RESOURCE OPPORTUNITIES

Independent Research for Junior Mining Profits

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By James Kwantes
Editor and publisher,
Resource Opportunities

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Dear subscriber,

It's a crazy world. Ironic too, given that 20/20 vision is not much of a help for anybody navigating 2020. In this environment, gold's strength may be as close to a sure thing as exists. The gold juniors seem to be signalling that as well. They have perked up as a group, finally, although some remain undervalued. Others that have risen have plenty more runway. Junior gold stocks remain cheap, cheap, cheap. It's a situation we've grown accustomed to, but we are now into a very different environment: a full-fledged gold bull market. That requires a shift in mentality. Selectivity and pricing, of course, remain very important.

Consider: despite recent dumps, the S&P 500 has rallied almost 40% off March lows despite … well, despite pretty much everything: ridiculous stock price metrics, economic calamity, racial tension, rising anti-police sentiment and an increasingly unhinged president. Gold, meanwhile, has increased less than 20% from March lows (!!), albeit within a very good-looking two-year chart.

Wealthy, armed and fearful. Barefoot, too. Bullish for gold, perhaps not for America.

This newsletter is long overdue, and my apologies. The onset of covid restrictions was a bit of a perfect storm -- the virus sidelined my usual office space and forced me to work from home. My productivity suffers at home at the best of times, and these have not been the best of times. I live with a close relative who struggles with mental health challenges. There were other factors, some of them personal (hernia surgery) and others even political. I got very little work done in the week following the killing of George Floyd as I followed developments south of the border.

You can take a journalist out of the newsroom, but you can't take the news cycle out of an ex-journalist's consciousness, especially during historic times.

The gold market is certainly heating up, with the precious metal starting to migrate into the mainstream media spotlight. That said, prices are less frothy than I would have expected with gold at US$1,785 an ounce. One signal, of course, is Great Bear's stunning move over the past several weeks -- go to Pg. 6 for more on that. Another signal was the (rather bizarre) bidding war for **Guyana Goldfields (GUY-T)**, owner of the poorly producing Aurora gold mine in Guyana (2019 saw the miner drop the proven and probable reserves number by 1.7M ounces).

Silvercorp (SVM-T) started things off with a $105-million takeover offer, which was more than doubled to $227 million in response to **Gran Columbia Gold (GCM-T)**'s competing offer. China's Zijin Mining trumped both with a $323-million winning bid, nearly triple Silvercorp's initial offer. Zijin is rapidly becoming the buyer of last resort, investing in (Pretium) or outright purchasing (Guyana, Continental) assets that have had operational difficulties for one reason or another or that face serious jurisdictional risk.

Optionality plays -- out-of-the-money gold projects that suddenly become wildly profitable as gold rises -- are not really my style. But there's one that's worth paying attention to, for several reasons: **Gold X Mining (GLDX-V)**, which would have also been acquired by 19% shareholder Gran Columbia Gold under the latter's bid for Guyana Goldfields. Gold X, formerly called **Sandspring Resources (SSP-V)** before it was rolled back 8 for 1 late last year, just brought in Robert Friedland as chairman. The company's Toroparu open-pit gold project in Guyana hosts 10 million ounces in all categories at grades of just under 1 g/t Au. Toroparu is an advanced-stage project with a PEA in hand and feasibility-level engineering work.

Gold X already had a strong team backing it in the new structure. Serial dealmaker Paul Matysek steps down as chairman to make way for Friedland but remains CEO. Friedland's shareholder wealth creation exercises are the stuff of legend: Voisey's Bay, Oyu Tolgoi, Kamua-Kakula, Platreef and Kipushi (Ivanhoe) etc. Matysek worked with Friedland on Potash One, which sold for $434 million to K+S in 2011; other of his wins have included Energy Metals ($1.8B sale) and Goldrock Mines ($179M).

Frank Giustra of Goldcorp/Silver Wheaton/Lionsgate Films fame owns 8.5% of Gold X shares and Brian Paes-Braga, who sold Lithium X to a Chinese group for $265 million ($2.61/share) in 2018, owns 5.3%. In this gold environment, Friedland coming in as chairman virtually guarantees the eventual sale of Gold X Mining, probably to a Chinese company. There are synergies with Zijin's Aurora gold mine, which is just 50 kilometres away. The announcement also included the detail that Friedland's Ivanhoe Capital Corp. will collect a finder's fee if Gold X does a financing or sells to a company that Friedland introduced to it.

With 10 million ounces in all categories, Gold X is a classic optionality play. The stock is up about 43% since the Friedland announcement but still trades at a fraction of the dollar-per-ounce valuations given other large, advanced-stage gold deposits. I do not own shares but have some warrants from a years-ago financing, which are now in the money. This is a team that knows how to crank up the promo machine AND generate exits that create shareholder value. Toroparu has been around for many years, one of the reasons it remains under the radar. The rollback has created a tight share structure that should respond positively to increases in the price of gold and increased demand for Gold X stock.

Price: $4.05
Shares out: 38.2 million (76.3M f-d)
Market cap: $154 million

The quick rebound in prices for base metals, particularly copper, caught me off guard. Along with demand considerations -- economic contraction and deflation associated with Covid-19 -- have come supply shocks as mines close down. That should further accelerate supply challenges that have been building for a while. It's especially true if the United States embarks on a massive infrastructure-building push, an outcome I expect regardless of who wins the next presidential election. It's decades overdue and would create many jobs.

Between now and then, it could be a long, hot summer in America. In the March 24 letter I touched on how the United States is almost uniquely ill-equipped to effectively deal with Covid-19 -- a situation now playing out as the second wave hits and Coronavirus hot spots multiply. While the economic devastation continues, I was wrong about the downside risks to markets posed by the pandemic -- at least so far. Add in large numbers of unemployed people, continued tensions between protesters and police on race, a toxic political divide and a president intent on wedge politics, and it still looks like a tinderbox to me.

My copper exposure, aside from Altius, is on the exploration side of the spectrum. In this letter I touch on Orestone Mining (Pg. 5) and GSP Resource Corp. (Pg. ?), higher-risk drill plays in established copper districts. I also own shares in **Granite Creek Copper (GCX-V)**, a Yukon exploreco that has the Stu copper-gold-silver project and is building a "copper bank" in the Minto copper district. Stu borders on Pembridge ground on the one side (Pembridge operates the Minto mine) and Copper North's Carmacks property on the other side. Granite Creek recently closed a $710,000 financing and plans to re-sample historical core, conduct multi-element soil sampling and narrow down drill targets, potentially for drilling later this year. Prior drilling has identified pockets of near-surface high-grade mineralization, including 13.72 metres of 3.44 Cu, 2.1 g/t Au and 14.71 g/t Ag and 12.19m of 3.87% Cu, 3.09 g/t Au and 22.71 g/t Ag.

On zinc, my preferred play is **Fireweed Zinc (FWZ-V)**, whose Macmillan Pass project is a beast under construction within a junior. The company is conducting a modest ground exploration program this summer to identify high-priority drill targets. CEO Brandon Macdonald would love to identify more pockets of high-grade mineralization with the drill this season, but won't blow up the share structure to do it. With 50 million tonnes grading above 9% ZnEq in the 2018 resource estimate, Fireweed already has one of the world's largest undeveloped zinc resources.

Successful drilling since then, in the End Zone and Boundary Zone, means that the resource is already much larger than what is reflected in the existing resource estimate. Yukon government commitments on road funding improve the economics, and Macdonald believes there will be further government funding on infrastructure. Fireweed is a patience play and I have been nibbling on shares in a long-term position.

Price: 0.48
Shares out: 42.1 million (52.8M f-d)
Market cap: $20.2 million

Aside from Fireweed, these are the latest mining-related stocks I have purchased:
North Arrow: Deep-value contrarian bet on management, a strong JV partner at Naujaat and a deposit with valuable fancy diamonds.
Talisker Resources: Cashed-up brownfield/greenfield exploration play with a top team.
NexGen Energy: Holds Arrow, one of the best undeveloped deposits globally, across commodities. Uranium is perking up.
Valore Metals: Shareholder-friendly company, drilling a PGM district in Brazil.

Mining investments make up a large majority of my portfolio, but they are not the only things I invest in. I currently hold the following non-mining investments. Each of them trades at a sub $100-million valuation, NTE and HODL at sub-$13M valuations:

- **Network Media (NTE-V, NMGGF-OTC)** - high-quality documentary content (18.5c entry). Currently 0.17, $12.5M market cap
- **Thunderbird Entertainment (TBRD-V, THBRF-OTC)** -- high-quality factual/animated/comedy content ($2.00 entry). Currently $1.40, $65M market cap
- **CloudMD (DOC-V, DOCRF-OTC)** -- virtual health care. CloudMD's new chairman, Mark Kohler, ran electronic medical records play QHR when it was bought for $170M by Loblaw (Shoppers Drug Mart). Kohler has been buying DOC in the market (74c entry). Currently 0.68, $77M market cap
- **Cypherpunk Holdings (HODL-V, KHRIF-OTC)** -- privacy-focused crypto investment fund that holds 203 Bitcoin (5c average entry). Currently 0.035, $3.16M market cap

For a junior management team, more than half the battle is positioning the exploreco for positive surprises. CEO Terry Harbort at **Talisker Resources (TSK-CSE)** has done that. The company is cashed up with $18 million from no-warrant financings to drill off Bralorne and explore the Spences Bridge gold belt. One of the first targets outside Bralorne that they plan to drill, however, isn't even in that belt -- it's Golden Hornet in the Okanagan. At Bralorne, Talisker continues to hit the same narrow high-grade gold veins that produced 4.2M oz at 17.7 g/t gold historically, as well as new veins. More on Talisker on Pg. ?.

Orestone Mining (ORS-V) is another junior that has positioned itself for positive surprises at Resguardo, its Chilean copper-gold porphyry project. Last year's drilling at the Captain project in B.C. failed to hit paydirt and Orestone just raised $850,000 in an 8-cent financing that included a full 12-cent, two-year warrant. I am not a fan of full-warrant financings -- this one adds 10.625 million shares and an equal number of warrants to Orestone's share structure of 28 million shares. While the dilution increases the stakes for the Resguardo project, Orestone's share structure remains attractive. The company also added a 9.9% shareholder not named Eric Sprott -- Michael Gentile. Gentile is a retired longtime money manager who owns significant stakes in several junior miners (others include Roscan Gold - ROS, Northern Superior Resources - SUP and Solstice Gold - SGC).

Copper has rallied sharply in the past two months, from US$2.20/lb to $2.70, and Orestone's target has both size and grade potential. Orestone plans to drill five RC holes and 1,200 metres targeting an IP anomaly that's about 150 metres deep, up to 1.4 kilometres long and up to 800 metres wide. Two sets of faults run east-west and north-south, and where they are in close proximity, there is alteration and they are bleeding off copper. The theory is that the anomaly is the source of the high-grade copper (1-7%) that was mined historically nearby. If Orestone can hit, the re-rate from its current $7-million market cap could be both rapid and extreme.

Price: 0.175
Shares out: 38.8 million (53.7M f-d)
Market cap: $6.8 million

Momentum vs. value plays. Great Bear is solidly in the former category, with regular reminders of why its stock chart continues to move to the top right. Call me crazy but I believe Great Bear remains a value play also, despite its rapid rise. I say that based on the company's 100% hit rate along the LP fault, the eventual size potential, characteristics such as GBR's tight share structure/strong treasury/Dixie's location on a major highway in a mining district, as well as the company's current market cap.

I asked Chris Taylor the question directly after Great Bear's June 11 webinar -- what's the upside potential from current levels. His response, at the 1:20 mark at this link, is worth listening to. It included the phrase "many multiples" of the current share price, which warmed my heart. And Taylor has asserted that the Dixie project could eventually sell for billions of dollars for a while now. The stock was trading in the 12s at the time and has rallied powerfully since.

On May 29, 2019 I attended a Discovery Group "field season kick-off" at the Terminal City Club in Vancouver. Taylor gave a presentation on Great Bear's "Bear-Rimini" discovery on the LP fault, which had just been announced the previous day. In that presentation, he used the term "billions" in describing what Great Bear could eventually sell for. It left an impression, since Great Bear had a market cap of less than $150 million and a sub-$4 share price at the time.

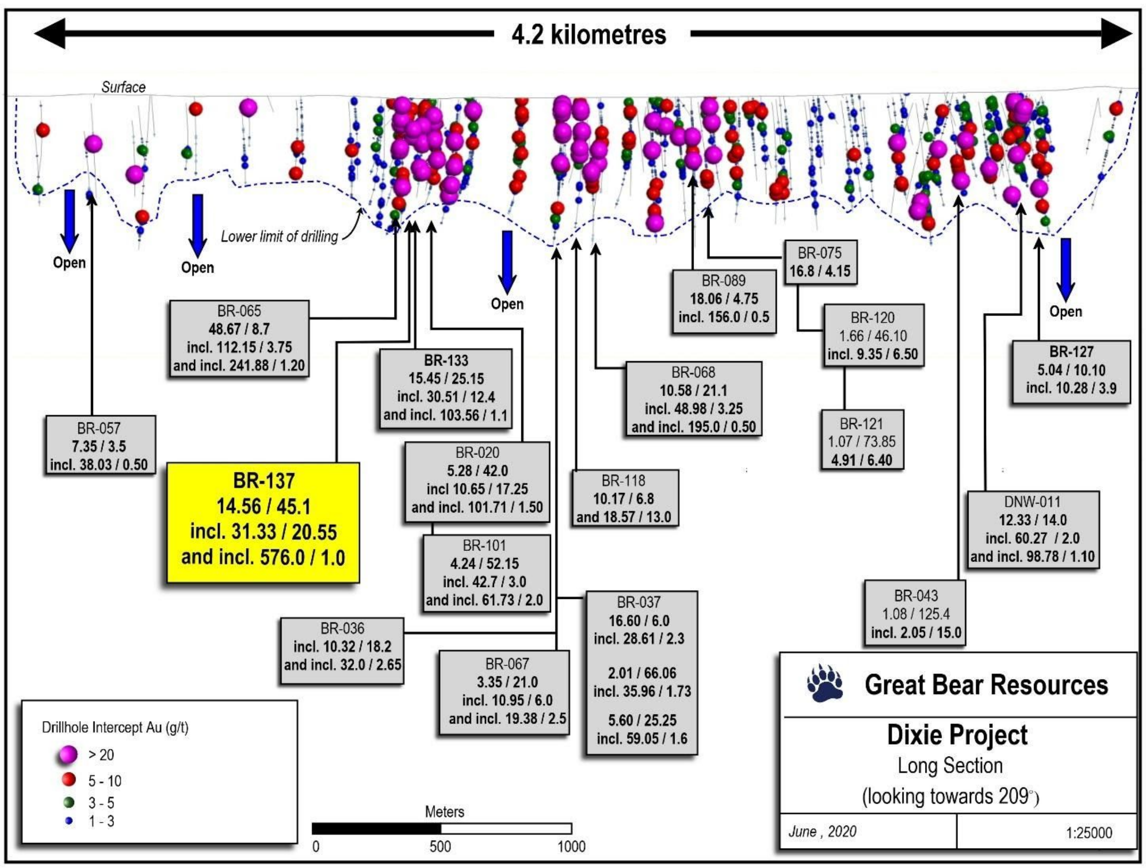
Great Bear Resources (GBR-V)
In a sector with more than its share of jalopies, Great Bear is a Ferrari. In a space where failure is the norm, the company has hit gold in EVERY ONE of its 115 holes into the LP fault since the discovery hole a year ago. If there's another exploration company, currently or in the past, with

this kind of track record, I am unfamiliar with it (although NexGen's delineation of Arrow comes to mind).

The June 11 news included the highest-grade and widest intercept on the LP fault to date. Drill hole BR-137 intercepted 31.33 g/t gold over 20.55 metres, including one metre of 576 g/t Au. Even taking that one metre out results in a residual grade of 2.4 g/t over 19.55 metres, an exceptional hole for 200 metres down. That drill hole hit gold mineralization elsewhere, too: 8.8 metres of 0.96 g/t Au from 77 metres and 3.1 metres of 8.38 g/t from 170 metres. BR-138, drilled from the same pad, hit stellar mineralization 50-75 metres vertically below BR-137 including:

- 33.84 g/t over 2.4 metres, including 100 g/t over 0.5m, over a 39-metre interval that averaged 3.52 g/t Au
- 11 metres of 1.66 g/t Au from 36 metres

BR-137 eclipsed a great hole Great Bear had reported just three days earlier, on June 8. Hole BR-133, drilled into a 140-metre gap in drilling, hit 30.51 g/t over 12.4 metres, including 103.45 over 1.1 metres.



The takeaway from LP fault drilling so far, a little more than third of the way through this year's program? The geologic feature hosts a continuously mineralized high-grade gold system and VP Exploration Bob Singh and Taylor have cracked the code on tagging it. The deposit(s) being outlined by this five-km long, 500-metre deep grid drill program could be just the top part of the iceberg, if not the tip. The richest grades at the Red Lake mine occur hundreds of metres below the deep Dixie Limb hole that Great Bear announced on May 11, which hit 10.19 g/t over 19 metres (including 68.59 g/t over 2.65m) a kilometre down-hole.

The hits keep coming -- on June 18 Great Bear announced the discovery of the new high-grade "Arrow" zone about a kilometre west of Hinge. The hole intersected three zones of gold mineralization including a 15-metre interval containing visible gold and high-grade mineralization in veins (same style as Hinge). The intercept graded 15 metres of 3 g/t including sub-intervals of 2.1m of 19.32 g/t including 0.75m of 50 g/t.

After the latest bought-deal financing that raised $33 million (mostly flow-through at $17 a share), Great Bear is now a fortress backstopped by millions of ounces of gold as well as $50 million in the treasury. Dixie is a special asset and I will not be surprised if there is a bidding war for Great Bear. In fact, I expect it.

How much upside is there from these levels? I've touched on it before, but the $3.9-billion acquisition of Quebec's Malartic gold mine by Yamana and Agnico Eagle in 2014 is the biggest-ticket recent gold acquisition in North America. Malartic is a large open-pit mine in Quebec with a footprint of 3.5-km by 1-km that produced about 670,000 ounces of gold in 2019. Its proven and probable reserves grade just over 1 g/t gold. Construction of the mine involved literally moving a town.

By contrast, Great Bear's Dixie project is located along a major highway. Mineralization at the LP fault extends to surface (open-pittable) and is much higher-grade and continuous, over kilometres. The Dixie project also hosts high-grade mineralization at depth similar to what has been mined at Red Lake for decades. Consider Zijin's takeover of Continental Gold and its Buritica high-grade gold deposit in Colombia. If a narrow, high-grade-vein deposit in Colombia -- with its continuing geopolitical risks -- is worth $1.4 billion, what could Dixie be worth?

Great Bear does not yet have Ferrari pricing, but that day is coming. I have paid prices ranging from $3.49 to $8.71 for Great Bear stock with no plans to sell any until the M&A conclusion. I expect a potential bidding war and a sale price in the billions. Great Bear shares have had an impressive advance and those on the outside of the story keep asking "How much higher can the stock go?" I had to answer that question myself for my initial purchases, not to mention psychologically move past the idea that I "had missed this one."

Evaluating Great Bear at this price requires a shift from a bear-market mentality to a bull-market mentality. At this stage of exploration, in this market, a more relevant question is, "Why has the market capitalization just hit $1 billion now given the size and attractiveness of the potential prize?"

Great Bear at a billion: 3 months of beauty

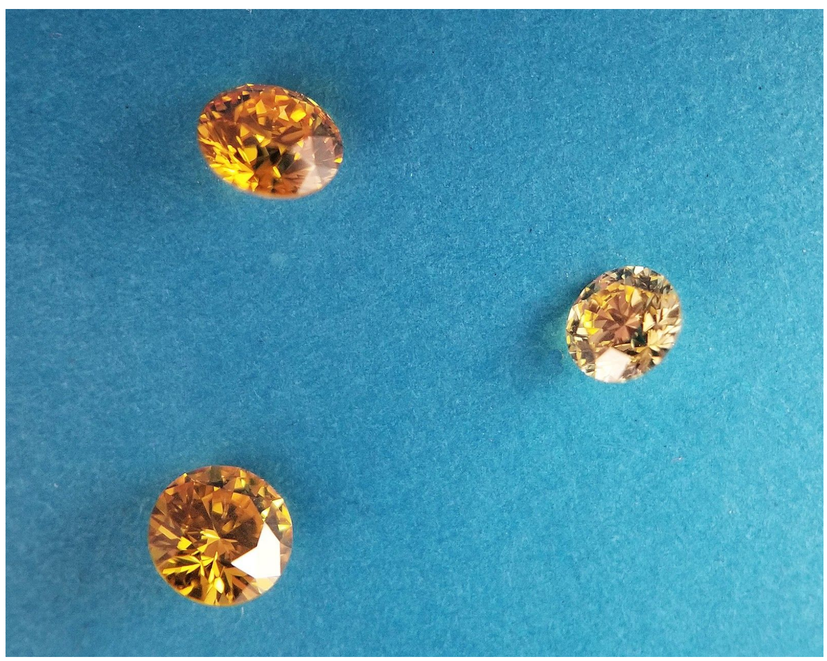
Price: $19.63
Shares out: 50.47 million (56.8M f-d)
Market cap: $991 million

North Arrow Minerals (NAR-V)
Wealth destruction and wealth creation. There has been plenty of the former in the diamond space. But Michael O'Keeffe, the entrepreneur behind North Arrow's new JV partner **EHR Resources (EHR-AX)**, specializes in the latter. That intersection -- serially successful mining entrepreneur, deeply out-of-favour sector -- can create serious wealth. Ross Beaty is a good example on the Canadian mining scene -- he vacuumed up cheap copper assets in the Americas for millions and sold them for billions. That's also O'Keeffe's M.O.

I don't really have a sense of how many subscribers own North Arrow -- my sense is, far fewer than other names I cover. If you have no interest in diamonds -- and I can't blame you! -- just skip this segment. First let's re-cap some of the wealth destruction in diamonds:

- **Stornoway (SWY-T)** went bankrupt less than three years after its Renard mine in Quebec opened. Stornoway was crushed by the weight of an onerous financing package, diamond prices and operational problems at Renard. I used to cover Stornoway but pulled the plug at 82 cents in the April 30, 2017 letter.
- **Mountain Province (MPVD-T)** shares are at 30 cents after trading as high as $7 in the fall of 2016. Mountain Province owns 49% of the Gahcho Kue diamond mine in NWT, which is operated by De Beers. MPVD recently agreed to sell diamonds at market prices to a company controlled by billionaire Dermot Desmond, Mountain Province's 32% shareholder.

- Dominion Diamonds recently went into creditor protection three years after the Washington Group bought it for $1.2 billion. Dominion owns 90% of the closed Ekati mine and 40% of Diavik, where it is battling with 60% owner/operator Rio Tinto over missed payments. The Washington family is now trying to purchase the Dominion assets.
- **Lucara Diamond (LUC-T)**, which I also used to cover in the letter, is another good example of shareholder value destruction (highs of $3.60 in fall 2016, 64 cents now). I visited Lucara's Karowe mine in the spring of 2017 and the stock has gone mostly downhill since, despite the continued recovery of very large diamonds. There are risks with Lucara's plan to go underground at Karowe, but also opportunity. No position.
- One of the diamond plays that has retained its value is **Star Diamond (DIAM-T)**. But Star has been fighting with JV partner Rio Tinto over its Star-Orion South diamond project in Saskatchewan. Rio exercised its 60% option on the project, but Star claims Rio did not fulfill the option terms. From the outside it appears that Rio is attempting to squeeze Star out by forcing them to pony up for 40% of project costs, an enormous bill for a junior. Star is valued at about $107 million.



Finally, there has been plenty of wealth destruction for North Arrow shareholders, myself included. The stock traded above $1 ($50M plus MC) five years ago on excitement about the coloured diamond valuation -- which turned out to be a bust. But North Arrow's cutting and polishing exercise that yielded valuable fancy orangey yellow diamonds has demonstrated that the valuation was fatally flawed. I have covered the stock ever since; it has dropped ever since -- even as North Arrow steadily derisked the Naujaat project (and preserved the share structure with sales of royalties and non-core assets).

Wealth creation specialist Michael O'Keeffe is moving into diamonds because "it's an ideal time for investment in a severely stressed sector," as Pg. 3 of EHR's deck puts it (Pg. 5 is headlined "Value creation opportunity in an unloved industry"). O'Keeffe, director and 16% shareholder of EHR, is a metallurgist by training with a resume that includes Mt. Isa Mines and Glencore. He has built a fortune and made Aussie shareholders a lot of money by buying shuttered assets in out-of-favour commodities and making them work. Riversdale Mining was a junior company with a market cap similar to North Arrow's in 2004 that O'Keeffe grew and sold to Rio Tinto for $4 billion in 2011. Yes, he had the supercycle as a tailwind and I'm not saying North Arrow shares will approach that valuation, even if Naujaat works out spectacularly. But it's a glimpse at the upside potential here.

EHR recently announced an AUD$12-million raise that will allow them to exercise the option to acquire a 40% stake in Naujaat for the remaining $5.3 million payment. North Arrow and EHR have signed a non-binding letter of intent to negotiate a second option deal giving EHR a further 20% stake, in return for funding a larger 10,000-tonne bulk sample. That sample would take Naujaat to a prefeasibility level of precision," according to EHR's website. The Australia-listed company has three other projects: the Nanuk diamond project in Quebec's north, a Botswana diamond exploration alliance and an 18% interest (up to 25% interest) in Eloro Resources' La Victoria gold/silver project in Peru. EHR trades at about a $13-million (CAD) market cap.

The hard times continue for diamonds, as outlined by Bloomberg in a recent article headlined The Great Diamond Glut: Miners Stuck With Gems Worth Billions. The glut has affected Canadian diamond operations -- Dominion cited its inability to sell diamonds because of Covid-19 when it declared bankruptcy recently.

As for North Arrow, the stock nudged up to 7.5 cents on low volume but has since retraced to 6 cents. I believe the JV deal with EHR dramatically increases North Arrow's chances of creating shareholder value **especially from these price levels**. There's a pretty good case that the company was already deeply undervalued prior to this announcement, based on the strength of North Arrow's team/backers and its Naujaat project -- Canada's largest diamond deposit wholly owned by a junior, on tidewater and with a population of valuable fancy coloured diamonds. **There are hundreds of pre-resource drill plays in the junior resource sector with inferior management, less financial backing, and lesser upside potential that trade at higher market caps. The JV deal establishes a path forward, with a non-refundable $300,000 for North Arrow to get started on preparations for next year's 1,500-2,000-tonne bulk sample.**

In earlier smaller bulk samples, the more valuable coloured diamonds made up 9% by stone count but 21.5% by carat weight. According to previous economic models generated by North Arrow, that 20% stone population could generate three-quarters of the revenue of the deposit. North Arrow has been a terrible investment over the past several years. The diamond sector has been left for dead. For a contrarian, these factors are precisely why North Arrow shares are worth a look at these levels, given the JV deal and the quality of North Arrow's partner.

Consider the respective market caps of North Arrow and Westhaven Ventures. Yes, comparisons across commodities are problematic -- especially because gold is doing laps around diamonds -- but bear with me.

Both companies are chaired by Gren Thomas; both have accessible flagship projects (NAR by sea, WHN by road) and both have tight share structures with insider ownership and strong backing factored in. Westhaven is a cashed-up pre-resource exploration company that has delineated probably 500,000 to 1M oz of gold in the South Zone at Shovelnose, but is now focused on discovery at Shovelnose and elsewhere. North Arrow already has a large deposit, with upside potential, as well as back-of-napkin economics (non-43-101) wrapped around it. The two wild cards to be determined are the frequency of larger stones and the value of the fancy coloured diamonds. NAR also has more billionaires in its corner, including Ross Beaty (8.8%), Lukas Lundin (10.3%) and Thomas Kaplan through Electrum (10.3%). Current market caps: $91M for WHN, $6.6M for NAR.

Price: 0.06
Shares out: 110.68 million (165M f-d)
Market cap: $6.6 million

Genesis Metals (GIS-V)
Resource Opportunities sponsor company
Genesis Metals has released assays for the first four holes (906 metres) of its Phase 1 drill program at Chevrier. Assays are pending for the final 5 holes (1,596 metres).

The four holes were designed to better model higher-grade areas in the southwestern part of the Main Zone, which along with the South Zone make up Genesis's 692,000-oz (Indicated & Inferred) deposit. There weren't any screamers -- long widths of high-grade material. But Genesis intercepted short intervals of high-grade gold in three of the four holes, including:

- 8.92 g/t gold over 1 metre, within a wider hit of 1.79 g/t over 7.35m, from 223 metres (hole 59)
- 1.03 g/t over 10.5 metres from 262 metres (#60)
- 3.99 g/t over 3 metres from 99 metres (#61)
- 10.2 g/t over 1.15m from 89 metres (#62)

Plans for Phase 2 of drilling at Chevrier will be announced once all the assays are in and have been evaluated. In the meantime, Genesis is undertaking a surface exploration program to further refine targets based on last year's property-wide glacial till survey.

The company's $12.7-million market cap is backstopped by a resource of 395,000 oz at 1.45 g/t Au Indicated and 297,000 oz at 1.33 g/t Au Inferred. Genesis is positioned for positive surprises in a neighbourhood (Chibougamau) that continues to see plenty of high-grade gold discoveries. New CEO David Terry has something to prove and Genesis is backed by the Discovery Group, one of the most successful groups in mining including through the bear market.

Price: 0.29
Shares out: 43.76 million (59M f-d)
Market cap: $12.7 millin

Strategic Metals (SMD-V)
Resource Opportunities sponsor company
Strategic plans to [drill 7,000 metres](#) this season at its wholly owned Mt. Hinton high-grade gold project in the Keno Hills district of the Yukon. It's more than I expected and a very large program for Strategic, which drilled a total of 2,744 metres at three properties all last year. They will be funding it through a $4.8-million financing ($1M of hard-dollar 45-cent units, $3.8M flow-through units, full two-year 65c warrant on both) announced on June 18.

As mentioned I'm not a fan of full warrants. But given the risks inherent in drilling, I like the larger Mt. Hinton program. CEO Doug Eaton runs Strategic as a risk-averse project generator business, so it's reasonable to correlate the size of the drill program and expectations of success. And success would result in a rapid re-rate of SMD shares, which have been perking up of late.

I've touched on **Azimut Exploration (AZM-V)** in previous newsletters as a reasonable analogue of what could happen to Strategic's share price if the company hits at Mt. Hinton. Azimut shares tripled on the January announcement of high-grade drill results at their Elmer gold discovery in northern Quebec, and the stock hasn't looked back. Azimut announced this morning that they are expanding the drill program at Elmer, from 6,000 metres to 10,000 metres.

A revisiting of Strategic's Aug. 21, 2019 NR announcing the discovery of a 2,340 g/t gold (597 g/t silver) rock sample is a good reminder of the potential. Mt. Hinton has a large system of high-grade gold and silver-rich quartz veins, including on areas of the property that have seen very limited exploration. The 80-oz rock was found at one end of a 230-metre linear train of vein quartz and brecciated vein; at the other end was an outcrop of breccia grading 33.3 g/t Au and 654 g/t Ag. A parallel train 150 metres to the east contained float samples grading 6.11 g/t gold and 165 g/t silver, 1.64 g/t gold and 363 g/t silver, and 2.03 g/t gold and 306 g/t silver. Subsequent discoveries of visible gold last year were not sent for assay. Strategic is getting started on some excavator trenching and road construction that needs to be done prior to drilling.

The other potential catalyst for Strategic is TerraCO2 Technologies, a private company 53.5% owned by Strategic Metals. TerraCO2 is developing geopolymer cement, an environmentally sensitive alternative to Portland cement that does not compromise strength or cost. Portland cement is a major CO2 emitter, accounting for 7-8% of global CO2 emissions (production and transport). Portland cement is also a nearly $500-billion business annually. Eaton is chairman of TerraCO2 and a shareholder.

Strategic's May 6 NR is worth a close read in order to get a handle on the opportunity, as TerraCO2 moves from research to commercialization. The **new president and CEO of the privco, Bill Yearsley**, is an engineer with a PhD in construction management. He's a virtual unknown in junior mining circles but has a very impressive resume (was formerly a TerraCO2 advisor). Especially in this sector, it's accomplishments and actions that matter, not hot air and promo:

- Yearsley is a limited partner and former operating partner of Lariat Partners Fund 1, a Denver-based private equity fund.
- president and CEO of Real Goods Solar, a Nasdaq-listed solar installation company, from 2011-12 (Real Goods Solar filed for bankruptcy early this year).
- 2007-11: endowed professor of civil, architectural and environmental engineering at the University of Colorado-Boulder.
- 1996-2007: co-founded and was chairman and CEO of infrastructure company American Civil Constructors.
- 1984-97: worked for Redland PLC, a London Stock Exchange-listed British building-supplies firm that was on the FTSE 100 index. Yearsley was chairman and CEO of the construction materials and non-metallic mining group at Redland, responsible for 12,000 employees across Europe and North America. Redland was bought by Lafarge for US$3.7 billion in 1997.

In short, Yearsley is an accomplished manager and entrepreneur in the construction materials world, a sector that dwarfs mining. There haven't been too many US$3.7-billion M&A events in mining in recent decades, and Yearsley was a major player at Redland as operator of one of their large divisions. $3.7 billion in 1997 is the equivalent to $5.6 billion in today's dollars.

The resources being devoted to TerraCO2 also hint at the size of the prize. TerraCO2 has hired a Denver-based investment banking group to "assist with fundraising and to help design an effective business model for commercialization of the ACM (alternative cementitious material) technology." They are also lawyering up in Canada (Fasken) and the U.S. (FisherBroyles LLP) to help prepare and file patent applications and secure the IP. A third law firm, Hogan and Lovells US LLP, is coordinating with TerraCO2 to "facilitate effective operations" in the U.S.

From the outside, it appears to me that TerraCO2 may be laying the groundwork for an eventual U.S. public listing. And given the size of the market and the amount of money chasing environmentally beneficial solutions such as this one, it's probably the surest way to generate shareholder value for TerraCO2. Separate but related: a U.S. listing is something I wish portfolio company NanoXplore would have secured a long time ago, and likely will in future.

Undergirding the near-term Mt. Hinton and the TerraCO2 opportunities is Strategic's Yukon-focused project generator business. That includes 100+ wholly owned projects, $6.5 million (6.7c) cash and $19.2 million (20c) in equity stakes. Two of Strategic's key equity holdings also have upcoming catalysts -- **Rockhaven Resources (RK-V)** will be updating economics at its high-grade 1.6M AuEq oz Klaza project and **Precipitate Gold (PRG-V)** will drill its Ponton gold project in the Dominican Republic. It all computes to further upside potential for Strategic from these levels.

Price: 0.57
Shares out: 96.65 million, 108.45M f-d (pre-financing)
Market cap: $55.1 million

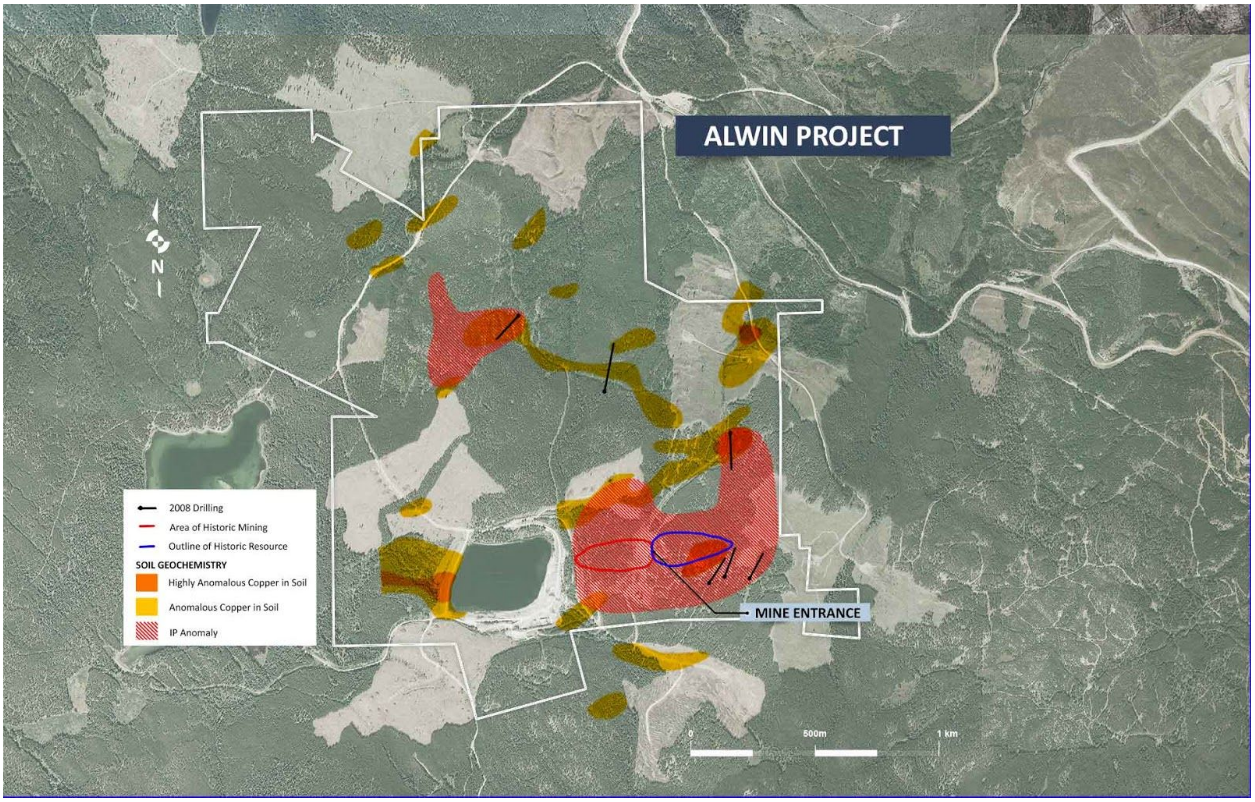
GSP Resource Corp. (GSPR-V)
Resource Opportunities sponsor company
I have been looking to increase my copper exposure and recently added as a sponsor GSP Resource Corp., a B.C.-focused copper exploration company. GSP's flagship project is the past-producing Alwin mine property, located immediately adjacent to and west of Teck's Highland Valley open-pit copper mine 17 kilometres west of Logan Lake.

The company recently closed on a $410,000 financing of 15-cent units (one share, one half-warrant at 20 cents) to fund this year's exploration program. GSP's young CEO is Simon Dyakowski, who grew up in the business and is a CFA charterholder.

GSP's 575-hectare brownfield Alwin property is adjacent to Teck's Valley Pit and surrounded by Teck claims. The underground mine was in production from about 1970 to 1981, when DeKalb Mining Corp. closed it down due to low copper prices.

Alwin produced about 235,000 tonnes grading 1.54% copper -- multiples of the grades being mined at Highland Valley. There is a 270-metre-below-surface development decline and about 2,700 metres of underground tunnelling, as well as 649 diamond drill holes totalling 34,500 metres. DeKalb calculated a historical (non-43-101 compliant) resource around the mine workings of 390,000 tonnes grading an average 2.5% copper, assuming 25% dilution. But the mine shut down before they could tap into that zone.

How did GSP secure the Alwin property? That's a story featuring some family ties and a legendary B.C. prospector. Alwin was explored by San Marco Resources between 2005 and 2008 while Dyakowski's geologist father Chris -- GSP's chairman -- was a San Marco director. San Marco drilled five shallow holes into the main mineralized trend near the eastern part of the mine workings, and three more holes that tested IP anomalies north and northwest of the mine, as outlined below.



Results were mixed and all the data is on the [GSP website](). The first three holes returned sniffs of shallow higher-grade mineralization, including 3.3 metres of 2.37% Cu and 0.5m of 8.45% Cu. Hole 4 hit 13.5 metres of 1.86% Cu from 117 metres downhole, including 0.9m of 4.1% Cu and 3m of 6.2% Cu. Removing those high-grade sub-intercepts still leaves a residual grade of 9.6 metres of 0.29% copper, slightly higher than the head grade at Teck's Highland Valley mine. Hole 4 ended prematurely in an old unmapped drift.

San Marco moved on to other projects and the Alwin claims were picked up by veteran British Columbia prospector Dick Billingsley. Billingsley and his wife Gaye Richards are among B.C.'s largest and most successful claims holders. They optioned the Tatogga property in the Golden Triangle to **GT Gold (GTT-V)**, which has a current market cap of $250 million and an impending maiden resource estimate. GSP is optioning the Alwin property from Billingsley, who is one of the largest GSP shareholders and participated in the recent financing. Good guy to have in your corner.

GSP's objectives are two-fold: 1) explore the prospects of an open-pit mining scenario around the #4 zone instead of underground mining; 2) target porphyry-style mineralization to the north. A GSP structural geologist is currently 3D modelling the high-grade zone around Hole #4, which was slated as the last zone to be mined while the mine was operating. For Phase 1, GSP plans to drill two deeper (200-metre) holes into the #4 zone as well as a 600 to 800-metre hole further north targeting the porphyry target.

In 2019, Highland Valley produced 121,000 tonnes of copper at grades of about 0.27%, generating $196 million in gross profit for Teck. The Vancouver-based producer is mining lower and lower grades and the mine was originally scheduled to close in 2028. However, Teck recently applied to extend the mine life to 2040.

On its website, GSP has a great satellite image of the Alwin/Highland Valley neighbourhood in 2004 and 2015, with a sliding bar to make comparisons more easily. Two differences are immediately noticeable: 1) the amount of logging that has occurred on the Alwin property since 2004; and 2) the extent to which Teck is moving westward towards the Alwin property. If GSP can prove up significant high-grade copper and/or the existence of a copper porphyry system on the Alwin property, it will become a pretty compelling target for Teck.

But there are other possible outcomes for Alwin that don't rely on a Teck takeout. There are two nearby mills with spare capacity: Craigmont and Afton. In the mid-1990s, the Alwin operator (Claimstaker Resources) inked a deal to ship high-grade ore to the Afton mine, and actually shipped 6,000 tonnes. But it wasn't long before Afton shut down due to low copper prices, scuttling the plan.

GSP's low all-in drilling costs of $175 a metre mean the company is poised to expand the drilling if they are successful during the first phase. I view GSP as a lower-risk copper drill play run by a competent (and invested) team. CEO Dyakowski owns about 15% of shares, accumulating in each financing round and the open market, and insiders hold about 35%. GSPR is well-structured with only 14.7 million shares out and a free trading float of about 6 million shares when you take out insider holdings and escrowed stock.

Price: 0.22
Shares out: 14.7 million (18.7M f-d)
Market cap: $3.2 million

Taiga Gold (TGC-CSE)
Taiga shares have caught a bid after some stellar drill results from SSR Mining, which is exploring Taiga's Fisher property to the south of and adjacent to the Seabee/Santoy mine complex in northern Saskatchewan. SSR is investing serious money at Fisher -- $10.3 million and counting, about 2.5X the commitments mandated in the option agreement.

SSR's option agreement is for an initial 60% of the Fisher property; the terms have been fulfilled but SSR has yet to exercise the option. SSR can earn an additional 20% (maximum 80%) by paying Taiga $3 million within a year of exercising the initial option. Taiga has other Saskatchewan properties being explored both by themselves and partners, but Fisher is the main show here.

SSR is mining 1-2 metre-wide veins at Santoy, at grades between 8 and 10 g/t gold. The company's latest hits at Taiga's Fisher property fit nicely into that range, with high-grade mineralization intercepted at three of the four targets SSRM tested (and visible gold in several holes). The Yin and Abel Lake hits are very near SSRM's property boundary. Highlights:

- 13.74 g/t gold over 2.29 metres, including 55.5 g/t over 0.53m (Yin)
- 16.8 g/t Au over 0.5m (Mac North hanging wall)
- 12.13 g/t Au over 1.5m (Abel Lake)
- 9.1 g/t Au over 1.92m (Mac North)

Taiga parent **Eagle Plains Resources (EPL-V)** secured the Fisher property just as SSR was buying previous Seabee/Santoy owner Claude Resources. SSR's other operations are in Nevada (Marigold) and Argentina (Puna). In May SSR Mining and Alacer Gold announced a merger of equals. Alacer's flagship asset is a large gold mine in Turkey, not the friendliest jurisdiction despite its impressive mineral endowment. Acquiring further gold in the ground in safe Saskatchewan -- i.e. buying the other 20% of Fisher after exercising the option -- strikes me as the logical course of action for this newly structured producer.

Taiga shares traded into the high .20s in the last half of May on news of the exploration results, but have since settled back under 20 cents. I expect them to revisit those highs and likely move beyond them. News flow from SSRM on Fisher is lumpy, so there should be opportunities to stalk Taiga shares for patient speculators.

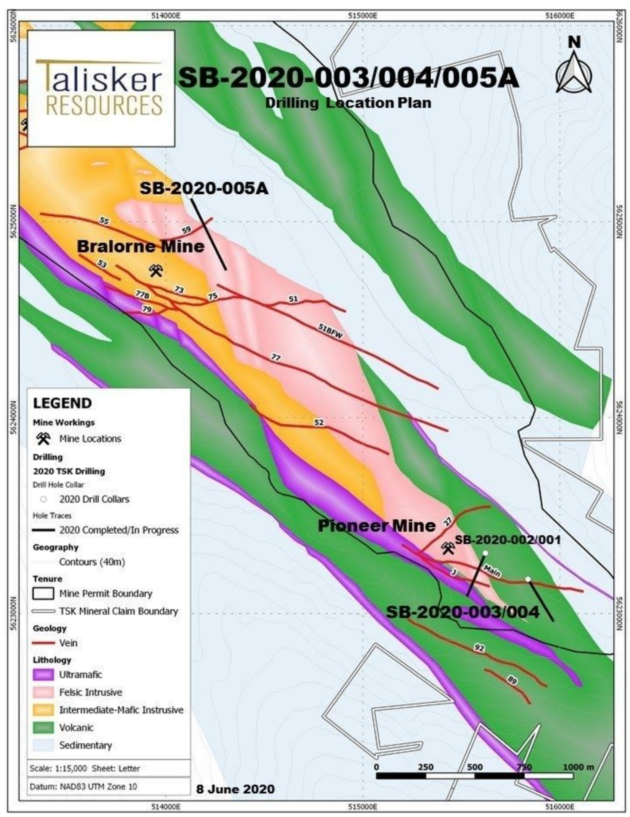
It's not just Fisher -- **SKRR Exploration (SKRR-V)** has just launched a work program at Taiga's Leland property 20 kilometres south of Seabee. SKRR is backed by Ron Netolitzky and can earn a 75% interest in Leland by spending $3M on exploration and paying Taiga $500,000 cash and 1.5M SKRR shares over a three-year period. Taiga has staked to further expand its Orchid property 70 km south of Seabee and started field work on its SAM property, located 15 kilometres east of Flin Flon, Manitoba near the Sask./Manitoba border. SAM has the potential for both orogenic gold and VMS-style mineralization, according to Taiga. Taiga CEO Tim Termuende knows he likely has a limited window of opportunity to create value at Taiga Gold, and he's determined to make the most of it.

Despite Taiga's run, the company still only has a fully diluted market cap of about $20M. Termuende has been in this position before with a larger company -- he sold Copper Canyon Resources and its 40% stake in the Copper Canyon copper-gold-silver property to Novagold for $54.4 million. That deal followed an earlier $34.1-million hostile bid from Novagold, which was rebuffed. The final takeover amounted to a 150% premium to where Copper Canyon shares were trading prior to the hostile bid. I plan to hold onto all my Taiga shares until the M&A event, which I view as highly likely.

Price: 0.185
Shares out: 80.7 million (108.8M f-d)
Market cap: $14.9 million

Talisker Resources (TSK-CSE)
Talisker shares ran hard earlier this year before most junior gold stories came alive, hitting 60 cents at the end of February from 24 cents when I initiated coverage in a [Dec. 2, 2019 Flash Alert]. The stock was slowed by the Covid speed bump, dropping back to a low close of 24 cents. Talisker has yet to recover -- the stock has managed only a 50% rise since then, roughly matching the S&P 500 and a stark contrast to other high-quality junior explorecos. The share price swoon has been compounded by a fund that participated in the last financing dumping more than $2 million worth of stock, net, through Anonymous in a three-month period. For perspective, it took seven brokerage houses to add up to $2M in net buying during the same time frame. The Anonymous selling has declined of late.

The price drop also narrowly derailed Talisker's listing on the OTCQX -- the higher-quality OTC listing -- which required closing above 25c US for 30 trading days. Talisker has applied for a TSX listing, which should both make the stock easier to purchase and increase the size of the "audience." I've been adding to my stake on this dip. Talisker is an investment in double-barrelled exploration: brownfield resource delineation of high-grade veins that are relatively continuous (Bralorne) and greenfields discovery-focused exploration (Spences Bridge Gold Belt and elsewhere).



Talisker has received assays for five holes (partial assays for hole 5) and completed about 2,700 metres of its 11,000-metre Phase 1 drill program at the flagship Bralorne project. The Bralorne mines (Bralorne, Pioneer and King) produced 4.2 million oz of gold at 17.7 g/t Au from veins that averaged 0.9 metres wide. CEO Terry Harbort believes there is potential for another 5 million ounces at depth based on known veins and factoring in historical production rates. Talisker is costing out a dewatering plan and will likely drill from underground later this year.

The latest results, released June 9, included high-grade intercepts of mapped veins as well as new mineralization. Also, a duster (hole 3) that ended in a void. Hole 4, drilled at Pioneer, hit 27.6 g/t Au over 0.5 metres in the P Main Vein Splay and 12.65 g/t over 0.5m in the main vein.

Hole 5A was the first of a series of deep holes testing known structures at depths between 750 and 1,500 metres below surface. The holes were planned using historical underground exploration drift assay data. 5A was drilled to a depth of 737 metres in late March but terminated due to Covid-19 restrictions. Talisker drilled the rest of the hole in late May to a depth of 1,013 metres; assays are pending on the lower part of the hole.

5A targeted the 59, 51 and 73 veins but only hit the 59 vein (0.97 metres of 5.81 g/t Au) before it was terminated. **The most interesting intercept was a new vein at 102 metres depth that returned 19.97 g/t Au over 5.1 metres. Sub-intervals included 20.8 g/t over 0.6 metres and 57.8 g/t over 1.5 metres. The latter was a nice surprise -- it's Talisker's highest-grade and widest intercept to date (equivalent to 10 metres of 8.67 g/t).** Assays are pending but the CEO said in a recent webinar that hole 6 also tagged the same high-grade vein. The grade and thickness compares very favourably to Great Bear's recent discovery, which was 19.32 g/t over 2.1 metres including 50 g/t over 0.75m.

Talisker just announced the launch of the 2020 greenfields exploration program, including permitting for two drill programs later this year: at Dora in the SBGB and Golden Hornet, southeast of Kelowna. Dora is 23 kilometres southwest of Merritt, in the neighbourhood of Westhaven's Shovelnose high-grade gold project. Talisker is hunting for the same type of target as Westhaven: low-sulphidation epithermal gold mineralization. Talisker also picked up the neighbouring 166-hectare SC property, which hosts a large gold-in-soil anomaly directly above a mapped rhyolite.

Golden Hornet is an intriguing target southeast of the Okanagan city of Kelowna that has seen sporadic exploration and limited drilling (Charlie Greig of GT Gold/Evergold has written two reports on the property). Trenches dug in 2007 revealed three sub-parallel mineralized zones, with anomalous gold in 12 of 14 trenches. Intercepts included:

- 22.1 g/t Au over 5.2 metres
- 8.05 g/t over 8 metres
- 4.17 g/t over 14 metres

Talisker optioned the property in February for $145,000 in cash and 575,000 shares, payable over four years. The stellar trench results do not, of course, mean that the "truth machine" will hit gold, as Evrim's 2018 Cuale experience shows us. But it's one glimpse at the discovery potential here, which is not reflected in Talisker's current market cap.

A team of geologists is now working to finish the stream sediment geochemical program, and Phase 2 work includes collecting 6,500 soil samples over three large prospect areas identified last summer. Talisker (then Sable) made a splash with its vast staking rush in British Columbia's SBGB. After other property additions, the company now holds more than 291,000 hectares of ground in B.C. -- an area larger than the country of Luxembourg.

It's a dominant land position, backed by a technical team with an outstanding track record. Harbort's team has been together for about 20 years and was responsible for the discovery of

34 million ounces of gold while running AngloGold Ashanti's South American exploration group. More recently, at Talisker Exploration Services, they identified a combined 10 million ounces of gold at Windfall and Barkerville for Osisko. That's 44 million ounces of discoveries behind their names -- Harbort plans to get that to 50 million ounces through the B.C. projects. Some of those ounces will be lower-hanging fruit: Congress north of Bralorne has a historical resource of 57,000 oz at 9.24 g/t Au and has never been drilled at depth; Harbort is confident the Bralorne resource of 175,000 ounces is also bigger, from before Talisker took over the project from Avino.

Importantly, given the size of Talisker's land holdings, there are no "pet projects" here. Talisker has aggressively added to its land position since entering B.C.; they are aggressively exploring to narrow down the best drill targets. Talisker trades at barely a dime above the price I initiated at in early December. In the interim, the company has:

- Raised $6.2 million by selling a 1.2% NSR royalty on Bralorne to Osisko Gold Royalties.
- Raised $13.1 million in a bought-deal financing of shares only. The non-flow-through shares were sold for 33 cents, close to today's share price.
- Expanded its land position including optioning the two projects it plans to drill this year.
- At Bralorne, proved up the thesis in early drilling and made a high-grade vein discovery.

When you take out the $18 million in the treasury, Talisker has an enterprise value of $46 million. I like their odds of creating value with the drill bit and consider the stock cheap at these levels. Both the CEO and CFO spent $50,000 in the 33-cent financing and Harbort has also been a buyer in the public market at these prices (he's spent $660,000 at prices from 15-33 cents in the past year).

Price: 0.38
Shares out: 168.26 million (190M f-d)
Market cap: $64 million

Sabina Gold & Silver (SBB-T)
Sabina raised $55 million in a recent bought-deal financing of shares, flow-through shares, charity flow-through shares. 9.9% shareholder Zhaojin contributed to maintain its stake. Sabina will use the proceeds to advance Back River including through:

- Exploration programs
- Development of an exploration decline at Umwelt
- Completion of detailed engineering
- Extending the airstrip at Goose (heavy-lift aircraft). By the fall the airstrip will be able to handle 737s.
- Completion of geotechnical drilling
- Buying an accommodation complex for future mine construction and operations.

It is further delineation of high-grade zones that are not in the current resource that could be the key to creating near-term shareholder value at Back River. CEO Bruce McLeod has proven in the past couple of years that modest drill programs hitting high-grade can have an out-sized impact on Sabina's share price, which is in the dreaded "development trough" of the Lassonde curve. Sabina has $80 million in cash and plans to spend $10 million this year drilling the Llama Deep and Umwelt corridor, with Inferred resources to follow.

The traction that Sabina got from recent high-grade discoveries was in poor gold markets and drilling from surface. In this gold bull market, Sabina's share price should respond very favourably to ultra-high-grade hits at Back River. The deposits host "jewelry boxes" of ultra-high-grade material that could have a material impact on economics for whoever eventually mines this.

CEO Bruce McLeod is confident Sabina can execute a 6,500-metre drill program at Umwelt that will test and define a thicker, high-grade zone of mineralization within the Umwelt underground. Sabina's market cap is not where it should be given its 7.2-million-oz resource (all categories) at 6 g/t gold, much of it in open pits. This year's drill program should help correct the situation. There are no fatal flaws here. Sabina's size and grade stand head and shoulders above other projects held by a junior, globally, and I expect the company to be taken out in this gold cycle.

Price: $1.89
Shares out: 325 million (340M f-d)
Market cap: $614 million

Westhaven Ventures (WHN-V)
Westhaven has $8 million in the treasury after raising $5M by selling flow-through shares at 95 cents. After a brief Covid pause, two drills are turning -- one at the Lear Zone that was the subject of the April 30 NR, and the other at a target (Line 6) 2.5 kilometres west of the South Zone discovery. Westhaven will drill three holes totalling 1,500 metres at Line 6, where previous holes only went as deep as 95 metres. Line 6 hosts a multi-element soil geochem anomaly and a trench that included 2 metres of 16.95 g/t gold.

The $8 million positions Westhaven to deliver positive surprises at their Spences Bridge gold belt properties in southwestern British Columbia this year. The cash also packs more of a punch than it would with other explorecos, given Westhaven's low drilling costs and G&A. Shovelnose is located on a major highway, with drilling crews who live nearby.

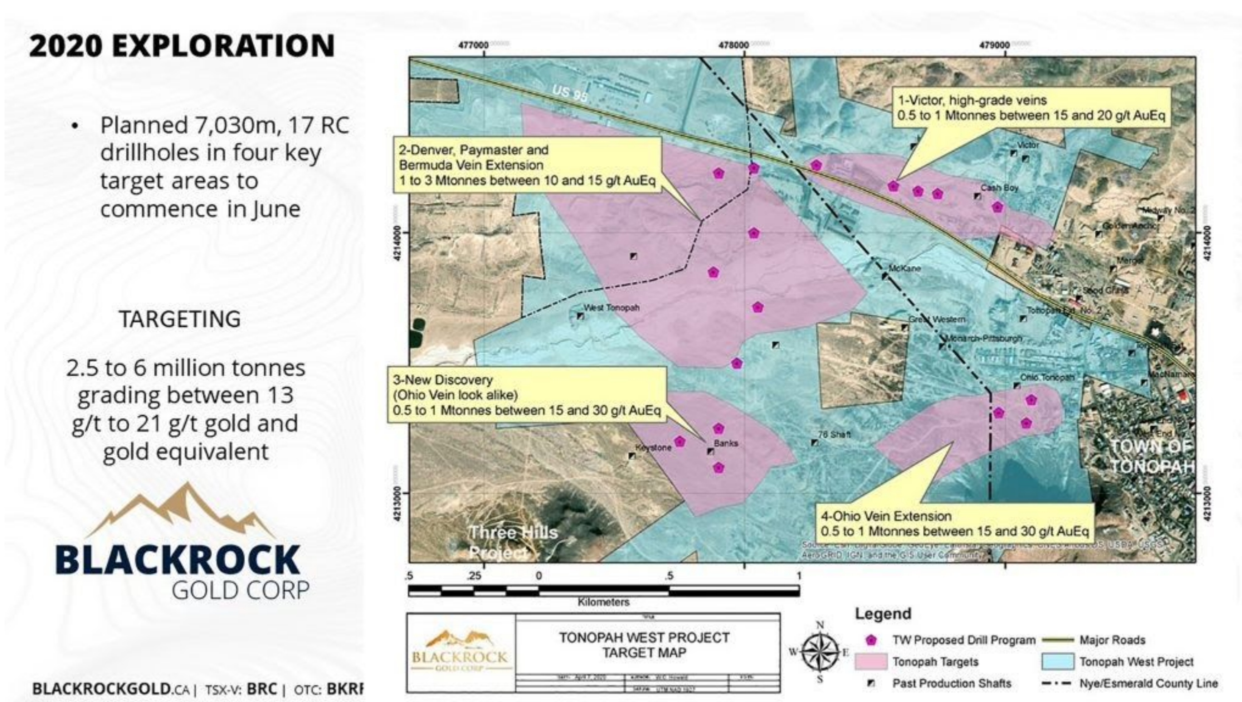
This year's plan is 30,000 metres and I expect Westhaven to drill Skoonka later in the year. All but forgotten by investors, Skoonka is worth remembering for the previous intercepts that were never followed up on: 20.2 g/t gold over 12.8 metres (including 51.1 g/t over 2.91m) and 26.8 g/t over 3.31 metres. Narrower intersections of high-grade gold were found elsewhere on the property too.

Price: 0.89
Shares out: 102.4 million (115.1M f-d)

Market cap: $91 million
Blackrock Gold (BRC-V)
Blackrock has kicked off a 7,000-metre drill program (17 RC holes) at its Tonopah West silver project in Nevada's Walker Lane trend. The company's final assays from the sixth hole at Silver Cloud were as disappointing as the first five. Hole 6 at Northwest Canyon was the deepest hole at the project and did not hit significant mineralization, although it did intercept an alteration zone at 426 metres depth. Down-hole televiewer data confirms the east-west to east-northeast strike of the zone, according to the company.

Blackrock's recent financing ($4.5 million in 20-cent units - 3-year half-warrant at 30c) should give the company plenty of dry powder to find silver and gold at Tonopah West. Hopefully this financing puts them over the critical mass hump that will allow them to create shareholder value through discoveries and delineation of gold and silver mineralization. Vizsla's recent discovery of high-grade silver and gold at its Panuco project in Mexico could be a decent analogue for Tonopah West, if Blackrock can hit high-grade mineralization at the project.

Tonopah West is the western extension of the well-known Tonopah silver district, which produced 174M silver ounces and 1.86M gold ounces at greater than 2,000 g/t AgEq. The veins are more predictable and some of them are quite thick. CEO Andrew Pollard told me the first holes at Tonopah West will likely be drilled at the Victor vein (top right in graphic below), which is more than 20 metres thick and was previously abandoned decades back due to water issues. Several of the veins have never been drilled; historically, miners simply kept mining along the high-grade veins.



Back at Silver Cloud, Blackrock is mapping and sampling at the Northeast Veins and Quiver targets on the north of the property, in advance of a planned fall drill program. The plan is for 10-12 RC holes and 3,500 metres of drilling. Blackrock is also doing IP surveys at Northwest Canyon, Northeast Veins and Quiver to identify chargeability areas that may be related to gold mineralization.

Price: 0.32
Shares out: 93 million (119M f-d)
Market cap: $30 million

Fremont Gold (FRE-V)
Fremont Gold is now drilling the third hole at their Griffon property at the southern end of the Cortez trend, near Ely, Nevada. The company will drill at least 10 holes and 2,000 metres (RC) for its Phase 1 program; 20 sites have been permitted for drilling. Griffon is an under-explored property that hosts a past-producing heap-leach deposit; prior drilling was focused around the deposit area. Griffon was optioned from Cal Everett's **Liberty Gold (LGD-T)**, which will become a 9.9% Fremont shareholder.

Targets are outlined in some detail in Fremont's May 26 news release and include:
- Gold-in-soil anomalies
- A zone of unmined mineralization southwest of the Hammer Ridge pit
- Stratigraphic targets, and
- the Blackrock fault.

In the late 1990s, previous operator Alta Gold produced gold from a heap-leach operation at grades of about 1 g/t gold, a relatively high oxide gold grade by Nevada standards. There are parallels between the structures Fremont is targeting and those that host gold at Fiore Gold's Pan open-pit heap leach mine, as well as at Fiore's Gold Rock project. Pan is located about 25 kilometres northwest of Griffon. This is a classic discovery play in one of the world's best jurisdictions, run by an invested management team that owns about 17% of the outstanding shares.

Price: 0.11
Shares out: 81.5 million (124.2M f-d)
Market cap: $9 million

Valore Metals (VO-V)
I have taken a starter position in Valore Metals, a Discovery Group company focused on platinum group metals at their Pedra Branca project in Brazil. Valore is a successor company to Kivalliq which had the 43M-lb Angilak uranium deposit in Nunavut, an asset that Valore still holds.

Valore plans to drill about 6,000 metres in two phases at Pedra Branca, a large property in northeastern Brazil optioned in 2018 from London-listed Jangada Mines. Pedra Branca hosts

1.067 million ounces platinum, palladium and gold in 27.2 million tonnes grading 1.22 g/t 2PGE+Au in five different deposit areas, including high-grade mineralization within 60 metres of surface. Previous operators spent more than US$35 million exploring the property; Valore has all the data and is evaluating it while taking a fresh look at the entire package.

Valore is financing this year's exploration program in a novel way. The company will tap into an unsecured $1.2-million credit line provided by Jim Paterson, Valore's chairman and CEO. Paterson has been at the helm for many years, going back to when predecessor company Kivalliq Energy sported a $90-million market cap for its Angilak uranium deposit alone. He took over Kivalliq 9 months before Fukushima sent the uranium sector into a long tailspin from which it has yet to recover.

Kivalliq was rolled back and renamed Valore in 2018. The company picked up the Pedra Branca project last spring from London-listed Jangada Mines. Paterson has spent more than $2.5 million in the past year buying Valore shares, most of that in the .30s (and some in the high .20s). He owns a 20% Valore stake, so would have had the most to lose if Valore diluted by raising money at a low share price. Not all companies can do this, but it's shareholder alignment writ large.

Paterson has assembled a topnotch team to advance Valore, including his Discovery partner John Robins as special advisor, advisor Rob Carpenter (Kaminak co-founder) and Dale Wallster, who found the Roughrider uranium deposit in the Athabasca Basin that was bought by Hathor Exploration and later bought by Rio Tinto.

Angilak is a uranium optionality play that is high-grade by world standards -- 0.69% U308 -- but low-grade by Athabasca Basin standards. Uranium has steady and growing demand and the spot price has been moving up along with the significant production cuts over the past couple of years, which have been accelerated by Covid-19. There is no value being assigned to Angilak or to Valore's Baffin gold project in Nunavut, but that could change quickly.

Price: 0.255
Shares out: 90.4 million (103.2M f-d)
Market cap: $23 million

District Metals (DMX-V)
District Metals is a new Sweden-focused polymetallic play run by Garrett Ainsworth, best-known for his uranium accomplishments (Alpha, NexGen) in Saskatchewan's Athabasca Basin. District's flagship project is Tomtebo, a property hosting two small-scale past-producing mines located in the Bergslagen mining district of south-central Sweden. The area is home to world-class polymetallic mines including Boliden's Garpenberg mine and Lundin Mining's Zinkgruvan mine, which produce base and precious metals.

Boliden mines zinc, lead, silver and gold at Garpenberg 25 kilometres to the southeast, with precious metals accounting for about 39% of the value. Past production there is about 54.5 million tonnes at 134 g/t silver, 4.9% zinc, 2.1% lead and 0.3 g/t gold. Both Garpenberg and Tomtebo were mined for shallow (up to 200 metres depth) copper mineralization. The Garpenberg mine almost closed down in the late 1990s, but deeper drilling revealed blind discoveries of rich ore bodies at depth. Boliden has aggressively expanded Garpenberg and is now mining at 1,400 metres depth, with resources open at 1,600 metres. No deeper drilling has occurred at Tomtebo, which has the same geology and structure as Garpenberg, according to CEO Ainsworth.

District optioned Tomtebo (and a secondary property) from EMX Royalty Corp., which is a 9.9% shareholder. Other significant shareholders include Warren Irwin's Rosseau Asset Management at 10% plus and the Sprott Group, at 11.3%. District recently closed on a $2.4-million financing of 12-cent shares (no warrants) and I participated in the financing. The company has an exceptionally tight shareholder registry, with retail holding only about 12% of the shares. That should give the stock lots of torque if District hits the kind of high-grade mineralization at Tomtebo that is abundant elsewhere in the neighbourhood.

The two mines on the 5,144-hectare property were copper and zinc-lead-silver, but Tomtebo has seen little systematic modern exploration. That's Garrett's plan, starting with magnetics and airborne EM surveys this summer. That will give District insights into mineralization 500 metres or deeper -- important data, given the vertical extent of nearby operations. Garrett will be bringing in the chief geologist from Garpenberg to assist with the exploration program. A 5,000-metre drill program is planned for the first half of 2021.

Nearby mineralization is not limited to only Garpenberg. The past-producing Falun operation to the north mined 28 million tonnes at 2-4% Cu, 2-4 g/t Au, 4% Zn, 1.5% Pb and 13-25 g/t Ag (41% precious metals value). The smaller Sala mine further southwest of Garpenberg produced 5 million tonnes at 150-3,000 g/t Ag, 12% Zn and 1.5% Pb (75% precious metals value).

As VP Exploration for Alpha Minerals, Garrett played a key role in discovering the Patterson Lake South (PLS) uranium deposit now being advanced by Fission Uranium (which bought out Alpha in December 2013). He moved to NexGen Energy and worked there for four years, finishing as VP Exploration and Development, during a period when the stock traded from 30 cents to above $4. For his work at Alpha and NexGen, he won awards for discovery and development from AME BC, PDAC and Mines and Money. His departure from NexGen was announced in a two-sentence NR.

Garrett is an explorationist who is once again focused on his passion, and what he's best at -- finding valuable ore deposits. In District, he's assembled a worthy team, backers and project. This is not high-risk exploration and I like the company's odds of success in an established mining camp. If District is successful in delineating high-grade ore deposits at Tomtebo, I expect an M&A exit rather than a protracted development scenario.

Price: 0.23
Shares out: 58.9 million (63.9M f-d)
Market cap: $13.5 million

Cantex Mine Development (CD-V, CTXDF-OTC)
I sold my Cantex shares a long time ago, after sending out a Sept. 8, 2019 Flash Alert based on my site visit to their North Rackla project in Yukon. I sold my stock in the mid-$4s and have no plans to return to the name. The Chuck Fipke-backed base metals explorer mounted a very large drill program last year with mixed and mostly disappointing results, aside from isolated sniffs of high-grade silver, zinc and lead mineralization (Jan. 30 and March 17 NRs). Cantex will have to do much more drilling to identify an economic ore body at the remote site. If they can manage to do that, the capital structure will look much different than it does today.

There were red flags on the North Rackla site visit and red flags in the SEDI filings, the latter outlined in the Nov. 3, 2019 letter. Cantex raised about $12 million last August at elevated share prices ($6 flow-through, $6.52 charity flow-through) -- **good** -- AT THE SAME TIME insiders were unloading their positions -- **bad**. 10% holder Rob Cudney was a buyer on the way up as well as on the way down, but has since soured on Cantex and sold off a chunk of his holdings. Fipke continues to buy in the market and owns more than 41% of the outstanding shares.

Fipke, of course, has been bankrolling the company for years. But a perusal of SEDAR filings show that Fipke and Ulansky also benefit handsomely from related-party transactions, as outlined in the January 6, 2020 management information circular and the financials for the period ending April 30, 2020. Cantex leases three drills and an excavator from Kel-Ex Developments Ltd., a Fipke company, for $66,667 a month (plus GST). Cantex also pays Kel-Ex for administrative, payroll and office services as well as “shared exploration costs and equipment rentals.” The core goes to C.F. Mineral Research Ltd., Fipke’s Kelowna lab, for processing before being sent away for assays. And Ulansky’s Element 29 Ventures Ltd. billed Cantex for “geological consulting services and equipment rentals.”

It all adds up. For the 9 months ended April 30, 2020, Cantex paid out these amounts to related parties:
C.F. Mineral Research - $575,771
Kel-Ex Developments - $1,913,423
Element 29 Ventures - $962,756

It’s hard to break down exactly what Cantex got for the money because the financials are not broken down to that level of detail. But it does put Fipke’s $288,000 in insider buys over the past year into some context. For the year ended July 31, 2019, Ulansky collected more than $2.4 million in option-based awards as well as about $363,000 (geological consulting) billed to his Element 29, for a total of almost $2.8 million. Cantex is a real company aggressively exploring North Rackla. It also appears to be something of a lifestyle company.

Takeaways:

- Track record is important -- Chuck Fipke is a genius who literally kickstarted the Canadian diamond industry through the Dia Met discoveries. But that was a long time ago and there have been plenty of duds since then (including Northern Uranium and Metalex).
- You can buy a stock based on the conviction of others, but it's a weaker type of conviction that increases the risk of losing money. Cantex had/has a long list of high-powered mining movers and well-respected industry players behind it. They each have their own reason for investing and took their own path to conviction, however. So should all investors.

You could argue that a $40-million market cap is reasonable for a well-financed exploreco helmed by somebody with the pedigree of Chuck Fipke. But we are almost into July with no word on 2020 exploration or drilling plans at North Rackla. Poor disclosure and outdated presentations are another red flag with Cantex. Be careful out there.

Price: 0.84
Shares out: 48 million (62M f-d)
Market cap: $40.3 million

Disclosure: James Kwantes owns shares in Fireweed Zinc, Granite Creek Copper, Orestone Mining, Great Bear Resources, North Arrow Minerals, Genesis Metals, Strategic Metals, GSP Resource Corp., Talisker Resources, Westhaven Resources, Sabina Gold & Silver, Blackrock Gold, Fremont Gold, Valore Metals, District Metals and Gold X Mining warrants (at $3.36). Strategic Metals, Genesis Metals and GSP Resource Corp. are sponsor companies.

***Contact**: Email james.kwantes@gmail.com with any comments, questions or concerns, and info@resourceopportunities.com for subscription-related inquiries.*
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