

Lassonde Curve Suggests Aguia is Primed for Upward Movement

Gold had a good rebound last week as we had expected, while the discombobulation being stoked by Trump is not showing us any guidance. At this point he is all about attention seeking and he is certainly getting plenty of that. Perhaps the most significant realisation so far is that Europe has to stand on its own two feet. It needs to take initiatives for the future that don't rely on the USA. Maybe a wakeup call is a good thing as this could be a strong source of stimulus for countries in Europe.

How Long Does it Take to Discover and Develop an Underground Gold Mine?

The quest of discovering and developing a gold mine in the modern era of red, green and black tape is an elongated affair. Every year it becomes more difficult. There are more and more leeches sucking on the process and this costs shareholders time and money. The target of achieving positive cash flow is pushed further and further out. Throughout this process a company has to be kept alive as it labours under general compliance costs as well. So, it is understandable that I call it the **Compliance Driven Approach** to developing a mine.

Have a look at the slide below that describes the process and the time line. It can easily take 7-8 years for a new discovery, though this can be much shorter if it is a brownfields project on a granted mining licence.

As an alternative have a look at what I call the **Aguia Streamlined Approach** on the same slide. There are many points of difference with Aguia's Santa Barbara Gold Project. Firstly, rather than drilling 50-100 holes to define an orebody at depth, Aguia has been able to open it up early to obtain a 3D perspective before drilling. Aguia is blessed

with vein mineralisation that pokes out of the side of a mountain. The ability to see it, and drive a adit 200m into the mountain along the vein, has meant a rapid escalation of technical news flow up front. Data on ground stability, mining engineering and economic parameters have been defined early, prior to years of possibly expensive exploration drilling.

Looking at underground situations, normally engineers would do feasibility studies and mine planning based on a data bank of drill results. Then, once there is enough encouragement to suggest that there might be a profitable mine in the making, a two year program of opening up a decline or a shaft follows. Once ground conditions are understood and mining parameters can be fine tuned, a company will be in the position whereby it can declare it has a mine. This can easily take 7-8 years.

Secondly, the very high grade of the mesothermal veins being mined by Aguia provides tremendous advantages. Last week I showed you a slide comparing a 1 gpt project to a 30 gpt mine. The efficiencies of a much smaller, higher grade mine provide enviable cost advantages. You don't need economies of scale and large processing plants with high capex. Smaller underground mines are much easier and faster to permit. The physical and environmental footprint is much smaller. It all comes down to much lower operating costs.

Look at the streamlined approach below that is made possible due to the position of the gold bearing orebodies and the high grade and see the advantages in timing. Next, look at the Lassonde Curve and see how that applies to share price performance

EXCEPTIONS ENABLE POINTS OF DIFFERENCE IN STRATEGY

THE COMPLIANCE DRIVEN APPROACH

	Typical Time Frame
1. Discover/acquire a gold project	Year 1
2. Raise money and drill to achieve a JORC	Year 1-2
3. Complete PFS Study	Year 2-3
4. Raise more money and upgrade to reserves	Year 3
5. Complete a DFS	Year 4-5
6. Permitting – Native Title, Enviro., ML	Years 4-5
7. Raise project capex and construct	Years 5-6
8. Construct and commission	Year 7-8

THE AGUIA STREAMLINED APPROACH

	Actual & Proposed Time Frame
1. Acquire project	July 2023
2. Takeover and ASX listing	Jan-July 2024
3. Raise money	July/Aug 2024
4. Recommission 30 tpd plant	Nov-Jan 2025
5. First gold pour	Jan 2025
6. Continual expansion to 50 tpd	April/May 2025
7. First drilling	March/April 2025
8. First JORC	Q3 2025?
9. Continual exploration and expansion	2025 +

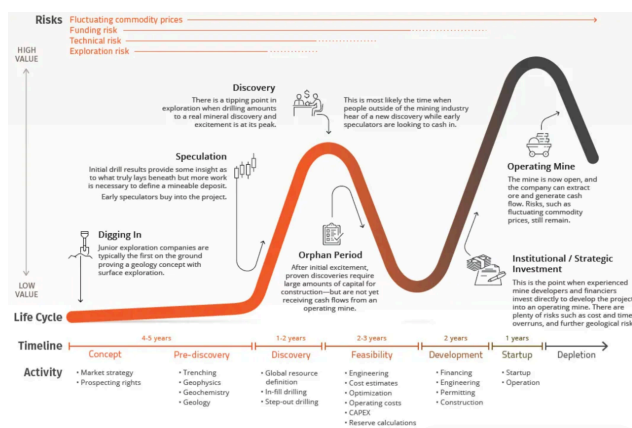
The Lassonde Curve demonstrates share price movements along the journey

I first met Pierre Lassonde in the 1980s when he was establishing himself as an investor in the mining sector, based in Canada. Over the years he built up a very successful royalty company, Franco Nevada, and he is now considered one of the doyens.

Most people associate Pierre with a line graph popularly known nowadays as the Lassonde Curve. It has been around for longer than Pierre, but that should not matter. He seems to have popularised it and made it a household name in the world of exploration and discovery. You often see it in company presentations.

Lassonde is the most common pathway ...

As you will see on the chart below, the classic scenario involves a share price that starts out small and it begins to gather momentum as exploration leads to a discovery. In an ideal world a series of successful drilling programs leads to expanding resources and it is this phase which leads to maximum share price appreciation and wealth creation for shareholders. After this exciting period it peaks and a company's share price performance moderates as the company goes through resource calculation studies, economic evaluations, financing and construction, and eventually commissioning and production. Refer back to the table on page one. The Lassonde Curve accurately reflects what I call the Compliance Driven Approach



It is quite normal for the share price to come off a long way when the news flow changes from expansive exploration results to assessment and evaluation, and inevitably, circumspection. Eventually, if the studies have been accurate and the company delivers operationally, the share price will start to recover once the project starts to turn an operating profit. This should be common knowledge.

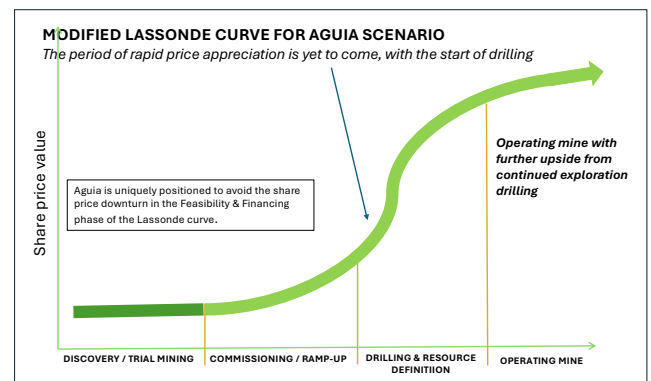
However, it would be a fair bet to say that at least 30% of mining projects never pay back their starting capital. They either get the orebody interpretation or metallurgy wrong, or maybe they come into production at the wrong stage of the cycle. Never assume that an operating mine is automatically the key to riches. Some people say that exploration is risky, but it can be the lowest risk path to generating shareholder wealth on many occasions.

... but there can be exceptions like Agua

We have taken the traditional Lassonde Curve and redrawn it to match the Agua Streamlined Approach in the chart below. Note how the share price is still in the pre-discovery pattern. It has not had that surge of enthusiasm that builds expectations during the drilling phase.

At Santa Barbara the discovery has been made and key operating parameters have been assessed, right up to the point of pouring gold. There is no need to get independent expert reports or carry out feasibility studies for release to the ASX at great cost and time delays. They are not necessary because mining and processing is already happening. There is no funding hurdle that requires the production of these independent studies, provided the company has competent operators.

Now, having poured first gold and proved the process, Agua can get on with the serious job of finding out just how big the resource is. Yesterday the Company announced it will soon commence drilling with two rigs in the first step to testing 7 km of gold bearing mesothermal veins. Also announced yesterday, a small, \$1.5m placement was undertaken to accelerate the drilling program. We look forward in anticipation to drill results in Q2 and Q3.



Impressive Exploration Target Released

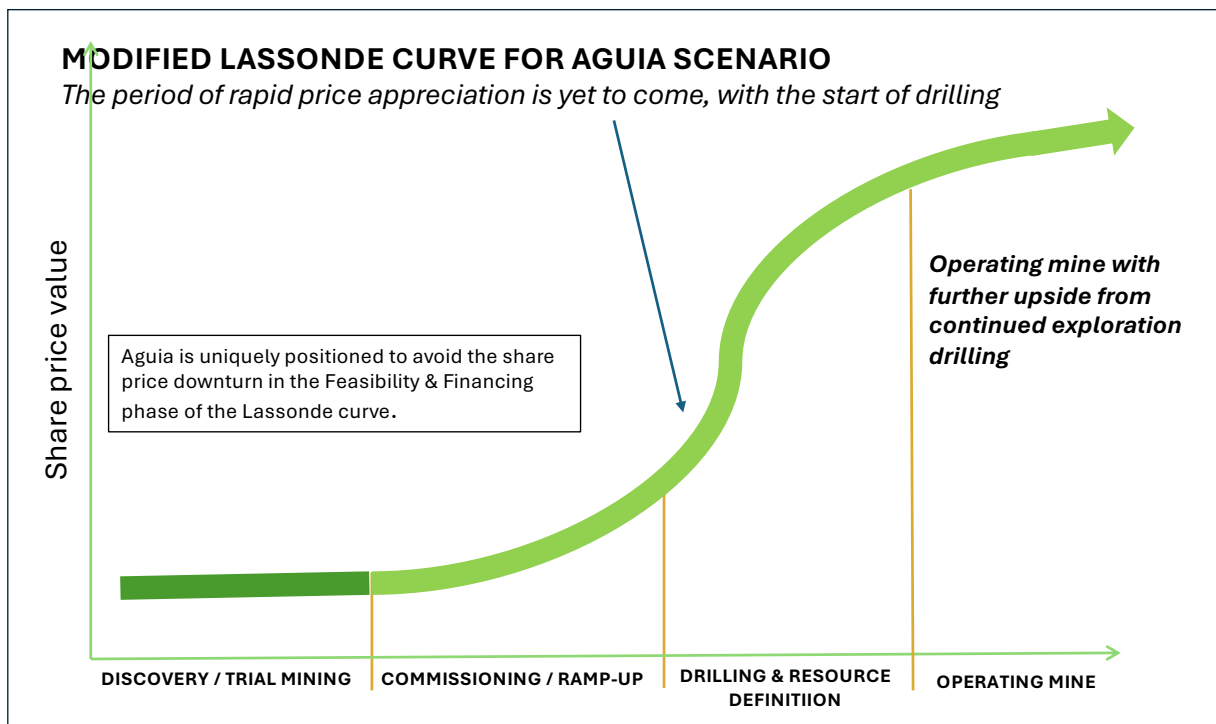
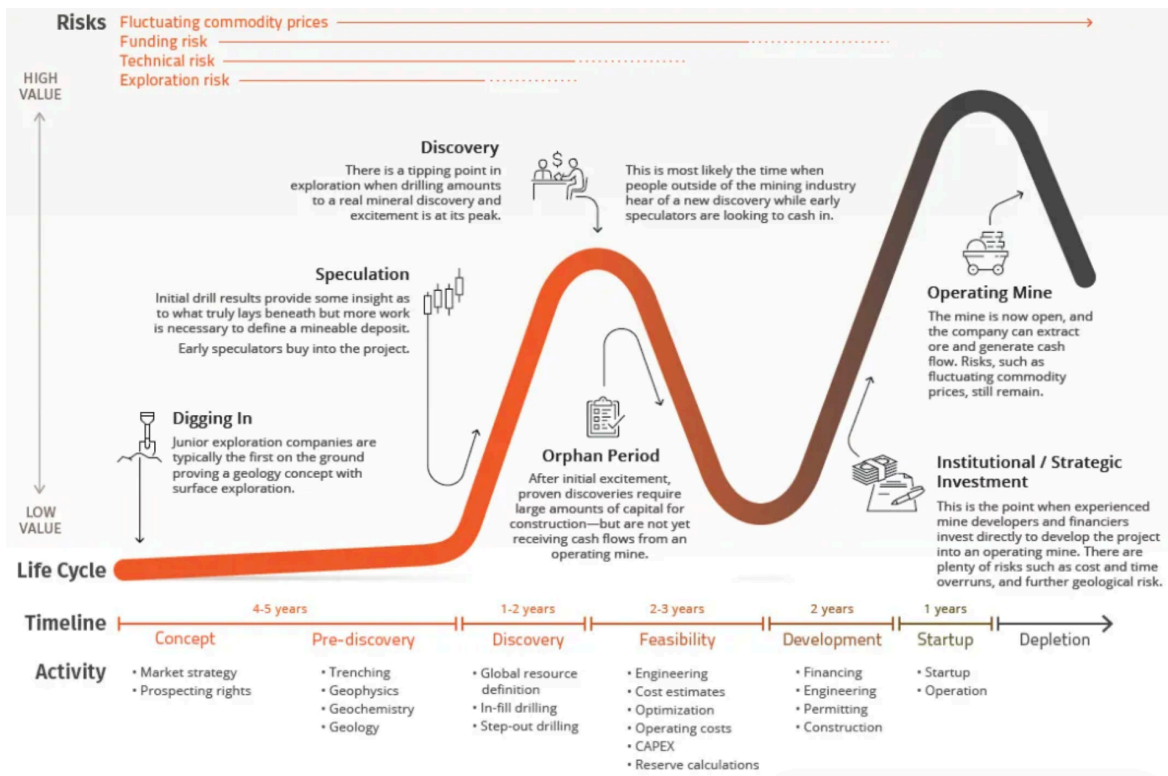
Regular readers will know that AGR doesn't have JORC Resources yet. However, yesterday it did release an Exploration Target of **2-4 Mt at 20-30 gpt**. If you run the numbers you get to a target of **1.25-4 Moz of gold**. It is speculative, and there are no guarantees, but the geologist who signed off on the Target has provided plenty of evidence as to why this is realistic given the the number of orebodies in Colombia that fall into this range.

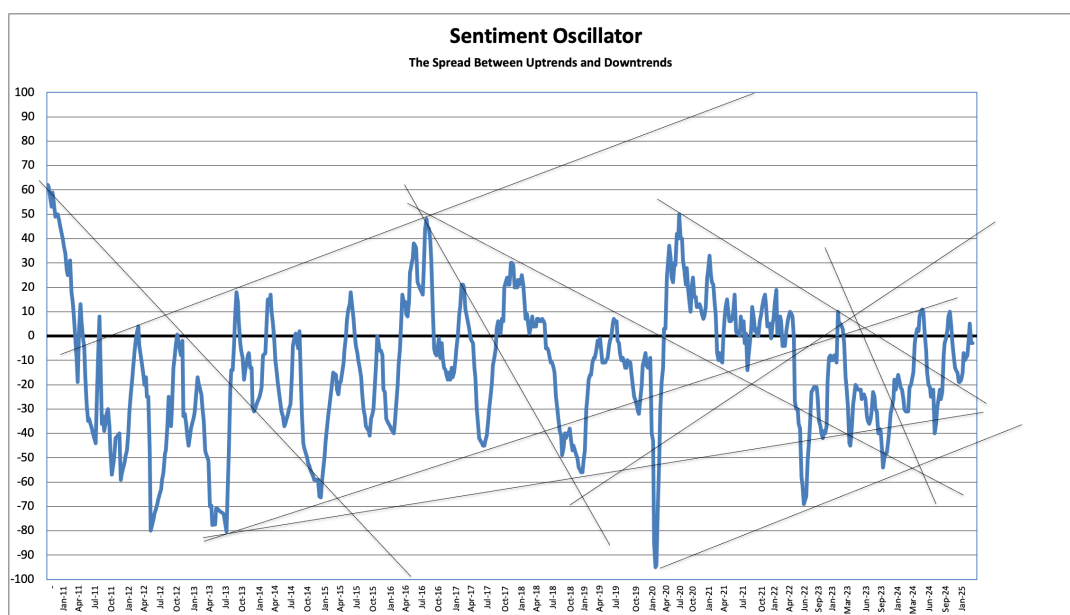
The Bottom Line

What the curve clearly demonstrates is that the discovery phase, where you get super share price performance, has not yet happened. That is all ahead of us. Of course gold production is good, but exploration drilling and delivery of a procession of high-grade intercepts will really get the speculative juices flowing. Shareholders have that to look forward to as a share price driver.

Disclosure: Interests associated with the author own shares in Agua Resources. He is the Executive Chairman and has earned capital rating fees .

NB: The charts above have been enlarged on the following page for ease of reading.





Sentiment Oscillator: Sentiment was steady last week. There were 40% (41%) in uptrend and 43% (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	correction turned into downtrend	
Metals and Mining	XMM	weaker	
Energy	XEJ	down further	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Agua Resources	AGR	strong recovery	phosphate, gold
Alkane Resources	ALK	forming a wedge	gold
Alicanto Minerals	AQI	pullback	base metals, silver, gold
Alligator Energy	AGE	breached uptrend	uranium
Almonty Industries	All	surge to new high	tungsten
Alpha HPA	A4N	rising again	HPA
American Rare Earths	ARR	rising gently	rare earths
Anax Metals	ANX	new low after placement	copper
Andean Silver	ASL	testing uptrend	silver
Anteotech	ADO	back to low	silicon anodes, biotech
Arafura Resources	ARU	secondary downtrend in play	rare earths
Ardea Resources	ARL	new uptrend	nickel
Arizona Lithium	AZL	new low	lithium

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Astral Resources	AAR		sideways below resistance line	gold
Aureka	AKA		rising after name change from Navarre	gold exploration
Auric Mining	AWJ		down	gold
Averina	AEV		hugging downtrend line after initial breakout	phosphate
Aurora Energy Metals	1AE		down	uranium
Aurelia Metals	AMI		rising	copper + base metals
Aurum Resources	AUE		testing downtrend	gold
Australian Gold and Copper	AGC		weaker	base metals, silver, gold
Australian Rare Earths	AR3		down again	rare earths
Australian Strategic Materials	ASM		testing downtrend	rare earths
BHP	BHP		secondary downtrend in play	diversified, iron ore
Ballymore Resources	BMR		back to lows	gold exploration
Barton Gold	BGD		gently higher	gold exploration
Beach Energy	BPT		rising	oil and gas
Bellevue Gold	BGL		down	gold
Besra Gold	BEZ		still down	gold
Black Cat Syndicate	BC8		new high	gold
Boab Metals	BML		back to support line	silver/lead
Brazil Critical Minerals	BCM		new low - two tranche plus 1 for 3	rare earths
Brazilian Rare Earths	BRE		back to downtrend	rare earths
Brightstar Resources	BTR		less steep uptrend	gold
Caravel Minerals	CVV		improving	copper
Carnaby Resources	CNB		breaching downtrend	copper
Castile Resources	CST		down	gold/copper/cobalt
Catalyst Metals	CYL		surge higher	gold
Cazaly Resources	CAZ		new low	rare earths
Celsius Resources	CLA		at lows	copper
Centaurus Metals	CTM		rising	nickel/cobalt/HPA
Challenger Gold	CEL		rising	gold
Cobalt Blue	COB		at lows	cobalt
Critica. (was Venture)	CRI		rising	tin
Cyprium Metals	CYM		strong rally	copper
Delta Lithium	DLI		down	gold/lithium
Emerald Resources	EMR		back to highs	gold
Empire Energy	EEG		breached uptrend	gas
Emmerson Resources	ERM		uptrend	
EQ Resources	EQR		rising	tungsten
Evolution Mining	EVN		rising	gold
Felix Gold	FXG		spiked higher	gold exploration, antimony
First Graphene	FGR		steep rise	graphene
Fortescue Metals	FMG		down	iron ore
Genesis Minerals	GMD		rising	gold
Globe Metals and Mining	GBE		sideways	niobium
Gold 50	G50		breached uptrend	gold exploration + gallium

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Golden Horse	GHM		rising	gold exploration
Great Boulder Resources	GBR		steeply higher	gold exploration
Hamelin Gold	HMG		new low	gold exploration
Hastings Technology Metals	HAS		breaching recent uptrend	rare earths
Heavy Minerals	HVY		new high	garnet
Hillgrove Resources	HGO		new low	copper
Itani Resources	ILT		rising again	antimony
Iluka Resources	ILU		new low	mineral sands
ioneer (was Global Geoscience)	INR		breached downtrend	lithium
Jindalee Lithium	JLL		at lows	lithium
Jupiter Mines	JSM		improving	manganese
Kaiser Reef	KAU		improving	gold
Kalina Power	KPO		down	carbon sequestration
Larvotto Resources	LRV		new high	gold, antimony
Lindian Resources	LIN		down	rare earths + bauxite
Li-S Energy	LIS		testing downtrend	Lithium sulphur battery technology
Lotus Resources	LOT		continuing down	uranium
Lucapa Diamond	LOM		collapsed on placement	diamonds
Lynas Corp.	LYC		down	rare earths
Many Peaks	MPK		rising	gold exploration
Marmota	MEU		spiked higher on titanium discovery	gold/uranium exploration
Matsa Resources	MAT		strongly higher	gold
Mayur Resources	MRL		rising again	renewables, cement
Meeka Gold	MEK		uptrend	gold
MetalsX	MLX		rising	tin, nickel
Meteoric Resources	MEI		new low	rare earths
Metro Mining	MMI		off its highs	bauxite
Midas Minerals	MM1		spiked higher, then pullback	lithium
Nagambie Resources	NAG		weaker	gold, antimony
Native Mineral Resources	NMR		steeply higher	gold
Neometals	NMT		down	lithium
New Murchison	NMG		sideways	gold
Newfield Resources	NWF		suspended	diamonds
Nexgen Energy	NXG		down	uranium
Northern Star Res.	NST		rallying	gold
Nova Minerals	NVA		down	gold exploration
Novo Resources	NVO		testing downtrend	gold exploration
Pacific Gold	PGO		new low	gold exploration
Paladin Energy	PDN		collapse	uranium
Pantoro	PNR		new uptrend	gold
Patriot Battery Metals	PMT		pullback after strong rally	lithium
Peninsula Energy	PEN		down	uranium
Perseus Mining	PRU		correcting lower	gold
QMines	QML		back to lows	copper

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Queensland Pacific Metals	QPM		breaching uptrend	nickel/cobalt/HPA
Regis Resources	RRL		new high	gold
Regergen	RLT		bounce from lows	gas, helium
Richmond Vanadium	RVT		down	vanadium
RIO	RIO		down	diversified, iron ore
RTG Mining	RTG		strong recovery	copper
Rumble Resources	RTR		testing uptrend	zinc exploration
S2 Resources	S2R		down	gold exploration
Sandfire Resources	SFR		off its highs	copper
Santana Minerals	SMI		rising	gold
Santos	STO		breaching downtrend	oil/gas
Sarytogan Graphite	SGA		still down	graphite
Siren Gold	SNG		rising	gold exploration
Southern Palladium	SPD		pullback	PGMs
Stanmore Coal	SMR		down	coal
St George Mining	SGQ		collapse to new low	rare earths, niobium
Stellar Resources	SRZ		gently lower	tin
Summit Resources	SUM		down	niobium, rare earths
Sun Silver	SS1		down	silver
Suvo Strategic Minerals	SUV		down	kaolin
Talga Resources	TLG		rallying, about to meet resistance line	graphite
Tamboran Resources	TBN		rising	gas
Terra Uranium	T92		rallying	uranium
Theta Gold Mines	TGM		rising again	gold
Toro Energy	TOE		steep rise	uranium
Torque Metals	TOR		back to lows	gold exploration + lithium
Vanadium Resources	VR8		back to lows	vanadium
Vintage Energy	VEN		sideways	gas
Vertex Minerals	VTX		testing uptrend	gold
Warriedar Resources	WA8		testing downtrend	gold exploration
West Cobar	WC1		new low	rare earth + lithium
Westgold Resources	WGX		spiked higher	gold
West Wits Mining	WWI		rising	gold
Whitehaven Coal	WHC		down	coal
Totals	40%	53	Uptrend	
	43%	58	Downtrend	
		134	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, sometimes 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	31	23.1%	
Gold Exploration	16	11.9%	
Rare Earths	12	9.0%	
Copper	11	8.2%	
Uranium	9	6.7%	
Lithium	6	4.5%	
Oil/Gas/Hydrogen	6	4.5%	
Graphite/graphene	3	2.2%	
Iron Ore/Manganese	4	3.0%	
Nickel	3	2.2%	
HPA/Kaolin	2	1.5%	
Tungsten	2	1.5%	
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	134		

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