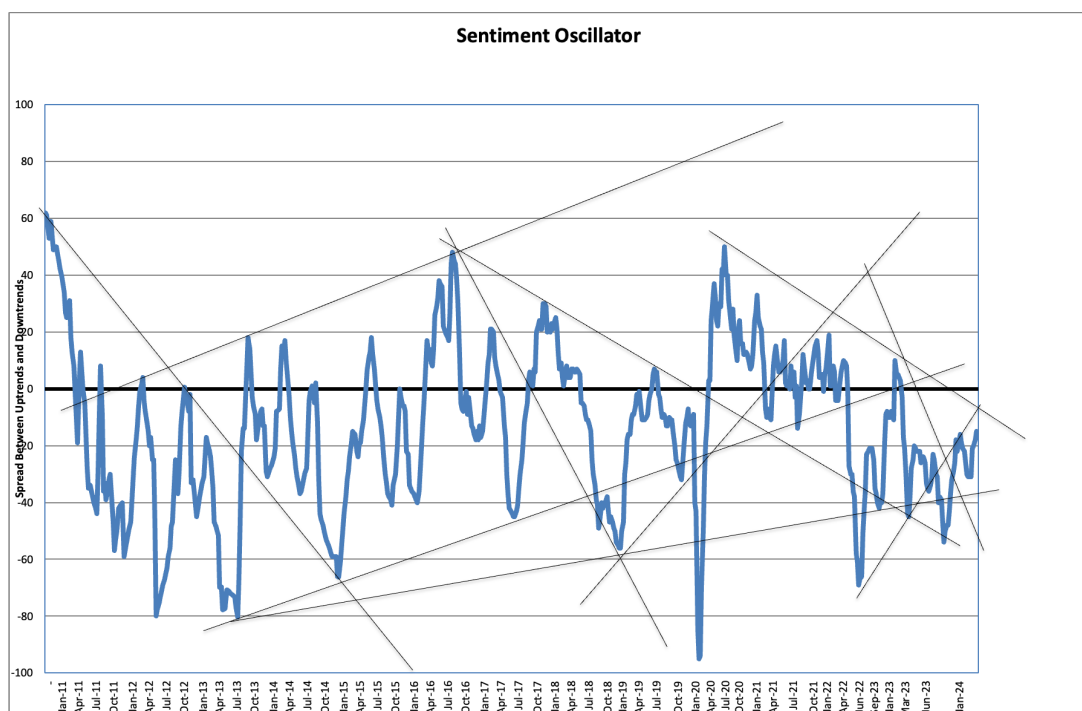
factors will tell you what grade you can expect to be delivered to the mill, after mining dilution. Then you need to consider the metallurgy and how much gold can be recovered, though this is seldom the most important consideration. Having a JORC resource alone will never give you reliable economic information ... until you have been underground for a couple of years.

Andean Mining's predecessors have answered all of these physical questions up front, before spending millions of dollars on drilling. The opening up of adits and the mining and processing of 500 tonnes of ore, to recover 20 gpt, has given so much more information than the drilling of 50, or even 100 drill holes could ever give you. It has given a much deeper understanding of the dynamics and the economics of the orebodies. A pilot scale operation gives you infinitely more reliable information than desk top studies. When the results of such an operation have been as positive as those for Santa Barbara, it engenders a high level of confidence in the future.

Unfortunately, because there have been no JORC resources calculated yet, the company is precluded from talking about economics. It is not even allowed to do a scoping study or a preliminary economic assessment, so there is a limited amount of information that can be released on the ASX. But don't let this blind you to the opportunity, speculative though it may be. It will all become apparent in time. We don't all have to operate in a straight jacket.

Disclosure: Interests associated with the author owns shares in Agua Resources and Andean Mining. He is chairman of both companies and has received payment for capital raisings.

We have added Vertex Minerals (VTX), a prospective high grade gold producer in NSW, to our chart coverage.



*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.*

Sentiment Oscillator: Sentiment improved a little more. There were 28% (27%) of stocks in uptrend and 43% (45%) in downtrend at the close of the week.

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	at highs	
Metals and Mining	XMM	breached downtrend	
Energy	XEJ	rstill under long term downtrend line	
Information Technology	XIJ	peaking?	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
5EA Advanced Materials	5EA	spiked through downtrend	boron
92 Energy	92E	trying to hold trend line	uranium
Adriatic Resources	ADT	new high	zinc, polymetallic
Advance Metals (was Pacific American)	AVM	rising	coal, gold exploration
Aguia Resources	AGR	breached LT downtrend	phosphate, copper exploration
Alkane Resources	ALK	testing downtrend	gold
Alicanto Minerals	AQI	fallen back to lows	base metals, silver, gold
Alligator Energy	AGE	breached uptrend	uranium
Almonty Industries	All	testing uptrend	tungsten
Alpha HPA	A4N	wedge forming	HPA
Altech Chemical	ATC	breaching downtrend	HPA, anodes
Alto Metals	AME	testing downtrend	gold exploration
American Rare Earths	ARR	continuing to fall	rare earths
Anax Metals	ANX	rising	copper
Anteotech	ADO	breached downtrend	silicon anodes, biotech
Arafura Resources	ARU	pullback	rare earths
Ardea Resources	ARL	breaching downtrend	nickel
Arizona Lithium	AZL	strong rally	lithium
Astral Resources	AAR	gentle downtrend	gold
Averina	AEV	down heavily	phosphate
Aurora Energy Metals	1AE	back to trend line	uranium
Aurelia Metals	AMI	rising	gold + base metals
Australian Rare Earths	AR3	at lows	rare earths
Australian Strategic Materials	ASM	strong rally but hit LT resistance line	rare earths
Azure Minerals	AZS	another surge higher then pullback	nickel exploration
BHP	BHP	down	diversified, iron ore
Barton Gold	BGD	sideways through support line	gold exploration
Beach Energy	BPT	rising gently	oil and gas
Bellevue Gold	BGL	new high	gold exploration
Besra Gold	BEZ	collapse to new low	gold
Black Cat Syndicate	BC8	steep rally	gold

*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.*

BMG Resources	BMG		down	gold exploration
Boab Metals	BML		strong rise	silver/lead
Cadoux (was FYI)	CCM		testing steepest downtrend	HPA
Calidus Resources	CAI		down to new low on placement	gold
Caravel Minerals	CVV		strong rally	copper
Carnaby Resources	CNB		secondary downtrend	copper
Castile Resources	CST		breaking uptrend	gold/copper/cobalt
Catalyst Metals	CYL		new uptrend	
Cazaly Resources	CAZ		back to downtrend	rare earths
Celsius Resources	CLA		stronger	copper
Cobalt Blue	COB		down again	cobalt
Cyprium Metals	CYM		testing downtrend	copper
Ecograf	EGR		testing support line	graphite
Emerald Resources	EMR		rising, new high	gold
Empire Energy	EEG		breached support	gas
EQ Resources	EQR		breaching downtrend	tungsten
Euro Manganese	EMN		testing downtrend	manganese
Evolution Energy	EV1		new low	graphite
Evolution Mining	EVN		rising	gold
First Graphene	FGR		spiked higher	graphene
Fortescue Metals	FMG		off its high	iron ore
Genesis Minerals	GMD		testing uptrend	gold
Gold 50	G50		breaching downtrend	gold exploration + gallium
Great Boulder Resources	GBR		new low	gold exploration
Group 6 Metals	G6M		down	tungsten
Hamelin Gold	HMG		new low	gold exploration
Hastings Technology Metals	HAS		collapse to new low	rare earths
Hazer Group	HZR		testing downtrend	hydrogen
Heavy Minerals	HVY		new low	garnet
Hillgrove Resources	HGO		rising gently	copper
Iluka Resources	ILU		heavy fall	mineral sands
ioneer (was Global Geoscience)	INR		new low	lithium
Ionic Rare Earths	IXR		breached downtrend	rare earths
Jervois Mining	JVR		new low	nickel/cobalt
Jindalee Lithium	JLL		back to lows	lithium
Kaiser Reef	KAU		improving	gold
Krakatoa Resources	KTA		new low	rare earths
Kingfisher Mining	KFM		breached downtrend	rare earths
Lepidico	LPD		new low	lithium
Lindian Resources	LIN		new low	rare earths + bauxite
Lion One Metals	LLO		heavy fall - suspension	gold
Li-S Energy	LIS		new low	Lithium sulphur battery technology
LCL Resources	LCL		new low	gold exploration
Lotus Resources	LOT		rising	uranium

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.

Lucapa Diamond	LOM		sideways	diamonds
Lunnon Metals	LM8		new low	nickel
Lynas Corp.	LYC		still down	rare earths
Marmota	MEU		rising	gold exploration
Mayur Resources	MRL		breached uptrend	renewables, cement
Meeka Gold	MEK		down	gold
MetalsX	MLX		down	tin, nickel
Meteoric Resources	MEI		breaching downtrend	rare earths
Metro Mining	MMI		new high	bauxite
Midas Minerals	MM1		slump	lithium
Nagambie Resources	NAG		collapse to a new low	gold, antimony
Neometals	NMT		new low	lithium
Newfield Resources	NWF		down	diamonds
Nexgen Energy	NXG		new high	uranium
Northern Star Res.	NST		rising	gold
Nova Minerals	NVA		off its highs	gold exploration
Pacific Gold	PGO		new low	gold exploration
Paladin Energy	PDN		new high	uranium
Pantoro	PNR		rising again	gold
Patriot Battery Metals	PMT		testing downtrend	lithium
Peak Resources	PEK		new low	rare earths
Peninsula Energy	PEN		breached downtrend	uranium
Perseus Mining	PRU		testing support line	gold
Poseidon Nickel	POS		new low	nickel
Provaris Energy	PV1		down	hydrogen
QMines	QML		new low	copper
Queensland Pacific Metals	QPM		new low	nickel/cobalt/HPA
RareX	REE		new low	rare earths, phosphate
Regis Resources	RRL		turned down again	gold
Regergen	RLT		down	gas, helium
Richmond Vanadium	RVT		softer	vanadium
RIO	RIO		off its highs	diversified, iron ore
Rumble Resources	RTR		new low	gold exploration
S2 Resources	S2R		down	gold exploration
Sandfire Resources	SFR		rising again	copper
Santos	STO		weaker	oil/gas
Sarama Resources	SRR		strong rally	gold exploration
Sarytogan Graphite	SGA		rising off lows	graphite
Siren Gold	SNG		bounced from lows	gold exploration
South Harz Potash	SHP		new low	potash
Southern Cross Gold	SXG		spike to new high	gold exploration
Southern Palladium	SPD		testing downtrend	PGMs
Stanmore Coal	SMR		down	coal
Sunstone Metals	STM		breaching downtrend line	gold/copper exploration

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.

Suvo Strategic Minerals	SUV		rising	kaolin
Talga Resources	TLG		rallying	graphite
Tamboran Resources	TBN		rising again	gas
Technology Metals	TMT		down	vanadium
Theta Gold Mines	TGM		rising again	gold
Thor Energy	THR		new uptrend	uranium
Tietto Minerals	TIE		surge on takeover approach	gold
Vanadium Resources	VR8		breaching downtrend	vanadium
Venture Minerals	VMS		breached uptrend	tin, tungsten
Vertex Minerals	VTX		down	gold
Vintage Energy	VEN		new low	gas
Voltaic Strategic Resources	VSR		new low	REO + lithium
Walkabout Resources	WKT		sideways	
West Cobar	WC1		new low	rare earth + lithium
Westgold Resources	WGX		new high	gold
West Wits Mining	WWI		sideways	gold
Whitehaven Coal	WHC		testing uptrend	coal
Zenith Minerals	ZNC		new low	gold exploration
Totals	28%	38	Uptrend	
	43%	58	Downtrend	
		136	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	18	13.2%
Gold	20	14.7%

Rare Earths	14	10.3%	
Lithium	9	6.6%	
Copper	9	6.6%	
Uranium	9	6.6%	
Oil/Gas	8	5.9%	
Nickel	6	4.4%	
Iron Ore/Manganese	4	2.9%	
Graphite/graphene	6	4.4%	
Silver	4	44.4%	
Tungsten	3	2.2%	
Mineral Sands	1	0.7%	
Vanadium	3	33.3%	
Zinc/Lead	1	0.7%	
Coal	2	1.5%	
Potash/Phosphate	3	2.2%	
Bauxite	2	1.5%	
Tin	2	1.5%	
Cobalt	1	0.7%	
Diamonds	2	1.5%	
Other	9		
Total	136		

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.

Disclaimer: This Research Report has been prepared exclusively for Far East Capital clients and is not to be relied upon by anyone else. In compiling this Commentary, we are of necessity unable to take account of the particular investment objectives, financial situation and needs of any of our individual clients. Accordingly, each client should evaluate the recommendations obtained in this Commentary in the light of their own particular investment objectives, financial situation and needs. If you wish to obtain further advice regarding any recommendation made in this Commentary to take account of your particular investment objectives, financial situation and needs, you should contact us. We believe that the advice and information herein are accurate and reliable, but no warranty of accuracy, reliability or completeness is given and (except insofar as liability under any statute cannot be excluded) no responsibility arising in any other way for errors or omissions or in negligence is accepted by Far East Capital Limited or any employee or agent. For private circulation only. This document is not intended to be an offer, or a solicitation of an offer, to buy or sell any relevant securities (i.e. securities mentioned herein or of the same issuer and options, warrant, or rights with respect to or interests in any such securities). We do not guarantee the accuracy or completeness of the information herein, or upon which opinions herein have been based. At any time we or any of our connected or affiliated companies (or our or their employees) may have a position, subject to change, and we or any such companies may make a market or act as principal in transactions, in any relevant securities or provide advisory or other services to an issuer of relevant securities or any company therewith. Unless otherwise stated all views expressed herein (including estimates or forecasts) are solely those of our research department and subject to change without notice. This document may not be reproduced or copies circulated without authority. Copyright © Far East Capital Ltd 2023.