

Black Cat Syndicate - an emerging high grade gold producer

After a brief flirtation with the left wing concept of Modern Monetary Theory, that governments should be able to borrow money and not worry about their debt positions, provided it is not foreign debt, the narrative has reverted to conventional economic theory. Excessive government debt does matter. While maybe there is merit for untrammelled government debt in a zero interest rate environment, the increasing interest rates have exposed the burden of debt servicing as a major policy concern now for many governments.

The 0.25% rise in interest rates caught everyone off guard last Tuesday. It was as if the Governor took delight in poking us all in the eye, unexpectedly, in response to the enquiry into the performance of the Reserve Bank. Though, I am reminded of what we were taught in economics classes at the ANU - the best way to ensure low interest rates in the future, is to have high interest rates now. However, the question is, "how long into the future should we expect to wait?"

The strength in the gold price during the week was noteworthy, especially since interest rates have been raised again. Isn't a higher interest rate supposed to be bad for gold, as it is not an income producing asset?

1. Black Cat - an emerging high grade gold co.

Last week Black Cat Syndicate (BC8) announced some very high grade gold intercepts from the upper parts of its Paulsens Gold Mine that caught my attention, including;

- 1.70m at 33 gpt from 49m
- 0.36m at 37.1 gpt from 49m
- 0.30m at 35.9 gpt from 51m

Yes, the grade is eye-catching, but you must always remember to extend the interval out to a mineable width. So, the actual resource grade and the mineable grade will be significantly lower. Don't be seduced by headline grades.

Nevertheless, these grades do promise a high grade gold mine, consistent with the production history of Paulsens. Let's have a closer look.

Paulsens acquired from Northern Star in 2022

Paulsens has had a few owners in recent history, with cumulative gold production of 909,000 oz of gold at an average grade of 7.17 gpt. Most notably, it was the mine that accelerated the career of Bill Beament, when he picked it up in Northern Star and operated a very successful underground mine. Northern Star outgrew the mine when it acquired the Australian operations of Barrick, so it sold it to Black Cat, along with the Coyote Gold Mine in the Tanami Desert, for what could amount to \$44m. Black Cat paid \$15m up front and is paying \$5m cash for three consecutive years. Another \$2.5m is payable on the commencement of production, and a further \$2.5m when

50,000 oz has been produced. One might not call it a cheap deal, but it could nonetheless be a smart deal.

Planning for production with a growing resource

At the time of the acquisition in 2022, the remaining resource was less than 100,000 oz. Since then Black Cat has lifted it to 258,000 oz at 10.8 gpt (56% M & I). A revised figure is expected in the next month.

By the middle of 2023, when studies are finished, Black Cat expects to be in the position to decide on whether or not to restart production at Paulsens. It might be up for \$20-30m in capex and start-up capital, but this is a small amount to pay for a 60,000 oz p.a. production rate, considering that the infrastructure replacement cost would be about \$140m. We could see production within a year of today, but let's wait for the news flow and the upcoming restart study. To begin with, the throughput is probably going to be 250-350,000 tpa, but if it subsequently lifts to the 450,000 tpa rate that Northern Star was operating at, we could see gold production of 70,000 oz p.a.

Underground ore mining

Underground mining will probably combine both mechanised equipment on stopes 2-2.5m in width, and some air leg mining on narrower sections. The mine has historically concentrated on zones of quartz but Black Cat will extend the targets to include the narrower gabbro veins as well. These haven't been historically mined but make up about 30% of the current resource.

When I enquired further as to why they weren't mined by Northern Star, the answer seemed to be that they were narrower than the main quartz zone. Yet, they can host up to 2 oz per tonne. Maybe there was enough quartz ore to keep the mill filled, so the narrower veins were not needed.

Black Cat has been prepared to look more closely at the gabbro veins and following denser drill patterns, is finding that there is better continuity than initially thought.

The average head grade to the mill is likely to be 6-7 gpt, in line with the historical average. You may wonder how this correlates with the resource grade 10.8 gpt, but you must always adjust that figure for dilution from over-break, mine call factor, development ore and whatever else. The head grade to the mill is always appreciably lower than the resource grade - something that more aggressive promoters forget to tell you. Here, Black Cat is responsibly guiding that the expected head grade will be lower than the reported resource and likely around the historic average

Exploration upside with a repeat structure

All that sounds good, but what really captured my attention was the possibility of a repeat gold bearing structure beneath the existing working (not deep depth extensions, but parallel to the existing mine).

Back in 2018, Northern Star completed a 3D seismic program that cost \$2m i.e. not cheap. The interpretation suggests a Lower Gabbro Structure that was never drill tested. The drill holes will be expensive, so before Black Cat embarks on drill testing what's still a conceptual target, it will probably do some down-hole EM to test for the sulphides that are associated with gold in the mine.

In addition, there is the opportunity for depth extensions of the existing work in the form of faulted offsets. These can displace orebodies through the action of post-mineralising faulting. The geologists just have to find where the orebody has moved to.

Coyote Gold Mine, NT

Coyote comes across as the less appealing asset purchased from Northern Star, but it is not without merit. Maybe the new management can make it work better.

Coyote has been on care and maintenance since 2013, when the owner, Tanami Gold, closed it down. It conducted both open pit and underground mining, to a depth of 320m below surface, but I seem to recall that it was never a glorious mine, notwithstanding high grades.

Black Cat has increased the Coyote Central underground resource by 60%, to 356,000 oz at 14.6 gpt (51% Inferred). Importantly, the oz per vertical meter measurement is 1,000 oz, well above the generally accepted minimum figure to support a profitable underground mine.

While the underground workings need to be dewatered, there is a 300,000 tpa treatment plant on the surface. The long term plan is to recommission the mine to recover 40-50,000 oz p.a., but there is much work to be done before contemplating a restart.

The Tanami region has been very prospective for gold in the past with major mines having been developed. The exploration potential is still considered to be high, so regional exploration will be the main focus for the immediate future.

Kal East Gold Project, WA

The third string to the bow of Black Cat is the original asset, east of Kalgoorlie, where it already has a resource of 1.3 Moz of gold. While it has completed a PFS in mid 2022, progress has been paused due to shortages of skilled labour. The proposed 800,000 tpa operation is something for the future.

The Bottom Line

Boasting a market capitalisation of \$130m, with shares at 49¢, Black Cat is demonstrating reasonable support in the market place. It is well funded with \$17m in the kitty, so it is not impoverished. It has an experienced board holding 10% of the issued capital. It has three gold projects in WA that demonstrate potential for 60,000, 50,000 and 40,000 oz p.a., should they all proceed to production status. The total resource base is 2.3 Moz. The stage is set.

Whereas as grade is king, sometimes you need a low grade project with high leverage to a rising gold price - when you expect the gold price to keep rising. Kal East fits this bill, while the two high grade underground mines at Paulsens and Coyote are both amongst the highest grade gold projects in Australia. The potential for a repeat structure at Paulsens, beneath the existing workings, offers great speculative appeal. Black Cat is a gold growth

company worth keeping an eye on. We can talk about the high grade antimony/lead deposit on another day.

2. Niobium and Rare Earth Deposits

By now you should appreciate that rare earth "deposits" are seldom, if ever, rare earths alone. As RareEx has shown at Cummins Range, the rare earths can be associated with a huge phosphate deposit. There are numerous mineral sands deposits that also have rare earths, usually courtesy of monazite and thorium accumulations. It is a case by case assessment as to where the greatest value is, in the mix.

Last week we mentioned Cazaly's acquisition of a carbonatite deposit in Ontario, Canada, that is prospective for rare earths and niobium. It was more a restatement of what the ASX release said, leaving the door open to what it really means but without expressing much opinion.

Last Monday WA Resources (WA1), a company with a similar niobium and rare earth prospect, reported drill holes with intercepts of 10-30m with grades of 2-5% Nb₂O₅, at the Luni carbonate in the West Arunta Project in WA. One zone recorded 24m at 2.4% TREO with 10m at 795 ppm tantalum (Ta₂O₅) and 243 ppm scandium (Sc₂O₃). The high grade portion of this mineralisation now measures 400m x 400m in area.

The reason for mentioning WA1 is because back in October 2022, when it first announced the discovery, the shares ran from a low of 15.5¢ to peak at \$1.93 less than a month later. A subsequent announcement last Monday caused the share to spike further, hitting \$2.49. That gives a market capitalisation of > \$120m, before diluting for 4.4 million 30¢ options. The market obviously is enamoured.

When Cazaly announced the acquisition of its carbonatite last week there was hardly a whimper in the market. I suppose that this is understandable since there was sparse information available, and all that was released was from exploration many years ago.

Normally you would have to wait for some new holes to be drilled, and owing to the inability to get a rig onsite in summer (due to water and lakes), that would be in the northern winter. However, by a stroke of good fortune, Cazaly has managed to track down the location of the original 50 year old core. It is hoping that it can get access and conduct quarter core assays thereby accelerating the news flow. Maybe we will only have to wait one or two months. Other work that can be undertaken before winter could be surface sampling and a drone survey.

If Cazaly does come up with good results that add substance to the current understanding, it may be a candidate for amazing share price performance. The worm is there for the early birds, if they are happy to be patient.

Disclosure: Interests associated with the author own shares in Cazaly, having been in the bottom drawer for a long time.

3. Stockhead Interview

Stockhead published an interview with Warwick during the week, canvassing his thoughts on commodities and what to expect, with some companies mentioned. It is more of a

chatty piece than a detailed analysis, but easy reading. Click on the following link if you are interested..

<https://stockhead.com.au/resources/moneytalks-sit-down-for-a-commodity-masterclass-with-far-east-capitals-warwick-grigor/>

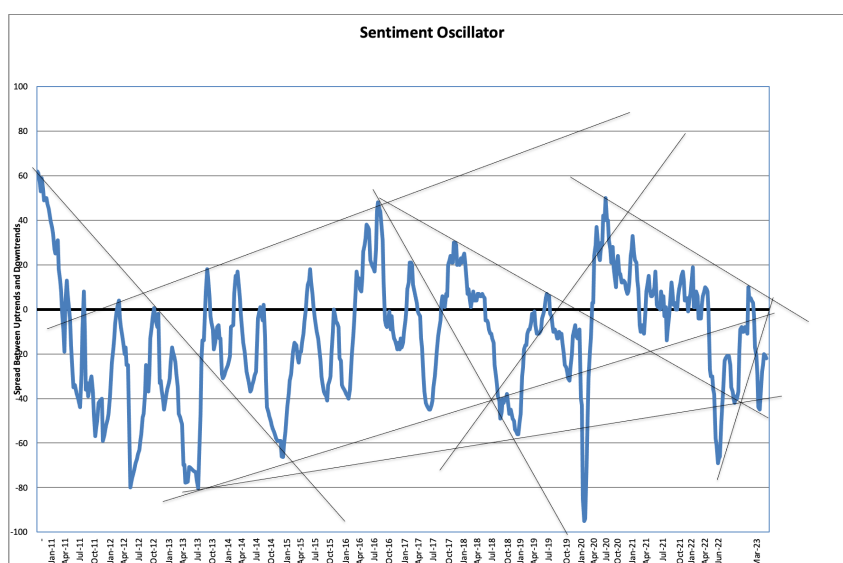
4. 5EA Advanced Materials Inc. (5EA)

A reader asked me about a boron stock named 5EA Advanced Materials recently, enquiring as to why the shares have collapsed from a high of about \$3.73 in June last year, to a recent low of 65¢. Was it doing a “Novonix”?

I recall that there was a great deal of enthusiasm in 2021, when it was named American Pacific Borates Ltd, around

the restructuring that saw it list on NASDAQ in the USA. The Company subsequently listed its CDIs on the ASX. The NASDAQ listing was supposed to take the shares much higher, but it seems to have been an example of not delivering on expectations.

I have picked up chart coverage as the first step of investigating what went wrong, and what the implications are for the future. More commentary will be forthcoming once I have done the work.



Sentiment Oscillator: Sentiment was steady last week. There were 23% (23%) of the charts in uptrend, and 45% (44%) 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	correcting lower	
Metals and Mining	XMM	correcting lower	
Energy	XEJ	down	
Information Technology	XIJ	rising	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
5EA Advanced Materials	5EA	down	boron
92 Energy	92E	testing downtrend	uranium
A-Cap Energy	ACB	new low	uranium
ADX Energy	ADX	sideways	oil and gas
Alpha HPA	A4N	new high	HPA

*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.*

Adriatic Resources	ADT		new high	zinc, polymetallic
Advance Metals (was Pacific American)	AVM		off its lows	coal, gold exploration
Alkane Resources	ALK		new high	gold
Alicanto Minerals	AQI		still down	base metals, silver, gold
Almonty Industries	All		sideways	tungsten
Altech Chemical	ATC		failing at resistance line	HPA, anodes
Anteotech	ADO		at lows	silicon anodes, biotech
Alto Metals	AME		sideways	gold exploration
American Rare Earths	ARR		breached support line	rare earths
Antilles Gold	AAU		trying to breach downtrend	gold
Anax Metals	ANX		testing downtrend	copper
Arafura Resources	ARU		down	rare earths
Ardea Resources	ARL		new low	nickel
Aurelia Metals	AMI		rising	gold + base metals
Australian Rare Earths	AR3		heavy correction on placement	rare earths
Auteco Minerals	AUT		breached downtrend	gold exploration
Arizona Lithium	AZL		new low	lithium
Azure Minerals	AZS		rising again	nickel exploration
BHP	BHP		testing downtrend	diversified, iron ore
Barton Gold	BGD		testing uptrend	gold exploration
Beach Energy	BPT		testing resistance line	oil and gas
Bellevue Gold	BGL		off its highs	gold exploration
Benz Mining	BNZ		down again	gold
Black Cat Syndicate	BC8		recapturing uptrend	gold
BMG Resources	BMG		down	gold exploration
Boab Metals	BML		at resistance line	silver/lead
Breaker Resources	BRB		takeover bid	gold exploration
Buru Energy	BRU		sideways	oil
Calidus Resources	CAI		new low	gold
Caravel Minerals	CVV		slump	copper
Carnaby Resources	CNB		breached downtrend	copper
Castile Resources	CST		still in downtrend	gold/copper/cobalt
Celsius Resources	CLA		sideways	copper
Chesser Resources	CHZ		still testing downtrend	gold exploration
Cobalt Blue	COB		down	cobalt
Cyprium Metals	CYM		suspended	copper
Dateline	DTR		back to lows	rare earths
Ecograf	EGR		new low	graphite
Emerald Resources	EMR		rising, new high	gold
Empire Energy	EEG		new low	gas
EQ Resources	EQR		rising	tungsten
Euro Manganese	EMN		down	manganese
Evolution Energy	EV1		softer	graphite
Evolution Mining	EVN		rising	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.

First Graphene	FGR	down	graphene
Fortescue Metals	FMG	testing downtrend	iron ore
FYI Resources	FYI	collapse on Alcoa withdrawing fromJV	HPA
Galena Mining	G1A	breached uptrend	lead
Genesis Minerals	GMD	down	gold
Genmin	GEN	down	iron ore
Gold Road	GOR	back to support line	gold
Great Boulder Resources	GBR	sideways	gold exploration
Group 6 Metals	G6M	down	tungsten
Hastings Technology Metals	HAS	back to lows	rare earths
Hazer Group	HZR	breached downtrend	hydrogen
Heavy Minerals	HVY	slump back to trend line	garnet
Highfield Resources	HFR	down	potash
Hillgrove Resources	HGO	slump	copper
Iluka Resources	ILU	breaching support line	mineral sands
ioneer (was Global Geoscience)	INR	down	lithium
Ionic Rare Earths	IXR	down	rare earths
Jervois Mining	JVR	new low	nickel/cobalt
Kaiser Reef	KAU	sideways through downtrend	gold
Kalina Power	KPO	new low	power station additive
Krakatoa Resources	KTA	new low	rare earths
Kingfisher Mining	KFM	heavy fall	rare earths
Lepidico	LPD	down	lithium
Lindian Resources	LIN	rising again	rare earths + bauxite
Lion One Metals	LLO	breached downtrend	gold
Li-S Energy	LIS	breached downtrend	Lithium sulphur battery technology
Los Cerros	LCL	down	gold exploration
Lotus Resources	LOT	down	uranium
Lucapa Diamond	LOM	down again	diamonds
Lunnon Metals	LM8	resumed uptrend	nickel
Lynas Corp.	LYC	turned down at resistance line	rare earths
Magnetic Resources	MAU	new low	gold exploration
Mako Gold	MKG	sideways	gold exploration
Marmota	MEU	drifting lower	gold exploration
Matador Mining	MZZ	down	gold exploration
Mayur Resources	MRL	rising	renewables, cement
Meeka Gold	MEK	down	gold
Megado Gold	MEG	breached downtrend	rare earths, gold exploration
MetalsX	MLX	down	tin, nickel
Meteoric Resources	MEI	rising again	rare earths
Metro Mining	MMI	still down	bauxite
Mincor Resources	MCR	surge on takeover bid	gold/nickel
Mithril Resources	MTH	sideways	gold/silver
Musgrave Minerals	MGV	testing downtrend	gold 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.*

Nagambie Resources	NAG	down	gold, antimony
Neometals	NMT	new low	lithium
Newfield Resources	NWF	down	diamonds
Northern Star Res.	NST	new high	gold
Nova Minerals	NVA	collapse on -.3 gpt grade, 9.9 Moz	gold exploration
Orecorp	ORR	down	gold development
Pacific Gold	PGO	breached downtrend	gold exploration
Pantoro	PNR	new low	gold
Panoramic Res	PAN	down	nickel
Parabellum Resources	PBL	down	rare earths
Patriot Battery Metals	PMT	heavy slump after raising	lithium
Peak Resources	PEK	on trend line	rare earths
Peninsula Energy	PEN	sideways through downtrend	uranium
Perseus Mining	PRU	off its highs	gold
Poseidon Nickel	POS	breached downtrend	nickel
Provaris Energy	PV1	down	hydrogen
PVW Resources	PVW	new low	rare earths
QMines	QML	down	copper
Queensland Pacific Metals	QPM	breached downtrend	nickel/cobalt/HPA
RareX	REE	rising	rare earths, phosphate
Regis Resources	RRL	rising again	gold
Regergen	RLT	down	gas, helium
Resource Mining Corp.	RMI	gently down	nickel exploration
Richmond Vanadium	RVT	recovering	vanadium
RIO	RIO	breached uptrend but strong rally	diversified, iron ore
Rumble Resources	RTR	secondary downtrend	gold exploration
S2 Resources	S2R	sideways	gold exploration
Sandfire Resources	SFR	breached uptrend	copper
Santos	STO	softer	oil/gas
Sarama Resources	SRR	sideways through downtrend line	gold exploration
Sarytogan Graphite	SGA	breached support line	graphite
Siren Gold	SNG	down	gold exploration
South Harz Potash	SHP	breaching downtrend	potash
Southern Cross Gold	SXG	rising again	gold exploration
Stanmore Coal	SMR	surge higher	coal
Strandline Resources	STA	down	mineral sands
Sunstone Metals	STM	new uptrend forming	gold/copper exploration
Suvo Strategic Minerals	SUV	risen to meet resistance line	kaolin
Talga Resources	TLG	slump on \$40m placement	graphite
Tamboran Resources	TBN	breached downtrend	gas
Technology Metals	TMT	down	vanadium
Theta Gold Mines	TGM	rising	gold
Thor Mining	THR	down	gold exploration
Tietto Minerals	TIE	breached downtrend	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.*

Vanadium Resources	VR8		new low	vanadium
Venture Minerals	VMS		down	tin, tungsten
West African Resources	WAF		breaching downtrend	gold
Westgold Resources	WGX		good rally	gold
West Wits Mining	WWI		downtrend breached	gold
Whitehaven Coal	WHC		breached downtrend	coal
Xantippe Resources	XTC		sideways	lithium
Zenith Minerals	ZNC		down	gold exploration
Totals	23%	34	Uptrend	
	45%	65	Downtrend	
		145	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	25	17.2%	
Gold	23	15.9%	
Rare Earths	15	10.3%	
Oil/Gas	9	6.2%	
Nickel	9	6.2%	
Copper	9	6.2%	
Lithium	7	4.8%	
Iron Ore/Manganese	5	3.4%	
Graphite/graphene	5	3.4%	
Uranium	4	2.8%	

Silver	4	44.4%	
Tungsten	3	2.1%	
Mineral Sands	2	1.4%	
Vanadium	3	33.3%	
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	9		
Total	145		

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 2022.