

Felix Gold is focusing on an Alaskan gold hot spot

IPOs - not a sure fire way to make quick money

Last year we saw a flood of IPOs that swamped the market but not all of them were successful in terms of post-IPO performance. Too many people go into IPOs with a view to taking a staggering profit, but to expect immediate performance is to suggest that the IPO was underpriced in the first place. How often does that really happen?

There can be changes in circumstances between the collection of the money and the commencement of trading that can cause interest to rise or wane, but real price discovery doesn't take effect until trading commences. Brokers and promoters really need to give more attention to organising on-market buying in order to set a positive tone from day one.

Brokers try to march an IPO company in through the front door and out the back door as quickly as possible. A quick deal, when FOMO is at its maximum, is a good deal. Anything that drags on starts to look difficult from a short term view. Brokers are excellent at letting market sentiment do the work but they fall short when genuine salesmanship is needed to get an IPO over the line.

When there are dozens of IPOs in the pipeline and market sentiment is the key driving force, you can find that a slowdown can leave many new companies floundering to get away. Such was the timing last December, when brokers were suffering deal fatigue and everyone wanted to get away for the Christmas break. Felix Gold (FGX) is a company that found itself caught up in this scenario as it sought to raise \$7-10m. One would have thought that having Canaccord Genuity as the broker to the issue would have assured a successful IPO, but it didn't work like that. Felix initially struggled to raise the money but with some pushing and shoving it did secure the full \$10m.

Felix's initial share price performance since listing was abysmal, closing at 18¢ on the first day (New Year's Eve) before falling to a low of 13¢. As we write it has clawed itself back to 17¢ but it is still largely overlooked by the market. Was it priced wrongly at 25¢ or is it just a story that has been overlooked? Is there meaningful upside potential from here? Let's take a closer look.

Felix is focusing on Alaska's golden hot spot

Felix Gold Limited was established in late 2020, to identify and acquire large scale gold exploration prospects in the world-class Tintina Gold Belt of Alaska. Specifically, it is focusing on ground near the city of Fairbanks which offers some parallels to Kalgoorlie in terms of logistics and infrastructure. That is the end of the belt that has been the most productive for gold companies in modern times.

The go-to reference project is Kinross's Fort Knox gold mine, 24 km NE of Fairbanks. This has operated for more than 25 years, producing from a very large open pit at the rate of 50 Mtpa, producing more than 8 Moz since commissioning. Last year it produced 264,000 oz at a cash

cost of US\$1,014/oz, from CIL and heap leach processing circuits. Given that the mine grade is now down to 0.3 gpt, it is an example of how economic a large volume low grade mine can be in Alaska, once it has repaid its capital. Its scheduled mine life is set to run to 2030, but satellite orebodies and third party mill feed could extend the life.

A second, sizeable gold project 30 minutes drive from Fairbanks, is Freegold Ventures's (TSX:FVL) Golden Summit Project with Indicated Resources of 61.5 Mt at 0.69 gpt for 1.4 Moz and Inferred Resources of 71.5 Mt at 0.69 gpt for 1.6 Moz of gold. A PEA based on a US\$1,300/oz gold price gave a 24 year mine life producing an average of 96,000 oz p.a. (peak year 158,000 oz) at a cash cost of US\$842/oz. Initial capex was US\$88m and the payback period was 3.3 years. At the recent share price of 43¢ Freegold is capitalised at C\$145m.

Felix ground is strategically located

Felix has accumulated one of the largest mining claim consolidations in the Fairbanks region, spanning a 40 km strike length adjacent to Fort Knox and Golden Summit with existing resources, known mineralisation and large scale gold anomalies.

Felix's land holdings have seen over 2 Moz of historic gold production, some from hard rock sources, but most from alluvial mining in creeks draining from its tenements. Hard rock sources are yet to be assessed but it would be reasonable to look for size correlations with gold that came from the alluvials i.e. one to three million ounce deposits. Most of Felix Gold's licences are located close to Fairbanks and. The Grant-Ester Project is only 10 km west of Fairbanks. Here, Felix has an Inferred Resource of 5.8 Mt at 1.95 gpt for 364,000 oz of gold. The Liberty Bell Project is located 115 km SW of Fairbanks.

Encouraging project geology

Hard-rock gold mineralisation in Felix's Fairbanks projects is dominated by shear and fault-vein hosted gold antimony deposits and broad zones of disseminated and stockwork gold mineralisation. Felix intends to evaluate the projects for near-surface bulk tonnage or high-grade underground gold mineralisation. Historical exploration has confirmed the presence of gold in many locations on the project areas and the Company's own preliminary work has identified extensive soil anomalies. Felix is using geophysics and has established a number of IP anomalies that will be followed up with drilling, commencing in 2022. Thus for the most part the projects are at the early exploration stage and therefore carry a higher risk/reward profile - but therein lies the speculative opportunity.

The IPO prospectus did mention an historic resource of 1.37 Mt at 3.09 gpt at the Liberty Bell prospect but the Company was subsequently forced to retract the statement. There is gold there but the ASX was not comfortable with the method of calculating the figure, supposedly due to a

lack of Q&A data. Nevertheless, historical drill intercepts of 17.9m @ 9.5 gpt Au from 21.64m, 21.9 m @ 10.5 gpt from 32m and 24.9m @ 8.57 gpt from 36.8m give plenty of ground for optimism. While these are high grades, remember that individual intercepts get absorbed into a lower grade resource.

\$10m funding in place

Prior to the IPO, Felix had two rounds of funding. In February 2021, Felix raised approximately \$2.2 million at 13c per share. In May 2021, Felix raised a further \$6.0 million at 18c a share. The IPO raising sees the Company with more than \$10m in the bank today, which should be enough to significantly advance the projects.

The Bottom Line

Subscribers to the IPO are probably feeling despondent given the poor performance of the share price since listing, but this is only just the beginning. The current share price is more reflective of general stock market conditions than the true merit of the projects.

As we know, anything can happen in the exploration game. If you start off with favourable geology, and you have an address in a region known for large gold deposits, and you have a competent exploration team, you are in the game with a fighting chance. Felix ticks all of these boxes.

It would be reasonable to expect Felix to find 1 Moz + gold deposits that would support a standalone processing operation, but the fallback could easily be a sale of ore to the nearby Fort Knox mill. Having that as a possibility significantly reduces the risk profile of the Company.

So, what is the right share price? If you are a contrarian you can take pleasure in buying on-market at a sizeable discount to the IPO prices. Not many traders have managed to pick up shares at less than 18c, so there are very few shareholders sitting on profits that they may be tempted to cash in prematurely. There is still the concern that IPO subscribers at 25c could liquidate their positions when the share price gets back up there, but by then the appetite for the stocks will probably be driven by exploration results. News flow will be the key to share price performance as the 2022 field season comes around. Personally, I thought the market was oversold so picked up a few shares in the 14-16c price range with a view to holding them long enough to see what the initial exploration efforts reveal in the coming field season, being April to October.

Disclosure: Interests associated with the author own shares in Felix Gold.

Placing Exploration Targets in perspective

While the Company is obviously highly optimistic about the prospectively of its ground, there are rules about what it can say publicly. The ASX does allow discussion of Exploration Targets but the reality is that these are often stabs in the dark. It can be misleading to focus too closely on these as they are combinations of optimistic outlooks constrained by objective constraints. They are supposed to appear "responsible" and maybe they are, but any exploration is highly speculative by definition. You need to be risk preferring to invest, and then hope for the best. If it is good geology and there are regional examples of what could be hosted, you are onto a fair bet.

LCL's resource statement is work in progress

Some readers have expressed disappointment with Los Cerros's resource statement of 1.3 Moz at 0.81 gpt at Tesorito, given that we have touted the view that the project has potential for 2-3 Moz, but the early figure just announced doesn't phase me. You need to remember that this is a pit-constrained number and it is still early days.

Take a look at Table 5 in the release and look at the range of cut-off grades. If you use 0.25 gpt cut-off, which is the optimised cut-off grade used by the independent Resource Geologist, you get 134 Mt at 0.53 gpt for 2.29 Moz. If you go to Table 6, which gives unconstrained numbers, the same cut-off grade gives you 241 Mt at 0.45gpt for 3.4 Moz, at Tesorito alone. Admittedly it can get confusing depending upon what grades you apply, but the main point is that the Company is delivering according to our earlier expectations in terms of resource size.

Consider that LCL has drilled 23,000m to arrive at the resource that it has just announced. The current schedule involves drilling another 30,000m. What will these extra holes deliver, both in terms of contained ounces and confidence levels? Expect continued growth.

The higher grade starter pit potential has always been highlighted by the Company as being of economic significance. It has delivered on this front with the high grade resource of 0.54 Moz at 1.23 gpt gold.

The Company realistically says that there is the potential "... to evolve into a cluster of economic gold deposits". The Quinchia Gold Project contains multiple targets at various levels of investigation within a ~3km radius. Bringing the various deposits together in an optimised development scenario will take much more drilling and the calculation of mining reserves, but with a resource of 2.6 Moz grading 1.0 gpt already defined at Quinchia it is making good progress..

Some years ago the 1 gpt cut-off was considered the magic number to use with gold developments, but with the higher gold price we need to adjust our thinking using a 0.5 gpt cut-off. Many new projects carry mining grades around 1 gpt, and some even come down to 0.3 gpt where there are favourable logistics and other parameters; see the earlier mention of Fort Knox and a 0.1 gpt cut-off. What the optimum numbers will be for Quinchia remains to be seen, but even at this early stage we can be confident that there will be a large scale profitable gold mine developed in due course.

Disclosure: Interests associated with the author own shares in Los Cerros.

Drill results adding to Alicanto's potential

Alicanto has been struggling to get noticed in the market place in recent months but this is not because of the lack of good results. In its latest release the Company detailed assays from 42 historical holes in the Sala property, obtained from the Swedish Geological Survey. These have expanded the resource drilling target area to the east and towards surface. Current drilling aims to integrate these results into the geological model. Significantly, the results above sit between the Prince lode and margins of the

historic Sala Mine, adding great value in understanding the relationship between the two mineralisation styles.

Even though we frequently warn against focusing on the best intercepts at any project, we still like to see them. Here, this latest set of holes give strong zinc assays with associated lead and silver, over economically mineable widths. It is all good grist for the mill leading up to a maiden resource calculation, which can't be too far away.

Disclosure: Interests associated with the author own shares in Alicanto.

Correction on spodumene price

Last week I mistakenly quoted an historical spodumene price. The correct price should have been China Spodumene Li₂O 5%min CIF US\$2,790/t.

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	still in downtrend	
Metals and Mining	XMM	testing downtrend	
Energy	XEJ	punched higher, above uptrend channel	
Information Technology	XIJ	rallying	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Alpha HPA	A4N	pullback	HPA
Adriatic Resources	ADT	continuing down	zinc, polymetallic
Alkane Resources	ALK	stronger	gold
Alicanto Minerals	AQI	downtrend	base metals, silver, gold
Altech Chemical	ATC	down	HPA, anodes
Alto Metals	AME	sideways	gold exploration
American Borates	ABR	recapturing uptrend	borate
American Rare Earths (was BPL)	ARR	off its highs	rare earths
Antilles Gold	AAU	testing downtrend	gold
Arafura Resources	ARU	rising	rare earths
Ardea Resources	ARL	pullback	nickel
Aurelia Metals	AMI	new uptrend	gold + base metals
Australian Potash	APC	heavy fall	potash
Australian Rare Earths	AR3	down	rare earths
Auteco Minerals	AUT	rallying	gold exploration
Azure Minerals	AZS	on support line	nickel exploration
BHP	BHP	breached uptrend	diversified, iron ore
Beach Energy	BPT	new uptrend confirmed	oil and gas
Bellevue Gold	BGL	down	gold exploration
Benz Mining	BNZ	new low	gold
Blue Star Helium	BNL	down	gas, helium
BMG Resources	BMG	new low	gold exploration
Boab Metals	BML	in a secondary downtrend	silver/lead
Breaker Resources	BRB	heavy fall from highs	gold exploration

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Buru Energy	BRU	testing uptrend	oil
Calidus Resources	CAI	on support line	gold
Capricorn Metals	CMM	surge to new high	gold
Caravel Minerals	CVV	slump	copper
Celsius Resources	CLA	testing short-term uptrend	copper
Chalice Mining	CHN	down	nickel, copper, PGMs, gold exploration
Chesser Resources	CHZ	rallied off lows	gold exploration
Cobalt Blue	COB	surge to new high	cobalt
Cyprium Metals	CYM	rallied to meet resistance line	copper
Danakali	DNK	downtrend accelerating	potash
De Grey	DEG	on support line	gold
E2 Metals	E2M	down	gold exploration
Ecograp	EGR	down	graphite
Element 25	E25	down	manganese
Emerald Resources	EMR	rising again	gold
Empire Energy	EEG	holding uptrend	gas
Euro Manganese	EMN	down	manganese
Evolution Mining	EVN	breached uptrend	gold
Firefinch	FFX	breached uptrend	gold
First Graphene	FGR	testing uptrend	graphene
Fortescue Metals	FMG	testing uptrend	iron ore
FYI Resources	FYI	down	HPA
Galena Mining	G1A	still down	lead
Galilee Energy	GLL	down	oil and gas, CBM
Genesis Minerals	GMD	surged higher after consolidation	gold
Genmin	GEN	new uptrend	iron ore
Global Energy Ventures	GEV	testing downtrend	hydrogen
Gold Road	GOR	testing downtrend	gold
Great Boulder Resources	GBR	rising	gold exploration
Hastings Technology Metals	HAS	testing uptrend	rare earths
Hazer Group	HZR	bounce back to resistance line	hydrogen
Highfield Resources	HFR	back to resistance line	potash
Hillgrove Resources	HGO	long term uptrend	copper
Iluka Resources	ILU	breached downtrend, back to highs	mineral sands
Image Resources	IMA	new uptrend	mineral sands
Independence Group	IGO	new high	gold
ioneer (was Global Geoscience)	INR	slump	lithium
Ionic Rare Earths (Oro Verde)	IXR	recovering long term uptrend	rare earths
Jervois Mining	JVR	shallower uptrend	nickel/cobalt
Jindalee Resources	JRL	strong rally	lithium
Kingston Resources	KSN	rallying	gold
Kingwest Resources	KWR	breached uptrend sideways	gold
Legend Mining	LEG	down	nickel exploration
Lepidico	LPD	testing steepest uptrend	lithium

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Lindian Resources	LIN		surge higher	bauxite
Lion One Metals	LLO		spike higher	gold
Los Cerros	LCL		rallied to hit resistance line	gold exploration
Lotus Resources	LOT		holding long term uptrend	uranium
Lucapa Diamond	LOM		shallow downtrend	diamonds
Lynas Corp.	LYC		sharp pullback	rare earths
Magnetic Resources	MAU		shallow downtrend	gold exploration
Mako Gold	MKG		breaching support	gold exploration
Marmota	MEU		sideways	gold exploration
Marvel Gold	MVL		breached uptrend	gold exploration
Matador Mining	MZZ		rallied to hit resistance line	gold exploration
Mayur Resources	MRL		slump to new low	renewables, cement
Meeka Gold	MEK		strong rise but still LT downtrend	gold
Megado Gold	MEG		new low	gold exploration
Meteoric Resources	MEI		still falling	gold exploration
MetalsX	MLX		new high	tin, nickel
Metro Mining	MMI		new uptrend confirmed	bauxite
Mincor Resources	MCR		new high	gold/nickel
Mithril Resources	MTH		down	gold/silver
Musgrave Minerals	MGV		testing downtrend	gold exploration
Neometals	NMT		testing uptrend	lithium
Northern Minerals	NTU		rising	REE
Northern Star Res.	NST		breached downtrend	gold
Nova Minerals	NVA		heavy slump	gold exploration
Oceana Gold	OGC		breaching downtrend	gold
Oklo Resources	OKU		down	gold expl.
Orecorp	ORR		down	gold development
Oz Minerals	OZL		back to support line	copper
Pacific American	PAK		back to lows	coking coal
Pantoro	PNR		surge higher	gold
Panoramic Res	PAN		on support line	nickel
Peak Minerals	PUA		new low	copper exploration
Peak Resources	PEK		broken down through support line, but rebound	rare earths
Peel Mining	PEX		down	copper
Peninsula Energy	PEN		on support line	uranium
Poseidon Nickel	POS		sideways	nickel
Perseus Mining	PRU		good bounce	gold
PVW Resources	PVW		steep rise	rare earths
Queensland Pacific Metals	QPM		down	nickel/cobalt/HPA
Red River Resources	RVR		still down	zinc
Regis Resources	RRL		out of downtrend	gold
Regergen	RLT		on support line	gas, helium
RIO	RIO		new uptrend	diversified, iron ore
Rumble Resources	RTR		breached downtrend	gold exploration

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S2 Resources	S2R		consolidating after steep rise	gold exploration
St Barbara	SBM		testing downtrend	gold
Sandfire Resources	SFR		breached uptrend	copper
Santos	STO		breached downtrend	oil/gas
Saturn Metals	STN		breached ST downtrend, but still in LT one	gold exploration
Silex Systems	SLX		sideways through downtrend	uranium enrichment technology
Silver Mines	SVL		sideways	silver
South Harz Potash	SHP		slump	potash
Stanmore Coal	SMR		hitting resistance line	coal
Strandline Resources	STA		slump	mineral sands
Sunstone Metals	STM		downtrend	exploration
Talga Resources	TLG		still down	graphite
Technology Metals	TMT		down	vanadium
Tesoro Resources	TSO		new low	gold exploration
Theta Gold Mines	TGM		down	gold
Thor Mining	THR		downtrend breached	gold exploration
Tietto Minerals	TIE		strong rise	gold
Titan Minerals	TTM		breached downtrend	gold
Turaco Gold	TCG		downtrend	gold exploration
Vanadium Resources	VR8		back to highs	vanadium
Vimy Resources	VMY		testing downtrend	uranium
West African Resources	WAF		new high	gold
Westgold Resources	WGX		new uptrend being tested	gold
West Wits Mining	WWI		risen to meet resistance line	gold
Whitehaven Coal	WHC		secondary uptrend	coal
Wiluna Mining	WMC		breached uptrend	gold
Yandal Resources	YRL		breached uptrend	gold exploration
Zenith Minerals	ZNC		surge to new high	gold exploration
Zinc Mines of Ireland	ZMI		sideways	zinc
Totals	34%	48	Uptrend	
	38%	53	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.
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Weightings of Sectors Represented in the Company Charts			
Sector	No. of Companies	Weighting	
Gold	31	22.0%	
Gold Exploration	24	17.0%	
Nickel	11	7.8%	
Copper	10	7.1%	
Rare Earths	9	6.4%	
Oil/Gas	7	5.0%	
Iron Ore/Manganese	6	4.3%	
Lithium	4	2.8%	
Potash/Phosphate	5	3.5%	
Graphite/graphene	4	2.8%	
Uranium	4	2.8%	
Zinc/Lead	4	2.8%	
Mineral Sands	3	2.1%	
Silver	3	2.1%	
Coal	3	2.1%	
Bauxite	2	1.4%	
Cobalt	1	0.7%	
Tin	1	0.7%	
Diamonds	1	0.7%	
Other	8		
Total	141		

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