

## Lithoquest Resources - a promising Canadian gold explorer

### *Lithoquest - transitioned from diamonds to gold*

Lithoquest Resources Inc (LDI.V) is led by Bruce Counts, a Canadian ex-BHP geologist who was instrumental in the discovery of the Ekati diamond deposit in Canada. Lithoquest's initial mission was to look for diamonds in Australia's Kimberley region of WA, in 2017. Despite discovering the first new field of kimberlites in the region in 25 years, drilling failed to recover actual diamonds (not an uncommon outcome in assessing kimberlites).

Having given diamonds its best shot, Lithoquest resolved to withdraw from Australia and go back to grass roots gold exploration in Ontario, Canada. Rather than go to the historically significant gold producing regions such as Red Lake, it is focusing on lesser explored ground further to the north. These greenstone belts produced good results from exploration many decades ago, but there has been no modern follow through. Specifically, Lithoquest is focusing on the Uchi geological sub-province, seeing potential for large gold deposits.

### *First projects acquired from AIM-listed company*

The first package of ground secured by Lithoquest came from a \$4m deal with Landore Resources Ltd (LND.L), an AIM-listed, Australian-staffed company headquartered in Guernsey. Landore is a Canadian specialist with its main focus being the BAM Gold Project. It is planning for an open pit mine costing C\$94m in capex, to produce around 75,000 oz p.a. at a breakeven cost of US\$1,000/oz.

Lithoquest has agreed to pay Landore C\$4m over a two year period comprising cash of \$1.375m and \$2.65m in cash or shares, at Lithoquest's option. That will secure a 100% interest with a 2% royalty payable to Landore.

### *Miminiska and Keezhik gold exploration projects*

Identifying the Miminiska-Fort Hope greenstone belt as having good gold potential was easily deduced by looking at selected historical drill intercepts from the 1980s, including;

- 20.8m at 5.75 gpt from 52m
- 5.3m at 13.9 gpt from 235m
- 14.7m at 3.74 gpt from 54m
- 11.1m at 4.49 gpt from 120m
- 17.7m at 2.49 gpt from 43m
- 3.7m at 12.5 gpt from 27m
- 3m at 13.3 gpt from 16m
- 6.1m at 6.68 gpt from 91m
- 2.1m at 18.6 gpt from 19m
- 3.3m at 8.85 gpt from 34m

Gold mineralization at Miminiska is primarily associated with narrow shear zones that strike east-west across the Miminiska Lake property and iron rich sediments (locally referred to as iron-formations) on the Frond Lake property.

Gold appears to be in orogenic lode (shear zone) type deposits. Mineralization is observed to be related to structurally controlled quartz-carbonate veins in steeply dipping, compressional brittle-ductile shear zones (and faults).

At Keezhik, about 30 km further north, a number of narrow intercepts (1-3m) returned assays from 4 to 47 gpt gold. That prospect lies in the same regional structure that hosts the Musselwhite Mine, which comprises 6 Moz of gold, 180 km to the NW. Thus there is a precedent for a multi-million ounce deposit in the region. As with Miminiska, there has been no sustained exploration at Keezhik since the 1980s, when the gold price was much lower.

### *Attwood adds a base metal component*

Located about 30 km south of Miminiska, Attwood has a greenfield precious and base metal prospect licence that was pegged by Lithoquest. Copper has been identified at the Weese Lake prospect and there have been numerous showings of sulphide mineralisation. There have been less than 20 holes drilled historically, and no exploration has been conducted since the 1970s. A number of bedrock conductors are available for testing.

### *Intended work programs*

Over the next six months the company will undertake surface sampling and remote sensing programs such as airborne magnetics, with a view to working up drill targets for testing in Q1 or Q2 of 2022. It is fully funded up until then with a \$2m cash balance, but the actual drilling program would need to be funded by \$1.5m worth of warrants due at 15¢, in November, or another round of funding.

### *The Bottom Line*

Lithoquest is without doubt a high risk/high reward gold exploration proposition. With a market capitalisation of C\$13m and a cash balance of C\$2m, it is embryonic. The shares could be worth ... anything ... depending upon the exploration success.

When I look at companies like this I first look at how much anticipation is already factored into the stock price (*here, not much*). I look to see what the market liquidity is like to see if there is much trading that might impede moves to higher prices (*here, it is very tight*). I look at management's history and of course, whether the commodity is in favour. If these parameters get a tick I then look to what the news flow is likely to be and I ask how many people are aware of the company. Is the register likely to be packed with stale bulls who will sell into news flow, or has it been refreshed with renewed optimists? What is the market capitalisation compared to similar companies? All these issues need to be considered when trying to decide whether or not it is a good punt.

I recently took up shares in a \$2.5m raising so I obviously went through my check list and thought it was worth taking a position. That has to be for at least four months due to the escrow period applying to Canadian raisings. Realistically though, if you are going to maximise your upside on (assumed) exploration success, you need a minimum 1-2 year view during which you will monitor progress.

The Company is well-positioned with projects, it has credible management and strong shareholders including Rosseau Asset Management, Eric Sprott and Medalist Capital. The market capitalisation is inexpensive and everyone is full of optimism. There is no obvious reason not to have a seat at the table.

*Footnote: Without detracting from the new gold initiative, Lithoquest did have a good look at the Merlin Diamond Mine recently acquired by Lucapa. In fact, it was the underbidder and it actually was prepared to pay \$10.5m, but for some reason it went to Lucapa for \$8.5m. If it had been successful in its bid, Lithoquest would probably have spun Merlin out into a separate company (the strategy that was recommended to Lucapa but was rejected, with management opting to issue yet more shares to keep it 100%-owned). Interestingly, while cautioning that Merlin is not a slam dunk, Lithoquest believes that it could be a good project with a large NPV.*

*Disclosure: Interests associated with the author own shares and warrants in Lithoquest*

### West Wits has its Mining Right granted

In a simple two paragraph release last week, West Wits announced that its Mining Right has been granted by the Department of Mineral Resources. Hallelujah! The company can now proceed with its plan to produce gold in the second half of 2021.

There has been considerable speculation in the market over many months about the granting of the Mining Right. Now that it has happened, rather than seeing the share price surge higher to reflect their true value, they were actually sold down. It has been another example of “buy on rumour, sell on news”. Has the market decided that this means that West Wits will go to the market to fund the development? Maybe, but there is no shortage of investors who want to be offered participation. This will just be a short term speed bump.

The next focus for speculators will be on the corporate front. The fundamentals look excellent at these gold prices, and suddenly the 4.5 Moz gold resources has real commercial value that can be dealt upon if any one of the regional gold producers want to buy the project, outright or in joint venture, rather than just toll treat ore.

*STOP PRESS: Late on Friday afternoon the company announced that the JORC resource had been adjusted downwards to 3.55 Moz due to some peripheral areas being excised from the mineable resource. The gold is still there, but it is not available for quotation at present. It seems that there is an additional level of bureaucracy that needs to be crossed, to secure another Prospecting Right to claw back this gold. We have been advised that this is*

*not material to the value of the project. In any event, none of these ounces have been included in the mine plan. Remember, there are actually millions of ounces more gold down below the 500m level that the company doesn't bother mentioning.*

*Disclosure: Interests associated with the author own shares in West Wits*

### Ionic drilling expands resource potential

Remember how aggressively Ionic Rare Earths was sold down on the release of the scoping study on Makuutu. The speed bump was the ASX would not allow all of the Inferred category of the very large resource to be included in the study. Well, the company is addressing that issue by continuing with an aggressive Phase 4 program of in-fill drilling.

In the meantime, the latest drill results from Phase 3 adds further credibility to its view that Makuutu is the largest identified ionic adsorption clay deposit outside of China. The final 11 RAB holes in the Western Zone infer extensions to the north west, prompting the application for additional leases in this direction.

For those long term investors looking to accumulate a position in IXR, the ASX policy has actually done you a favour, extending the time frame available in which to accumulate stock at more modest prices than when the market was running hot.

### Another ionic rare earth play has IPO'd

It is worth mentioning the recent IPO, Australian Rare Earth (AR3), which has an ionic rare earth project. The IPO raised \$12m at 30¢ a share, with the primary assets being the 100%-owned Koppamurra project on the Sth Australia and Victorian border near Bordertown. The Red Tail and Yellow Tail deposits host an Inferred Resource of 39.9 Mt at 725 ppm TREO (485 ppm TREO-CeO<sub>2</sub>) within a 2-3m thick clay horizon. Red Tail extends over a strike length of 10 km and is 3 km wide, while Yellow Tail is 3 km x 1.9 km.

The ground was selected after reviewing historical exploration results from a 2016, PhD project. Six samples were tested and showed recoveries of 50-70% of TREO (excluding CeO<sub>2</sub>). Whilst Koppamurra shares similarities with both ion adsorption clay deposits and volcanic ash fall placer deposits, there are also several differences, highlighting the need for further work before a genetic model for REE mineralisation at Koppamurra can be confirmed

### Comparing IXR with Australian Rare Earths (AR3)

Investors in the AR3 IPO have already doubled their money in what has proved to be a very timely listing. There are two main differences between the two companies. Geographical positioning is the most obvious. Do you want a project in Uganda or in Australia? Different geopolitical risks need to be considered, but so do the development timetables that each jurisdiction comes with.

The other main difference is the maturity of the project. IXR is much further down the path than is AR3, which still hasn't found a CEO or managing director. You could say there is

an enormous difference in respective resources sizes (315 Mt at 840 ppm versus 39.9 Mt at 725), but AR3 is only just starting to explore. Each project has significant exploration upside, but once you get above a certain threshold of say 50 Mt of mineable resources the NPV of the additional tonnage becomes somewhat academic.

In term of market parameters, IXR has a market capitalisation of \$100m, holding 50% of Makuutu, while AR3 is capitalised at \$72m with 100% of its project. IXR's shares are actively traded with a widely spread share register, whereas AR3 is highly held with 66 million shares still in escrow.

*Disclosure: Interests associated with the author own shares in Ionic.*

We have reinstated Lindian Resources in our chart coverage.

### You learn something new every day

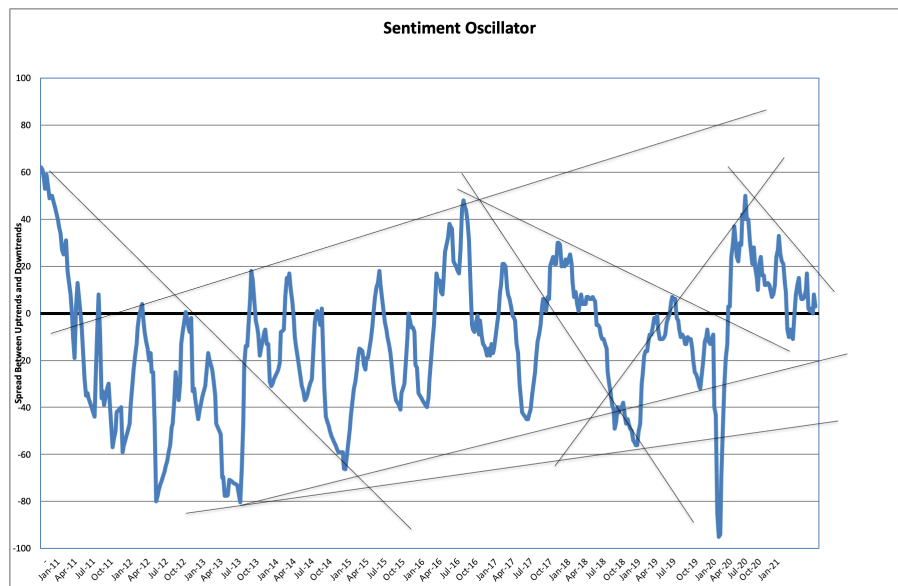
Here is something sent to me by a reader. There is a new word to add to our dictionary; ineptocracy.

**Ineptocracy** (*in-ep-toc'-ra-cy*) - a system of government where the least capable to lead are elected by the least capable of producing, and where the members of society least likely to sustain themselves or succeed, are rewarded with goods and services paid for by the confiscated wealth of a diminishing number of producers.

### Some views on markets in a podcast

I was recently interviewed for a podcast entitled *Making sense of the market with Warwick Grigor. Trawling for Ten Baggers*. It might be of interest to some of you. Click on the link below.

<http://www.trawlingfortenbaggers.com/episode-24-making-sense-of-the-market-with-warwick-grigor/>



**Sentiment Oscillator:** Sentiment eased a little over the week with there being 36% (39%) of the charts in uptrend and 33% (31%) in downtrend on Friday's close.

## 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	new high	
Metals and Mining	XMM	near highs	
Energy	XEJ	breached downtrend, but then softer	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest

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Alpha HPA	A4N		on support line	HPA
Adriatic Resources	ADT		surge back to highs	zinc, polymetallic
Alkane Resources	ALK		rising	gold, zirconia
Alicanto Minerals	AQI		rising	base metals, silver, gold
Altech Chemical	ATC		down	HPA, anodes
Alto Metals	AME		testing resistance line	gold exploration
American Rare Earths (was BPL)	ARR		down	rare earths
Antilles Gold	AAU		testing downtrend	gold
Arafura Resources	ARU		down to new low	rare earths
Ardea Resources	ARL		on support line	nickel
Aurelia Metals	AMI		testing downtrend	gold + base metals
Australian Potash	APC		testing downtrend	potash
Australian Rare Earths	AR3		no trend yet.	rare earths
Auteco Minerals	AUT		breached downtrend	gold exploration
Azure Minerals	AZS		testing downtrend	nickel exploration
BHP	BHP		new high	diversified, iron ore
Base Resources	BSE		sideways	mineral sands
Beach Energy	BPT		down, near lows	oil and gas
Bellevue Gold	BGL		breached downtrend	gold exploration
Blue Star Helium	BNL		down	gas, helium
BMG Resources	BMG		pullback following placement	gold exploration
Boab Metals	BML		risen to meet resistance line	silver/lead
Breaker Resources	BRB		down	gold exploration
Buru Energy	BRU		softer	oil
Calidus Resources	CAI		rising again	gold
Capricorn Metals	CMM		rising	gold
Caravel Minerals	CVV		new high	copper
Celsius Resources	CLA		rallying	uptrend
Chalice Mining	CHN		breached support line	nickel, copper, PGMs, gold exploration
Chase Mining	CML		down	nickel/copper/PGE
Chesser Resources	CHZ		strong rally	gold exploration
Cobalt Blue	COB		downtrend	cobalt
Cyprium Metals	CYM		down	copper
Danakali	DNK		long term downtrend	potash
De Grey	DEG		breaching uptrend	gold
E2 Metals	E2M		sideways	gold exploration
Ecograp (was Kibaran)	EGR		breached downtrend	graphite
Element 25	E25		down	manganese
Emerald Resources	EMR		down	gold
Euro Manganese	EMN		less steep uptrend	manganese
Evolution Mining	EVN		down	gold
Firefinch	FFX		strongly higher	gold
First Graphene	FGR		breached short term downtrend	graphene
Fortescue Metals	FMG		new high	iron ore

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Galaxy Resources	GXY		new high	lithium
Galena Mining	G1A		breached support line	lead
Galilee Energy	GLL		down	oil and gas, CBM
Genesis Minerals	GMD		testing downtrend	gold
Gold Road	GOR		rising	gold
Hastings Technology Metals	HAS		down	rare earths
Hazer Group	HZR		down	hydrogen
Highfield Resources	HFR		down	potash
Hillgrove Resources	HGO		down	copper
Iluka Resources	ILU		new high	mineral sands
Image Resources	IMA		sideways	mineral sands
Independence Group	IGO		new high	gold
ioneer (was Global Geoscience)	INR		testing downtrend	lithium
Ionic Rare Earths (Oro Verde)	IXR		recovering long term uptrend	rare earths
Jervois Mining	JVR		rising again	nickel/cobalt
Jindalee Resources	JRL		correcting lower	lithium
Kairos Minerals	KAI		down	gold exploration
Kingston Resources	KSN		sideways	gold
Kingwest Resources	KWR		down	gold
Latitude Consolidated	LCD		breached uptrend	gold
Legend Mining	LEG		turned down at resistance line	nickel exploration
Lepidico	LPD		testing downtrend	lithium
Lindian Resources	LIN		rallying	bauxite
Lithium Australia	LIT		rallying	lithium
Los Cerros	LCL		on support line	gold exploration
Lotus Resources	LOT		surge to new high	uranium
Lucapa Diamond	LOM		new low	diamonds
Lynas Corp.	LYC		breached downtrend	rare earths
Magnetic Resources	MAU		uptrend	gold exploration
Mako Gold	MKG		down again	gold exploration
Manhattan Corp	MHC		down	gold exploration
Marmota	MEU		sideways	gold exploration
Marvel Gold	MVL		rising again	gold exploration
Matador Mining	MZZ		sideways through uptrend	gold exploration
MetalTech	MTC		testing uptrend	gold
Meteoric Resources	MEI		down	gold exploration
MetalsX	MLX		correcting lower	tin, nickel
Metro Mining	MMI		down again	bauxite
Mincor Resources	MCR		new high	gold/nickel
Musgrave Minerals	MGV		down	gold exploration
Neometals	NMT		rising	lithium
Northern Minerals	NTU		breaching downtrend	REE
Northern Star Res.	NST		down	gold
Oceana Gold	OGC		surge higher	gold

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Oklo Resources	OKU		down	gold expl.
OreCorp	ORR		heavy correction after placement	gold development
Orocobre	ORE		new high	lithium
Oz Minerals	OZL		breached uptrend	copper
Pacific American	PAK		down	coking coal
Pantoro	PNR		breached support line	gold
Panoramic Res	PAN		breaching uptrend	nickel
Peak Minerals	PUA		new low	copper exploration
Peak Resources	PEK		new high	rare earths
Peel Mining	PEX		testing support	copper
Peninsula Energy	PEN		new high	uranium
Poseidon Nickel	POS		breached downtrend	nickel
Perseus Mining	PRU		rising	gold
Pilbara Minerals	PLS		new high	lithium
Polarex	PXX		down	polymetallic exploration
Queensland Pacific Metals	QPM		new high	nickel/cobalt/HPA
Red River Resources	RVR		sideways	zinc
Regis Resources	RRL		new low on large financing	gold
Renegen	RLT		down	gas, helium
RIO	RIO		correcting lower	diversified, iron ore
Rumble Resources	RTR		off its highs	gold exploration
Salt Lake Potash	SO4		down	potash
St Barbara	SBM		testing downtrend	gold
Sandfire Resources	SFR		coming back towards support line	copper
Santos	STO		testing uptrend	oil/gas
Saturn Metals	STN		breached downtrend	gold exploration
Sheffield Resources	SFX		breached uptrend	mineral sands
St George Mining	SGQ		risen to resistance line	nickel
Silex Systems	SLX		secondary downtrend	uranium enrichment technology
Silver Mines	SVL		surge higher	silver
Sipa Resources	SRI		testing downtrend	general exploration - Ni,Cu, Co, Au
South Harz Potash	SHP		testing uptrend	potash
Stanmore Coal	SMR		breached steepest downtrend	coal
Strandline Resources	STA		pullback	mineral sands
Sunstone Metals	STM		rallying	
Talga Resources	TLG		testing downtrend	graphite
Technology Metals	TMT		sideways	vanadium
Tesoro Resources	TSO		breaching downtrend	gold exploration
Theta Gold Mines	TGM		down	gold
Thor Mining	THR		rising	gold exploration
Tietto Minerals	TIE		testing downtrend	gold
Titan Minerals	TTM		sideways	gold
Venturex	VXR		heavy slump	zinc
Vimy Resources	VMY		testing downtrend	uranium

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West African Resources	WAF		struggling at resistance line	gold
Westgold Resources	WGX		turned down at resistance line	gold
West Wits Mining	WWI		off its highs	gold
Western Areas	WSA		breached uptrend	nickel
Whitehaven Coal	WHC		surge higher, then a slump	coal
Wiluna Mining	WMC		testing downtrend	gold
Yandal Resources	YRL		slump	gold exploration
Zenith Minerals	ZNC		surge to new high	gold exploration
Zinc Mines of Ireland	ZMI		rising	zinc
Totals	36%	51	Uptrend	
	33%	46	Downtrend	
		141	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	30	21.3%	
Gold Exploration	24	17.0%	
Nickel	13	9.2%	
Copper	9	6.4%	
Oil/Gas	6	4.3%	
Lithium	8	5.7%	
Zinc/Lead	6	4.3%	
Rare Earths	8	5.7%	
Mineral Sands	5	3.5%	

Iron Ore/Manganese	5	3.5%	
Potash/Phosphate	5	3.5%	
Coal	4	2.8%	
Uranium	4	2.8%	
Graphite	2	1.4%	
Bauxite	2	1.4%	
Silver	2	1.4%	
Cobalt	1	0.7%	
Tin	1	0.7%	
Diamonds	1	0.7%	
Other	5		
Total	141		

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