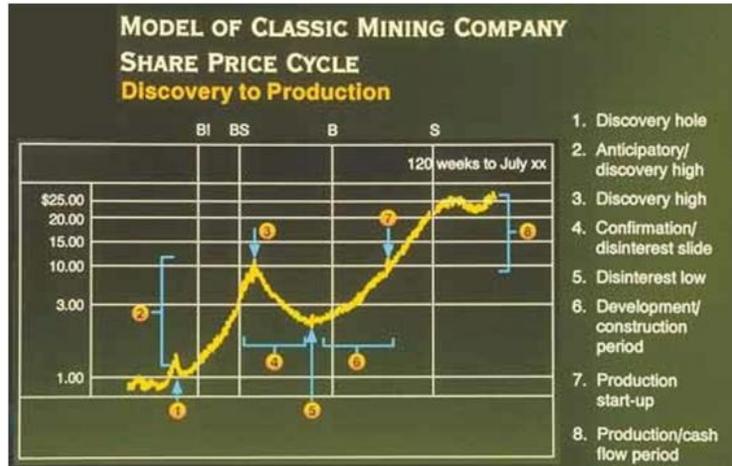


Discovery Alert in the Golden Triangle by Yves Usereau, CPA, CA, July 6, 2018

This article is the first of a series that will cover the research and the analysis of the commodity sector and mining investments. Among other things, the author will demonstrate in a coming article the incredible opportunity of a generation that will allow savvy speculators to not just make money, but build a fortune in the current resources cycle. Among the different available commodity strategies, the following article talks about the discovery strategy in the Golden Triangle.

Discoveries



Unlike other options in the commodity sector, discovery plays don't need a high gold (or other resources) price, nor do they need a bullish trend in this sector (even though it certainly helps). The key is an impact discovery in terms of volume or grade.

As an example, the **Voisey Bay** deposit was discovered in 1993 by a quick aerial take on an orange mountain slope, which led the way to an historical nickel discovery from the second drill hole with 33m (meter) of massive yellow sulphide giving 2.2% Ni, 1.5% Cu and 0.12 Co. This discovery propelled **Diamond Field's** stock price from \$0.30 to \$174 *pre-split* before the company was purchased at \$4.5B (billion) for its 141M (million) tons of 1.6% nickel, 0.85% copper and .09% cobalt.



Speaking of impact discovery, let's remember **Aurelian Resources** that announced the drilling results from its **Fruta del Norte** project in Ecuador in 2006. The spectacular discovery of 8.4 g/t of gold on 205m made the company's stock price jump from \$0.60 to \$43\$ in a matter of months before the company was purchased for \$1.5B\$ by Kinross in 2008 for its 11M oz (once) of gold deposit.

Another impressive discovery was **Ventana Gold's** deposit in Colombia, next to the Greystar Resources' +15M oz of gold, in June 2008. Its first drilling hole gave an astounding 106m of gold at 7.8 g/t, which led to a \$1.5B purchase for 3.5M oz of gold. This price was the equivalent of roughly \$13 per share, a jaw-dropping quote considering this stock was financing at \$0.04 \$ per share only a few months ago.

The Golden Triangle

The Golden Triangle (GT) is drawing a lot of attention, and you'll know why in a second. The so-called GT is located in the Northwest of British-Columbia (BC), in Canada. The area of this prolific mining zone is the equivalent of the Abitibi or Nevada's mining camp. This region has an impressive mining record thanks to its world-class deposits.

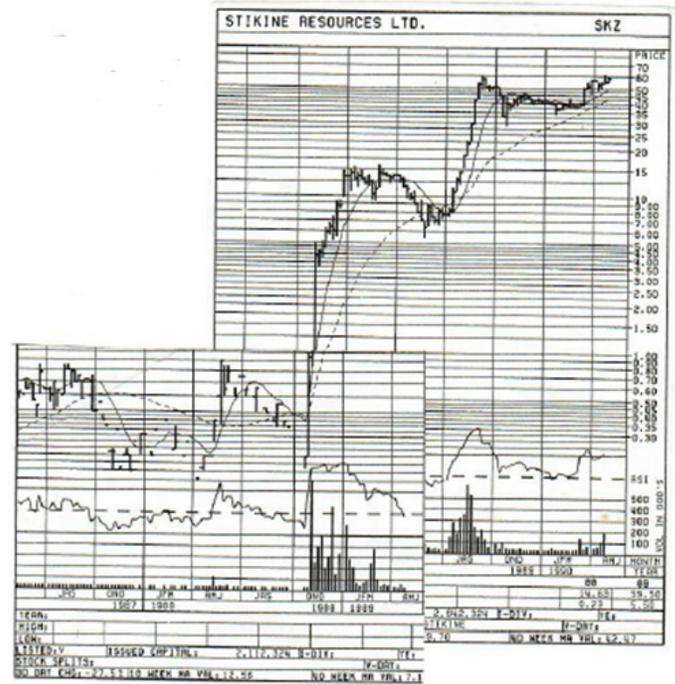
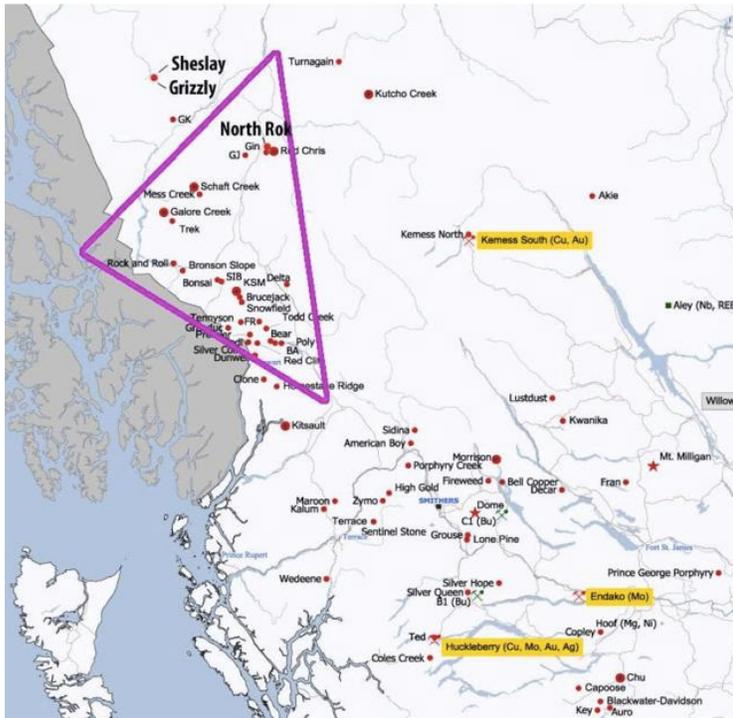
History (courtesy of Jeff Desjardins from Visual Capitalist)

In 1861, a gold rush started near the Stikine river. After that, another rush (the Cassiar rush) started with the discovery of a 73 oz gold nugget, an all-time high for BC. Another rush followed, this time near Atlin, located at the North of the triangle. These 3 events paved the way for more substantial discoveries in the following years.

Premier Gold Mine was the first *really* big discovery. When it started to operate in 1918, it was considered to be one of the richest gold mines in the world.

Snip Mine was discovered in 1964, but revived only in 1986 by Delaware Resources, which was later bought out after its stock price jumped from \$1 to \$28. This mine produced a million ounces of gold at 27g/t in average during the 90s.

Eskay Creek was discovered in 1988. The 109th drilling hole of Stikine Resources and Calpine Resources' joint venture hit the jackpot with a content of 27.2 g/t Au (gold) and 30.2 g/t Ag (silver) on 208m! This mine had Canada's richest content with Au 49 g/t, Ag 2406 g/t, lead 3.2% and zinc 5.2%. Obviously, Stikine's stock price skyrocketed, going from \$0.30 to \$64 within a year before the company was bought by a major player.



More recently, in the last couple of years, there were also some considerable impact discoveries; Seabridge's **KSM**, Novagold's **Galore Creek**, Copper Fox's **Shat Creek**. New productions started very recently, including Imperial Metal's **Red Chris** and Pretium's **Valley of the Kings**, which is one of the richest mines in the world.

The GT is currently one of the most popular regional plays on earth, alongside Pilbara in Australia – following Novo Resources' discovery, which has few Canadian players present unlike in the GT. It's interesting to see that the market is ready to reward promising discoveries, as indicated by the real examples of 2017, which is not always the case in other places.

A regional play typically lasts 3 years. In the first year, there is an impressive discovery in terms of volume, grade or an unprecedented stock rally (usually caused by the first 2 elements) that draws speculators' attention. The second year is usually the best time to make some serious money because the initial euphoria has dissipated, lowering stock prices and allowing more conservative investors to jump in and finance largest exploration campaigns that lead in return to more promising discoveries in the region.

The recent interest for the GT is the result of the combination of few extremely unusual factors:

Since 2011, there has been very few exploration campaigns because of the bear market in the commodity sector, making mining activities almost impossible to fund. At the same time, there has been a rare occurrence in this mountain region with glaciers and eternal snows. For the first time in history, it was possible to see the ground underneath the ice and to walk on it. The phenomenon is so recent that the vegetation didn't even start to grow yet.

New infrastructures have been installed: a highway and a high tension electric line now cross the GT, making it easier to access and drastically reducing operational and transport costs.

The fact that the region is located in the North of Canada gives explorers a short window to work considering the climate, especially in the mountains. Operations usually take place between June and October, spiking stock prices

during this period and contributing to a domino effect in the region. Of course, the exact opposite can be seen during the rest of the year.

Furthermore, the commodity rally that started in 2016 changed the game in this sector: mining companies started to prospect again, which led in turn to the interesting discoveries we mentioned earlier, plus a few honorable mentions:

The ball started last year with the discovery of **GT Gold** (GTT) on July 25th, which spark the fire with its impressive results: gold, with a high content of 13 g/t on 11m, 17 g/t on 9 m, propelling the stock price from \$0.38 to \$0.90. Investments flowed right after this substantial discovery, pushing further the stock price to \$2.76 within 2 months. Neighboring deposits led to similar rallies for other mining companies.

On July 26th, **Aben Resources** (ABN) announced its start of drilling. Its stock price multiplied fivefold, going from \$0.10 to 0.\$50 per share with a 2M (millions) increase in trading volume in a month and a half period. Shortly after, the stock went down following good results that were nonetheless inferior to market expectations.

Metallis Resources (MTS) announced its intention to start drilling on July 19th, but it's only on August 3rd that the stock price jumped and that the trading volume saw an increase of 2M. The drilling started on August 23rd and was followed by the arrival of the renowned investor Éric Sprott in October, which pushed the stock price from \$0.15 to \$2.75 in 3 months.

The most spectacular discovery of 2017 was GGI's, which opened the eyes of speculators. On July 27, **Garibaldi Resources** (GGI) announced its highly promising discovery, VTEM, starting a bullish movement that led its stock price from \$0.12 in June to \$5.27 3 months later, with an increase of 2M in trading volume sustained during this period. The drilling started on August 24th and was followed by the arrival of the renowned investor Éric Sprott in October. Impressive results were revealed in late December, showing 8% Nickel and 4% copper on 17 m.

These stocks were the *darlings* of 2017, but **which ones will blow us away in 2018?** That's the question I have been asking myself since last year, and that's why we've been financing GGI at \$0.14, and then at \$0.82 with warrants, as well as ABN at \$0.125 in flow-through shares with warrants before the stock skyrocketed.

Selection criteria are based on preliminary indicators such as samples, trenches, geophysical reports, etc.; their experience and track record, but also on their capacity to fund the operations. On the technical side, volumes are key indicators because a micro-cap that experiences a tremendous increase in volumes will not stay a micro-cap for long.

There are roughly 100 players in the GT, from which only 2 dozens are really interesting. Indeed, several companies only have mining rights or claims and act more like promoters than true explorers, whether because they lack the expertise or the funds to carry a project of this nature by themselves.

GTT.V GT Gold Corp. TSXV

10-Nov-2017

GTT.V (Daily) 0.78 (10 Nov)
MA(50) 1.66
MA(50) 1.66

© StockCharts.com

Open 0.72 High 0.78 Low 0.72 Close 0.78 Volume 367.2K Chg +0.02 (+2.63%)

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25 juil annonce résultats de forage très bons 13g/t sur 10m
31 aout annonce de multiples résultats très bons



Gros volumes

ABN.V Aber Resources Ltd TSXV

10-Nov-2017

ABN.V (Daily) 0.12 (10 Nov)
MA(50) 0.26
Volume 359,883

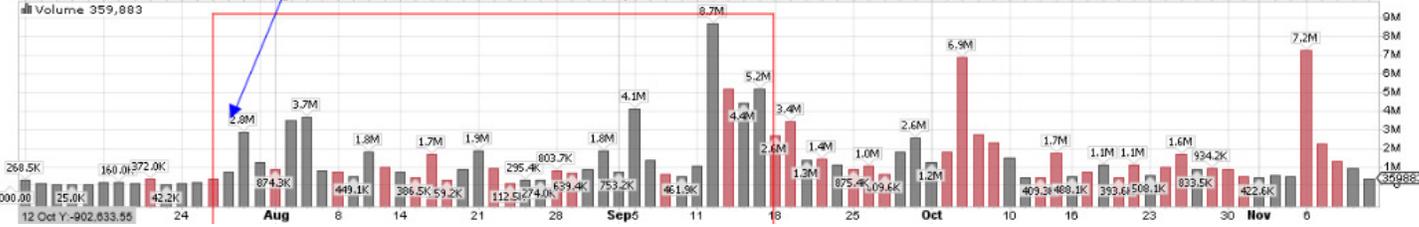
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Open 0.12 High 0.12 Low 0.12 Close 0.12 Volume 359.9K Chg +0.00 (+0.00%)

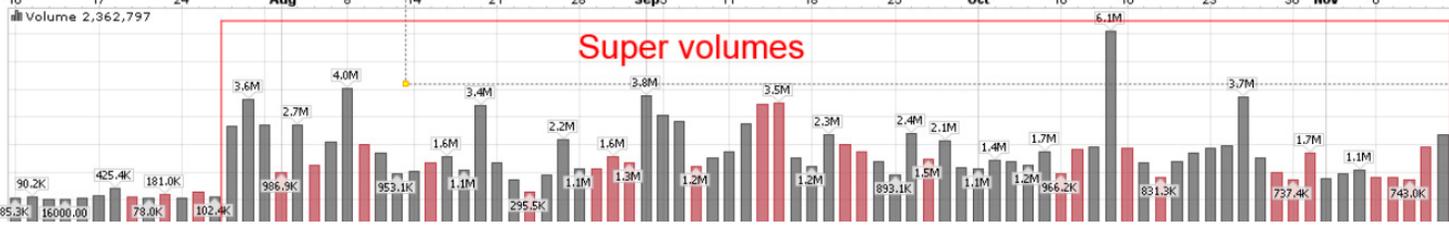
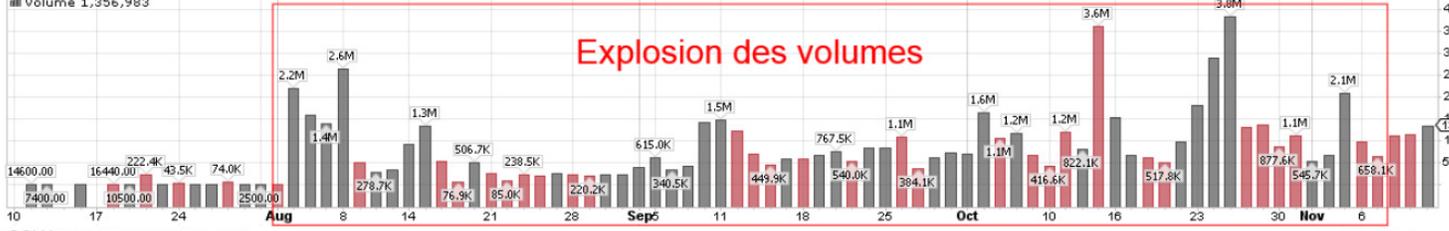


26 juillet annoncé de début de forage
27 juillet explosion des volumes

Résultats de forage
4 octobre
6 novembre



27 juillet explosion des volumes



3 potential darlings from the Golden Triangle in 2018

These are a few serious contenders to consider for 2018. Some say that the best place to find a mine is near a mine, which seems to be the case for our first candidate, **Aben Resources (ABN)**. It's located near GGI, Eskay Creek, GTT and Snip.

This year, just like GTT the one before, ABN may well be the first to show some results since its drilling started on June 28th. The company intends to make a 5000 meters (m) drilling campaign (15-20 holes) with \$2.5M of cash. Results are expected at the end of July and could spark a new round of financing depending on the numbers and market expectations. Last year, they had 19 g/t Au and 2.2% Cu on 3m, and on another site, 22 g/t Au and 3% Cu on 6m, which is technically good, but didn't impress investors.

Early indicators point to a GTT like deposit, and ABN management studied last year's data and previous works in the region to get a better understanding of the geological model they're trying to tackle.

Despite the recent rally of the stock price, ABN is still cheap with a \$20M market cap compared to a potential similar to GGT's last year, which had a peak \$200M market cap. You should keep an eye on ABN, this player could climb higher, especially if high volumes remain, which is likely in the high season.

The next two candidates (JUGR and GOT) was never drilled in the past, and often, the first ever drill is the most surprising. The window is closing quickly to get positioned at the prices there trading now.

Our next target is **Juggernaut Exploration** (JUGR). The company has 2 promising projects on the table, but unlike most projects in the GT, it's incredibly well-located, at only a few kilometers from the city of Terrace, which could drastically reduce future costs. This is a senior miner's dream location.

The first project is **Midias**, an Eskay Creek-type VMS (volcanic massive sulphide) target that is hosted within a larger alteration system that contains the correct type of rocks to host such an ore deposit and also shows strong indications of orogenic gold mineralization. This package of rocks was independently mapped by the world famous Johane Nelson from the BCGS. It shows several promising indicators such as trenches of 10 g/t on 10m and 80g/t on 1m, with gold samples going from 1 to 33 g/t at the King Solomon's zone.

The second project, **Empire**, is even more spectacular because it already shows several high-potential discoveries with distinct identified zones spanning over 5km's on the newly discovered Inca trend; a high-content of polymetallic and gold-bearing mineralization being confirmed by the new discoveries of Max Min, Metalworks, Metallica, and Olympus targets indicates the presence of a very large hydrothermal porphyry system. The Rockstar zone also hosted within the same Inca trend is believed at this time to be more of a VMS target.

As if that was not enough, they discovered 5km north of the Inca trend, the Big One anomaly (identified mass of 1000m x 800m x 300m at 30m from the surface) which is a strongly conductive anomaly that has a signature reminiscent, of VMS style mineralization, similar to that at Eskay Creek.

To make an analogy with baseball, normally, we are retired after 3 shots, but in the case of JUGR, it is as if we are entitled to 20 shots before being struck out, which greatly increases the probability of doing a sure hit or to make a homerun.

Some extraordinary indices showed sections of 16 g/t Au, 22,000 g/t Ag, 26% Cu, 3% Zn over 0.2m and samples of +36,000 g/t Ag, 28% Cu, 30% Pb and 34% Zn, which is almost never seen anywhere. JUGR is no longer the backbone of our last 0.20 financing, but with a capitalization of \$36M, there is still a lot of room to increase if we hit a discovery of the type of GTT or GGI, which could generate a potential capitalization of several hundred million, a stock price of a few dollars is clearly possible.

In short, with \$5M cash in hand, JUGR is well positioned to make a major discovery, especially considering the impressive track record of their prospecting team. In fact, it would be extremely surprising if JUGR doesn't hit a discovery with all the aces it has in its hand. We'll know soon enough what it will be with the truth machine (drill).

The last candidate - but not the least - is **Goliath Resources** (GOT), and it may well take us all by surprise this fall. GOT is a project generator with 4 high-profile projects already in the pipeline. The focus this summer will be on the Lucky Strike and Copperhead properties, both located near Terrace, South of the GT.

GOT is actually a company that comes from the same location and group of prospectors as JUGR with his history of heavy hitters. Consequently, any breakthrough discovery from one of its sister companies should pull the other upwards given the similarities.

The main drilling target is the Bullseye Prosperity zone with a gigantic identified mass of 2500m x 1500m x 500m and a confirmed, porphyry-like conductive anomaly. All the indicators point to a large porphyry system, just the way major players like them. Copperhead also provided impressive breccia samples with 8% copper on the surface, trenches with 4% copper on 11m, and with gold and silver on top of it.

Often, breccias have the form of a missile, it will be interesting to see what the drill will uncover because if it hits something with a decent copper content, GOT stock could reach unprecedented levels since this commodity is

extremely wanted by the market. As an example, a small copper discovery in New Nadina last year pushed the stock price from 0.08\$ to 4.60\$ within a week, a +50 bagger!

GOT is about to drill 2 great targets with more than \$3M in cash and has a \$17M market cap. Plus, most shares are on lock, leaving only 33M of them available to the public, which could lead to a spectacular rally if something major is uncovered, and we'll find about that soon enough.

Conclusion

The discovery phase of junior mining stock is the most explosive and speculative one. Despite the fact that the probability of actually finding something big is generally low, it's possible to maximize your chances with a reasonable selection effort based on location, the team involved, early indicators and timing. If you're careful (and lucky) enough, you could rip off the benefits of spectacular gains. We talk here of dramatic revaluation of stock price, particularly if it's done with private placement, with the help of tax advantages and warrants.

When it comes to drilling results, you must be prepared to all scenarios; good and bad. Don't sell in a hurry, but also keep in mind to materialize your profit here for reducing the cost of your position and lowering your risk.

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Yves has published a newsletter on commodity from 2010 to 2016 and was invited over a hundred times on On s'investit at TVA as a subject matter expert. He also held several conferences, and acted primarily as a tax expert for 20 years, 10 from which in reputed cabinets like KPMG and Andersen.

Now, he helps his clients to invest with him in the commodity sector with the superior advantage of the private placement to accelerate their financial enrichment using tax methods to reduce risks and improve returns.





Take note that the author funded and took part in private equity funds in the last months with ABN at 0.125, GOT at 0.11 and JUGR à 0.20. He also bought these shares on the market. Only the author is responsible for this text, not EMD Financial, and deny any responsibility from any possible error or omission. No form of remuneration is received for this text The reader is invited to do his research before considering any company discussed above.