Michael Oliver Shows Why You Stay Long Gold Now

The gold charts put out last week by Michael Oliver illustrate his work very well. The top chart is a weekly price chart. The bottom chart is a long-term momentum chart showing weekly ranges vs. 40-week averages. If you are a subscriber to Michael’s work you will recognize this as textbook Michael Oliver. More importantly, if you are a regular subscriber to Michael, you will realize that most often he is ahead of most price chart analysts, getting investors in at a lower price and out at a higher price. What I like about his work is that with confidence, I can look at the momentum chart below and know, based on the fact that his momentum chart has broken through not one, but three key levels, that we can rest easy knowing that gold is in a solid bull market. It may decline a bit next week but the pressure is on the upside and once we get through $1,355 or $1,360 we should enjoy a hasty ride to $1,400.

Our Model Portfolio

I am really excited about the prospects for gold this year and none other than legendary gold share investor and co-founder of Franco Nevada, Pierre Lassonde, supported my optimism on my radio show last week as he explained why he is so excited about the upside for gold in 2019. You can listen to my discussion with Pierre here: tinyurl.com/y6ch3vtv. There are so many companies covered in this newsletter that have enormous upside prospects this year, starting with Great Bear, a company that is on its way perhaps to discovering another deposit similar to the Red Lake deposit that was the company maker for Goldcorp. Others that I think have a chance to make major moves this year are GoldSource, Novo Resources, Triumph Gold, Rise Gold, Irving Resources, Miramont Resources, Newrange Gold and VR Resources, to name a few. And there are a number of companies that appear to be asleep that could surprise greatly to the upside once gold breaks through $1,360. Stay tuned!
New Coverage (2019-02-01)

Brixton Metals Corporation

**Business**: Exploration and development for precious metals and base metals in British Columbia, Ontario, and Montana.

- Trades Toronto: BBB
- USOTC: BBBXF
- Shares Outstanding: 90.2 million
- Price 2/1/19: US$0.138
- Market Cap: US$13 million
- Fully Diluted Shares: 109.4 million
- Institutional Holdings 1: 27.5%
- Management Holdings: 8%
- Cash: $3.4 million
- Historical Gold Resource 2: 150,000 oz.
- Progress Rating: A4
- Telephone: 888-863-3801
- Website: www.brixtonmetals.com

1 Evanachan-McEwen 7%, Gold 2000 6%, US Global 4.5%, Pan-American Silver 3.0%, Hecla Mining 3.0%, and Desert Mtn Energy 4.0%.
2 Historical resource is based on reports from British Columbia Department of Mines Open File 2000-2, page 41. This historical non-compliant NI 43-101 report records 453,000 tonnes grading 10.26 g/t gold.

Brixton Metals is a name I have been aware of for the past several years and in fact I visited the company during the depths of junior gold mining despair around 2014. The company had some impressive targets but with an inability to raise capital then, no one cared. With the clouds clearing and brighter skies ahead, the stock shot up from the low penny range to over $1.00 in 2016, only to fall near its five-year lows with the most recent correction. But now with the promise of a breakout of five-year highs in the very near future, I felt compelled to bring this story to your attention.

Brixton has a portfolio of several promising projects, which I will touch on briefly. But I’m happy to say it has focused its Atlin Gold Project in northwestern B.C. near the Yukon border. This project looks very similar to the multi-million Barker Gold Discovery in B.C. Both projects were the site of considerable placer mining activity. Both are typified by exceptionally high-grade gold mineralization. The latest management team at Barkerville found considerable success in locating the source of placer gold by focusing on the structural controls. Having the geological talent on board, Brixton will be focusing its resources this year on drilling some very exciting targets on the Atlin Project. I feel confident that we can anticipate some very good drill results from the company’s drill program this summer. That combined with a stronger gold market should result in good news for investors who buy Brixton around its current price.

Actually, the company has four wholly-owned high-potential exploration projects. If Brixton were blessed with endless resources, it would no doubt endeavor to explore them all. But given exceptionally promising prospects of the Atlin combined with a gold market on the verge of a dramatic breakout, the company has chosen to seek joint venture partners. Here is a brief description of the “other” properties before a more extensive focus on the Atlin Project that I think can catapult these shares several-fold higher before the end of 2019.

- **The Thorn Au-Cu-Ag Project** is an early-stage district-scale opportunity. In 2014 an inferred resource of 21.5 million ounces of AgEq was outlined with the deposit open for expansion. A drill hole put through the Oban diatreme intersected 95 meters grading 628 g/t Ag, 1.7 g/t Au plus base metals. And a very large copper-gold porphyry target at the Chivas Zone is drill ready. It is my understanding that the company has been receiving some indication of interest from potential joint venture partners on this project.
• **The Hog Heaven Ag-Au-Cu Project** in Montana is an advanced-stage silver-gold-copper project. It has a historic, non-compliant NI 43-101 resource of 47.3 million ounces of silver and 230,000 ounces of gold estimate from 722 drill holes. Drilling at the copper zone intersected 18.3 meters of 4.5% copper, 4.5 g/t gold, and 745.7 g/t silver. Feeder zone targets are ready for drilling.

• **The Cobalt Camp Ag-Co Project** is a brownfield silver-cobalt exploration project. The Langis Mine has had past production of 10.4 million ounces of silver production from material grading 25 ounces per ton silver and 358,340 pounds of cobalt. The Hudson Bay Mine produced 6.4 million ounces of silver grading 123 ounces per ton and 185,570 pounds of cobalt. Silver intercepts of up to 6 meters grading 4,719 g/t silver and cobalt up to 3 meters grading 1.23% have been reported on the property. And a new discovery of a diamond-bearing kimberlite in 2018 was reported with results pending. With 22 out of 24 drill holes showing kimberlite, it is my understanding that management has been receiving some interest from possible joint venture partners on this project as well.

Those are all exciting 100%-owned projects that would seem to be attractive for some other companies seeking high-probability projects to work on. But with most of these projects not primarily gold targets, the decision to focus on the Atlin Project makes the most sense for Brixton at this time.

**The Atlin Goldfields Project**

The Atlin Gold Target is an orogenic gold target, which means mineralization is structurally controlled and was formed in subduction-related tectonic settings in accretionary to collisional orogenic belts from Archean to Tertiary times. There is general agreement that these deposits formed from metamorphic fluids, as conceived in the illustration on your left. Of course, for geologists doing advanced studies in this area, there are various controversies as to in-the-weed details about all of this. The important thing to keep in mind is that mineralization is structurally controlled. And as noted above, management has been focusing on structural controls as it designs its 2019 drill program. And it already has a lot of very exciting targets to shoot at.

The Atlin Goldfields Project covers an area of 1,000 square kilometers. It is blessed with good infrastructure including an extensive road network from Atlin, B.C. A high-grade, small, historic, non-compliant resource of 453,000 tonnes grading 10.26 g/t gold has been outlined from the Yellowjacket Target. There are four drill ready targets, namely, the Yellowjacket, Pictou, LD, and Imperial. And there are at least five newly identified targets that warrant follow-up work prior to drilling. (Note the areas of soil anomalies inside the yellow perforated confine on your left as well as yellow diamond-shaped locations where surface samples greater than 10 g/t gold were discovered.)

The largest nugget ever found in B.C. came from the Spruce Creek. It was 85 ounces! But there were others nuggets like the following: 73 ounces at Birch Creek, 48 ounces at Pine Creek, 47 ounces at Ruby Creek, and 28 ounces at McKee Creek. So, as with Klondike Gold, which is one of my favorite stories in this letter, Brixton’s management is in the process of
learning to identify the structural controls for the hard-rock-hosted gold formed many millions of years ago that has fed the streams from which placer miners have been mining over the past 120 years. Estimated placer gold recovery is estimated to be in the range of 600,000 ounces to 2 million ounces.

While geologists learn a bit more with each drill core, it is clear that Brixton’s management has been working hard in preparation for an efficient and successful drill program in 2019. And of course it has been assisted by the presence of a high-grade historical resource on the Yellowjacket Deposit where a non-compliant NI 43-101, historical resource has been outlined in the past.

Management describes three basic styles of gold mineralization on the property:

1. (i) Listwanite-hosted Gold: Shear zone hosted quartz-carbonate-marioposite veins and free gold hosted in mafic and ultramafic lithologies (Yellowjacket, LD and Pictou zones).
3. (iii) Intrusion-Related Gold Mineralization: Gold nuggets intergrown with cassiterite (SnO2) and thorite (ThSiO4) have been collected from placer producing streams proximal to the Surprise Lake Batholith (Tintern Creek and McKinley Creek targets).

This very large property has the potential for multiple discoveries, but given past work, the one that seems to me to have the highest probability of success going forward is the Yellowjacket Target because it has had some 58 diamond drill holes that were put into it in 1988. At that time, Homestake Mineral Development Company (Homestake) outlined the Yellowjacket Gold Zone with its 58 drill holes as pictured below. Gold mineralization was intercepted at a depth of 140 meters.

To give you a sense of the high-grade nature of this deposit, on your right are drill core highlights from drilling carried out by Homestake in 1988 as noted above. As you can see, the alternation zone from which these high grades were intercepted is open both to the northeast and southwest. It seems clear to me that with some additional drilling and analysis by a QP, a high-grade near-surface NI 43-101 resource could quickly be outlined in 2019. It’s my understanding that management does not have the past drill core in its possession, only the public records. So no doubt some holes will need to be twinned near past holes to confirm grades in addition to step out holes to expand the resource.

The LD Gold Zone has not yet had drill holes put into it but some past trenching and very high soil assays make this a very attractive target at or near surface. A bulk sample from Trench 3 returned a range of 9.2 g/t gold to 95.6 g/t gold from four assays. From Trench 6, a 15-kg bulk sample had grades from three samples ranging from 4.05 g/t gold to 16.6 g/t gold. And, four assays from Trench 7 revealed grades from four surface samples ranging from 46.5 g/t gold to 330.3 g/t gold. Two drill holes are reported on this project. DDH-84-14 intersected 3.05 meters grading 4.46 g/t gold and DDH-84-01 intersected 3.05 meters grading 9.39 g/t gold starting at a mere 9.14 meters from surface. Another surface sample of 293 g/t gold was reported and there are numerous soil sample assays of anomalous levels of gold on the project. The LD Gold Zone looks to be another high-probability target.
I believed that management has carried out most of the work to establish a drill program on the LD Gold Zone during 2019 and I’m expecting we will hear something about that from the company in the near future. This year, the company won’t likely be able to get into the project until April or May but it is my understanding that this summer, management plans to construct a small winter camp so that next winter drilling can be carried out throughout the year. From a cost perspective the good news is that the property is Tim Horton accessible, meaning that the drillers can pick up a cup of coffee at Tim Horton’s and it’s still warm by the time they get to the property. Easy access by road, combined with shallow targets, should mean a $2.5-million drill program should go quite a distance.

As of this date the following warrants are on the books:

- 5 million at C$0.25
- 2.5 million at C$0.50
- 3 million at C$0.70

If those were fully exercised it would generate another C$4.5 million. And assuming a successful drill program and with an improving gold market it is entirely conceivable that Brixton may be able to bring these shares up to or beyond the 2016 highs of $1.00 and thus have most of those warrants exercised. The good news is that the drill targets are relatively shallow and management has about $3.5 million in the till, of which approximately $2.5 million is scheduled to be used for exploration including both RAB and core drilling.

**MANAGEMENT**

*Gary Thompson, P.Geo., Chairman and CEO, President, Director* - A Brixton Metals Co-founder, Mr. Thompson has over 25 years of project management and resource exploration experience in precious-base metals including oil & gas and geothermal power. Mr. Thompson holds several discovery credits for metals and geothermal. Previous employment and experience include both junior and major mining and energy companies including Newmont Mining, NovaGold Resources and Encana Corporation. Mr. Thompson’s Cayley Geothermal went public in 2006 through the acquisition Sierra Geothermal Power where he was CEO until it was acquired by Ram Power in 2010.

*Cale Moodie, BSF, CPA, CA, Director and CFO* - Co-founder of Brixton Metals, Mr. Moodie’s career in public markets spans over a decade. Cale previously worked for KPMG LLP’s Vancouver Industrial Markets Group, with an emphasis on audits for mining and resource-based companies. Cale is currently the CFO of Full Metal Minerals Corp. (TSX-V: FMM) and was previously CFO of Underworld Resources Inc. until its sale to Kinross Gold Corporation in June of 2010. Cale is a member in good standing with the Institute of Chartered Accountants of British Columbia and the Canadian Institute of Chartered Accountants.

*Sorin Posescu P.Geo., P.Geol., VP, Exploration* – Mr. Posescu is a professional geologist with more than 20 years of experience in natural resources exploration and development and currently VP Exploration of Brixton Metals Corporation. Mr. Posescu has worked for major to junior resource companies throughout Europe, USA and Canada, including NovaGold, OMV-Petrom and Sierra Geothermal Power. Mr. Posescu currently serves as Director for both private and public companies.

*Danette Schwab, P.Geo. Senior Geologist* - Ms. Schwab is a Professional Geoscientist registered in British Columbia. She obtained a Bachelor of Science degree (Earth Science) from Simon Fraser University in 2001. Ms. Schwab has 15 years experience in mining and mineral exploration, and is a former Senior Exploration Geologist for NovaCopper and Fronteer Gold (acquired by Newmont for $2.3B in 2011), former Project Manager for Riversite Resources and Project Geologist for NovaGold and Balmoral Resources. Ms. Schwab has experience exploring for a number of deposit types, including porphyry copper-gold, Carlin-style gold, sediment-hosted copper, orogenic gold, epithermal gold and VMS.

*Independent Directors Include Carl Hering, Ph.D.* a geologist with over 35 years of diversified technical and managerial experience in mineral exploration and corporate development worldwide. *Ian Ball* most recently served as President of McEwen Mining Inc., and *Randall Thompson* who has 30 years of experience in building and operating open pit and underground, precious and base metals mines in Canada, Australia and the Middle East.

**THE BOTTOM LINE**

For 2019 Brixton Metals will be focused primarily on its Atlin Project, on which I believe it has a high probability of a successful 2019 drill campaign. With that and wind at our backs from a rising gold price, I believe this company’s shares could easily rise to or above its high of around C$1.00 in 2016. In addition, it is my understanding that management is gaining some attention from possible joint venture partners on the Thorn Project, and with the kimberlite discovery on the Cobalt Camp, there may also be some joint venture possibilities. The company has a strong management team and board and its share structure is reasonably tight with around 36% of the shares in the hands of management and corporate interest. And the company has enough cash in the bank to fund its 2019 drill program, which, if successful, should lead to the exercise of warrants that should lead to additional funding of exploration on what I think is a very exciting Atlin Project. At its current price of around C$0.18, the risk/reward tradeoff looks very positive for shareholders, given an improving gold and gold share market.
Ely Gold Royalties Inc.

**Business:** Project Generator/Royalty holdings of precious metals projects in Nevada.

Trades Toronto: ELY
US OTC: ELYGF
Shares Outstanding: 93,105,474
Cash: ~2.5 million
Price 2/8/19: US$0.117
Market Cap: US$10.9 million
Estimated float*: 54%
Fully Diluted Shares: 108,030,474
Progress Rating: A2
Telephone: 604-488-1104
Website: www.elygoldinc.com

*Shares believed to be held off the market: Management 11%; Long-term wealthy shareholders 25%; Exploration Capital Partners (Sprott) holds 10%.

This is a very easy and straightforward story to tell. Not only does the company have 77 Nevada properties in play but it is already enjoying one royalty and expects a second royalty to start kicking in by June of this year. Without any other revenues, these two properties are expected to generate $1.25 million this year, which will cover all corporate overhead and SG&A. But that’s chump change compared to what I expect this company will earn, as it has royalties on several advanced-stage projects in the hands of solid companies.

Of the 74 properties in play, here is a breakdown of their various stages:

- 27 deeded royalties
- 21 projects optioned to third parties
- 26 available properties
- Anticipated royalty revenues in 2019: $1.25 million from a 1% royalty from the Fenelon Project in northern Quebec and a 0.75% royalty on the Isabella Claims in Nevada.

The company also has a strong database, which is the key to property transactions, and the database continues to generate new properties and district consolidations. Also impressive to me are some of the well-known mining company partners that working on various projects in Ely’s portfolio, such as Barrick, Coeur Mining (two projects), Hochschild Mining (four projects), and Gold Resource Corp. (four projects). Ely has also been able to consolidate properties and, as a result, gain royalties on a number of Nevada properties, including the following: Mina Gold, Isabella, County Line, Weepah, Tonapah, and Gold Bar. The Isabella Project is being developed by NYSE-traded Gold Resource Corp. and the first royalties are expected to start flowing toward Ely by June of this year. The Gold Bar Project is being developed by one of our current recommendations—namely, Fremont Gold, as discussed in this issue.

With the very large portfolio of companies owned by Ely, it is of course impossible to begin to talk about all of them. But let me point out some of the more advanced projects, beginning with two that are expected to start generating cash flow to Ely this year.

**Fenelon Gold Mine, Northern Quebec** – While most all of the company’s focus is on Nevada, last year management purchased a 1% royalty from Balmoral Resources for $500,000 in cash plus 1 million common shares issued at a deemed value of $0.10 per share. The underground mine currently has a small high-grade resource but with mineralization open at depth, exploration will be ongoing as mining proceeds. At present, commercial operating permits are being applied for but the company does have permission for bulk
mining of some 35,000 tonnes grading between 18 and 25 g/t gold. Expectations are that some 26,000 ounces of gold will be produced from this bulk mining. A 1% royalty would amount to 260 ounces of gold, which at $1,300 would be worth approximately US$338,000. At current exchange rates, that mounts to around C$450,000, thus returning most of the initial cash investment to acquire this royalty.

Admittedly, a small-scale mining operation like this may not excite many investors, but as a starter asset, with a high probability of high-grade mineralization extending to depth, this project could provide long-term cash flows that repay the initial investment many times over.

The Fenelon Gold Mine Project is being advanced by Wallbridge Mining, another company that Eric Sprott has a position in. It trades in the U.S. under the symbol WLBMF. It is headed by Marz Kord, a Mining Engineer with over 30 years of experience in the mining industry, spanning a career over which Mr. Kord has held progressively more responsible roles in both operations and management. During the early part of his career with Falconbridge, Mr. Kord was involved in mining operations in both Sudbury and Timmins.

In 2017 and since acquisition, Wallbridge has completed 33 drill holes totalling 6,348 metres in three surface exploration drilling campaigns at Fenelon (see Wallbridge Press Release dated December 13, 2017). Results from this initial year’s exploration drilling program exceeded expectations and resulted in an expanded exploration target for the area near existing infrastructure and above 150 metres depth. In 2017, some of the high-grade intersections are displayed directly below.

In 2018 18,000 meters drilled, 10,000 of which was from surface and 8,000 from underground. On your left are some of the higher grade intersections reported by management.

Very little drilling has been carried out below 150 meters and the mineralization remains open to depth and along strike. In addition, drill intersections along the 4-kilometer strike length of the mineralized structure demonstrate potential for new discoveries on the broader property. Wallbridge is immediately targeting 250,000 to 400,000 high-grade ounces at depth. It looks to me as if Ely Gold could receive a very quick payback of its capital and then enjoy a long life of royalties for its shareholders.

Isabella Pearl 0.75% NSR – The Isabella Pearl Gold Project is located in south-central Nevada's Walker Lane Mineral Belt in Mineral County, Nevada. The property covers 494 mining claims comprising 3,642 hectares (9,000 acres), of which 58 claims encompass the Isabella Pearl deposit and planned mine area.

On June 19, 2018, the Company commenced construction at Isabella Pearl and targets the first gold pour by June 19, 2019. The Isabella Pearl project contains Proven and Probable reserves estimated at 2,694,500 tonnes grading 2.22 grams per tonne, which equates to 192,600 gold ounces based on a feasibility reported dated December 31, 2017. Future production development anticipates two adjacent open pits with the Isabella pit averaging approximately 1 gram per tonne gold with mineral outcropping at the surface, and the Pearl pit averaging approximately 3.7 grams per tonne gold with a higher-grade core averaging nearly 5 grams per tonne gold. The project estimates an average 5:1 strip ratio with metallurgical tests estimating gold recoveries for crushed oxide rock of 81% and run of mine ore (ROM) of 60% using conventional heap leaching. Small amounts of silver are expected in recoveries, which would be treated as by-product credits against gold production costs.
The Isabella Pearl is being developed by NYSE-traded Gold Resource Corporation (NYSE-GORO). The acquisition cost for Ely was US$300,000 cash. In year one it is expected to produce 20,000 to 30,000 ounces and in years 2 and 3 between 30,000 and 40,000 ounces. There are 10 Isabella Pearl claims, all of which are subject to Ely’s 0.75% royalty.

### Advanced Exploration Projects

Following (left) is a list of the company’s royalty holdings:

Here are a couple of the more advanced royalty holdings that are being worked on now:

**Castle/Blackrock Lease 2% NSR** – The Castle/Blackrock Lease was acquired for US$500,000 for a large package of properties and royalties, including Castle/Blackrock. It also included the Eastside Project, which is the flagship of Allegiant Gold, within its 17-project portfolio. The East Side Project has a historical resource of 272,000 oz. of gold.

**Gold Rock Resource – Ely has a 0.50% NSR on this project** that is being developed by Fiore Gold. The project consists of a large 20,300-hectare contiguous land package on the Battle Mountain-Eureka Trend, anchored by the former Easy Junior Mine, which reportedly produced approximately 2.6 million tonnes at a grade of 0.89 grams per tonne for 74,945 gold ounces in the early 1990s. The area in and around the former Easy Junior Mine hosts a recently-released mineral resource as follows:

- **Category**: Indicated, Inferred
- **Tonnes (000s)**: 9,066,900, 7,787,500
- **Gold Grade (g/t)**: 0.82, 0.72
- **Gold Grade (oz/st)**: 0.024, 0.021
- **Contained Gold (oz)**: 238,700, 180,500

Management believes there is an excellent chance to grow the project along strike, both north and south of the former Easy Junior open-pit mine. This is a 200-sq.-kilometer contiguous land package on the Battle Mountain-Eureka Trend.

As noted above, the company has some 21 properties that are optioned to third parties. The options are for 100% and are purchased from Ely for cash payments and/or ongoing option requirements during the time the options are held. Following is a schedule of options held with the schedule of payments coming to the company in 2019 from the current portfolio.

These are options only. Ely has no interest in holding a JV interest. However, they are subject to future royalties payable to Ely and the projects are scalable, meaning that royalty payments in the future can grow as the project and production grow.

A typical option contract lasts for four years with escalating and balloon payments over...
that timeframe. There are no work commitments and data is held open to the public on all properties.

As noted previously, the company has an additional 26 optionable properties available for options.

**MANAGEMENT**

*Trey Wasser, is President, CEO and Director. He has had* Over 33 years of brokerage and venture capital experience, with 20 years as a corporate finance specialist with Merrill Lynch, Kidder Peabody and Paine Webber. On the technical side he is assisted by *Jerry W. Baughman, Director BSc, PGeo, President* who is a geologist with over thirty years of experience in mineral exploration in the U.S., Mexico and South America. Also *Stephen Kenwood, BSc, PGeo, Director & Qualified Person* and former geologists with Cominco on the Snip Gold Mine and Eskay Creek Mine adds technical knowledge to corporate decision making. For a more complete review of the entire management team, visit the company’s website.

**THE BOTTOM LINE**

This company has a large number of projects, most of which are in Nevada. Its business model generates cash now through its sale of options, and its large data base allows it to generate new prospects. The one negative at the present time is that there are no really large-scale deposits yet outlined. However, with such a large number of prospective projects hosted in various area of Nevada where elephant-size deposits are known to exist, the potential for one of Ely’s partners to outline something large that could allow this company to develop into something that is meaningfully large would seem to be considerable. For the time being, as noted above, the company is set to receive at least $1.25 million in 2019, which will cover all overhead while work continues on several exploration targets. Compared to its peers, this company carries a very low valuation. I see very little downside compared to upside at a time when growth should really start to accelerate first from developing projects and longer term from the pipeline. If you find this story of interest, you may wish to view the presentation here, https://www.youtube.com/watch?v=X9GrxObeKV4, made on behalf of Ely Gold at the January 2019 Metals Investor forum.


*Goldsource Mines Inc.*

**Business:** Gold production from saprolite material starting at Eagle Mountain Project in Guyana, SA.

<table>
<thead>
<tr>
<th>Trades Toronto:</th>
<th>GXS</th>
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</thead>
<tbody>
<tr>
<td>USOTC:</td>
<td>GSXFF</td>
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<tr>
<td>Shares:</td>
<td>221,917,910</td>
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<td>Recent Price:</td>
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<tr>
<td>Market Cap:</td>
<td>US$22.2 million</td>
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<td>Gold Resource:</td>
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<td>O/W Saprolite(1):</td>
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<tr>
<td>Initial PEA IRR/Aft Tax:</td>
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<td>Recoveries(3):</td>
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<td>Capital(4):</td>
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<tr>
<td>Annual Au oz.Prod. Ramp up:</td>
<td>5,600, 14,400, 21,600, 28,000</td>
</tr>
</tbody>
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**Notes:** (1) Only Saprolite ore factored into the maiden PEA. (2) Cash cost includes a 15% contingency. (3) Potential to increase recoveries into high 90% range (but only with cyanide circuit). (4) Cap X original plus all-in sustaining cost and includes production ramp up.

*Goldsource Mines Inc.: Another Eric Fier Opportunity*? While he may not be as intimately involved in the day-to-day operations for Goldsource Mines, Eric is in fact the guiding light to that story too. I would suggest you might want to keep track of my commentary on that company as well. I’m anticipating big things for Goldsource Mines in 2018 as the company moves its saprolite gold project in Guyana toward production. While it’s true that the company has some 250 million shares outstanding, the stock has been selling at a mere US$0.05. A tenfold move for this stock in 2018 is in my view certainly possible, given a lack of attention paid to this story and a number of very positive developments. There should be some very good news regarding the economics of this project during the early weeks of this year.

As with most projects that mining engineer Eric Fier has a hand in, Goldsource Mines started out with a trial-and-error process that enabled the company to carry out its own engineering discovery without spending huge sums of capital on outside consultants. The first test on the company’s Eagle Mountain project in Guyana was based on a PEA carried out in 2015 that suggested a small saprolite
project using only gravity methods of recovery, might generate an after-tax return of 63%. That possible outcome was based on an estimated cash cost of US$480 per ounce of gold, capital costs of US$24.2 million, AND initial gold recoveries of 60%. Annual gold production was projected to rise as follows: Year 1: 5,600 ounces, Year 2: 14,400 ounces, Year 3: 21,600 ounces, and Year 4: 28,000 ounces.

Through the trial process, an important error was discovered. By using only gravity methods of gold recovery, recoveries were far lower than 60%. If memory serves me correctly, gold recoveries were typically less than 20%, which meant the project was losing a lot of money. So management went back to the drawing board with metallurgical work. By adding a cyanide circuit, not only could it recover gold in the high 90% range, but also, additional metallurgical work demonstrated that more than 40% of the “ore” will not need to be crushed. That will reduce energy cost considerably in this remote location in the Guyana jungle.

Now, with a cyanide circuit needing to be added, capital costs would increase, which meant the company would need to have more than the 380,000-ounce resource available to make the project economic. And so, management set out on expanding the saprolite resource. It has certainly been successful in that regard, with high-grade mineralization discovered to the northwest of the existing open pit resources at Eagle Mountain as well as in the Bishop Growler Target. And I began to get quite excited in May of last year when the company announced it trenched 123 meters of 1.92 g/t gold on the Salbora Target located approximately 1.5 kilometers northwest of the Eagle Mountain Deposit. Which lead us to the blockbuster drill hole announced on Wednesday, January 23rd. The location of that hole, EMD18-053 in the Salbora target, is shown in the illustration above. And a cross section of Hole EMD18-053 is displayed below. The illustration above shows the location of the 123-meter-long trench grading 1.92 g/t gold and the cross section below shows the trench as well as the orientation of the 2 drill holes reported last week.

Now management has known that likely more gold existed on this project from the non-weathered hard rock that lies below the weathered saprolites. In fact, the latest resource from fresh rock totaled approximately 600,000 ounces compared to 380,000 saprolite...
ounces built into the maiden PEA. But in typical Eric Fier fashion, the company began to bite off what was chewable as a junior exploration firm, progressing the company one step in project development. Excited by surface assays, the above-noted diamond drill holes were put down into the Salbora Target. Bingo! Hole EMD18-053 graded 69 meters of 6.52 g/t gold! And Hole EMD18-052, which was drilled from the same collar in the opposite angle and displayed above in the cross section, graded 2.82 g/t gold over 44.7 meters. (See cross section illustrated on the next page) Not quite as good as Hole 53, but together these two holes represent what looks like a real game changer for Goldsource and, as noted below, there is a lot to shoot at, at Salbora.

What is really important to note about these two diamond drill holes is that this highest-grade gold mineralization was hosted in the hard rock. For example, Hole 53 intersected 19.33 g/t gold at the 36-meter to 45-meter intersection. And from 54 meters to 57 meters it graded 14.95 g/t gold. Management had always realized that the Eagle Mountain Project had the potential to host a large-scale hard rock mine but in order for that to happen, Goldsource would need the help of a major mining company. I believe management has already been courted by at least one major gold mining firm, and no doubt with these high-grade intercepts in fresh rock, the pulse rate of one or more majors has likely speeded up considerably. But it would likely be in the best interest of shareholders to see the size of this deposit expand considerably before a deal is reached with a major.

That brings me to the illustration on the next page that shows the location of holes EMD18-052 and EMD18-053. The portion of the northwestern trending structure that has been mineralized is shown above, as well as the area further to the northwest that has not yet been explored but where historical artisanal workings are evident. In fact, this structure extends for several kilometers. This entire structure dips to the northeast and is open. Only a portion of this structure is displayed in the illustration above and of course only two drill holes have been punched into it yet, those being holes 18-952 and 18-053.

The stock responded beautifully to these first two diamond drill holes. Assuming future results akin to these first two holes, this stock should be off to the races. Note from the cross section (Figure 3) on the prior page, another angle hole projected at a shallower angle is proposed in an attempt to define the limits of the mineralized structure at depth outlined by the above-noted 123-meter-long trench.
What is important to note is that high-grade mineralization begins at surface and extends at depth with grades considerably richer beneath the weathered saprolite material. This mineralized zone is open at depth and along strike and along dip to the northeast. As the company’s President Yannis Tsitos noted, “These diamond drilling results indicate the potential to delineate a near surface, wide, high-grade gold deposit at Salbora which would expand the current resources at Eagle Mountain. Hole EMD18-053 is the Company’s best drill hole to date on the Project. The Company is starting a step out diamond drilling program on 50 to 100 metre centres along the suggested strike of Salbora to test continuity of high-grade mineralization and further increase our understanding of the overall grade and size of this discovery.”

Intercepts from the first two diamond drill holes into this high-grade structure are shown on your left.

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This is a very exciting development that exceeds my expectations. It is a most exciting development and one that makes me glad I chose this as my top near-term pick at the November Metals Investor Forum panel discussion. If we get the same or similar grades along strike from step-out drilling and if continuity extends for several kilometers, this may be one of the most exciting stories in the junior resource market this year. Stay tuned!
Weekly Message (2019-01-11)

Novo Resources Corp.

Novo Resources Corp. (Toronto-NVO/USOTC-NSRPF; 163.6 million shares @ US$2.04 = US$333.7 million market cap) – While another financing announcement may not have triggered excitement for Novo Resources, the announcement on January 7 that Novo and Sumitomo have extended their Memorandum of Understanding (MOU) to advance Novo’s Australian projects was, in my view, very significant. The amount in question is 5 billion yen, or ~ C$61 million. In light of a not-very-well-kept secret that Kirkland Lake’s two board representatives’ plans for Novo and the development of its projects differed substantially from those of the remaining four board members, turning to another source of funding to develop the massive Pilbara Basin Gold Deposit was essential. Dr. Hennigh has been developing a relationship with Sumitomo for some time and indeed his involvement with another company featured in this letter, namely Irving Resources with exciting prospects in Japan, has no doubt drawn him even closer to that major Japanese mining company. Provisions of the MOU are as follows:

- Sumitomo will provide human resource assistance to assist Novo with the above objectives.
- Sumitomo commits to make available up to five billion Japanese yen in order to accomplish the above objectives, subject to mutual agreement on development plans for a project(s) and mutual agreement on a transaction structure(s).
- Novo shall grant to Sumitomo the right to finance a project through an option to purchase an interest in a project based on a mutually agreed upon valuation or through a subscription for Novo’s common shares at prevailing market prices subject to certain discounts (in accordance with the policies of the TSX Venture Exchange). Sumitomo will retain the sole and exclusive right to determine the final financing mechanism.
- If Sumitomo agrees to commit funds to a project and Novo agrees to receive such financing, Novo shall seek approval from its board of directors to provide Sumitomo with a right of first refusal over the project. If granted, the ROFR shall require Novo to provide notice to Sumitomo if an offer is provided to Novo by a third party regarding the project. Novo shall deliver to Sumitomo a written offer disclosing terms at the same price and otherwise on the same terms and conditions as set out in the third-party offer, and Sumitomo will have a 30-day period to elect to enter into the transaction with Novo.
- The term of this MOU will expire Dec. 31, 2023.

In addition to its financial resources, Sumitomo brings with it technical resources that should be extremely valuable in developing this most unusual project for which Dr. Hennigh has been applying his out-of-the-box innovative thinking, in an attempt to turn this very unusual project into a profitable operation. Novo’s projects in Western Australia are extremely nuggety, which makes it impossible to determine tonnage and grade using normal drilling techniques. The only way is to bulk mine these deposits and a new X-ray sorting technology is giving hope that that can be done economically.

So far, sorting tests have worked extremely well, getting rid of up to 98% of non-gold-bearing rocks. When I last interviewed Quinton Hennigh I gained the impression that he foresees this sorting technology being used directly at the mine site so that non-gold-bearing material can immediately be replaced from where it was mined, while the gold-bearing rocks, which would make up very high grade material, would be hauled to the mill.

I’m really looking forward to following the Novo story this year. Catalysts that we should be watching are:

- Bulk sampling along with sorting stats at Karratha during the first half of this year.
- Systematic bulk sampling work at Egina along with sorting data during the first quarter
- Beatons Creek resource update, which should be significantly higher than the previous 43-101 number.

Given the dramatic rise in the price of Novo in 2017, I sold a large percentage of my shares. However, given the progress being made with the use of sorting technology, I’m optimistic that this very unusual project can be mined economically, and the interest of Sumitomo working along with the creative-thinking Quinton Hennigh restores my enthusiasm for Novo’s activities in what Dr. Hennigh has revealed is a massive gold deposit that stretches in all directions for hundreds of kilometers. And of course I will be having Dr. Hennigh as a guest on my show sometime this year as well. By the way, there is a short research report on Novo by Red Cloud, here: [https://tinyurl.com/yaxfqlru](https://tinyurl.com/yaxfqlru).
**Novo Resources Update** (Weekly Message (2019-01-25))

**Karratha Gold Project** – Using the TOMRA process, high-grade assays from sorted rock concentrates provided a first indication that the technique is effective at upgrading gold into small-volume concentrates. (You can watch the TOMRA sorting technology here: https://www.youtube.com/watch?v=ljMtAlcKNTs.) The rocks need to be crushed into a certain size range so the computerized X-ray technology can recognize the rocks with gold, which are then projected further into a separate bin. I captured a photo from a video of this technology, pictured below left, which shows one pebble sized rock hosting gold being flung to the outer bin. The vast majority of non-gold-bearing rocks fall into the near bin. Early reports suggested a high level of separation success. *Novo anticipates receiving complete assays from all fractions of test material by the end of January 2019, at which time it will present a complete assessment of the efficacy of mechanically sorting Karratha gold-bearing conglomerates.*

It is my understanding that early indications are that this technology can work very well in conglomerate rocks where gold is very coarse. It is not believed to be effective in gold recoveries at Egina or at Beatons Creek. We only have a few business days left in January, so this very important report should be out next week sometime. I think this could be a very significant driver.

**Beatons Creek Bulk Samples and Resource Estimation** – A suite of 58 plus-two-tonne bulk samples was collected from gold-bearing conglomerates at Beatons Creek in 2018. Processing of these samples is expected to be complete in early February 2019, at which time Novo Resources will present results. Although Novo Resources recently announced an upgraded resource at Beatons Creek (the company’s Nov. 21, 2018, news release), its intention is to generate a further expanded resource utilizing bulk sample data coupled with recently collected diamond drill and downhole imaging data. *The next resource estimate is expected to be completed during the first quarter of this year.*

So we have a number of very near term drivers for Novo. Next week we should be learning more about the effectiveness of the TOMRA mechanical rock-sorting technology for conglomerate rocks. Then in early February we are promised results from the processing of 58 bulk samples from Beatons Creek, each of which are 2 tonnes or larger, followed by an updated and, I’m guessing, an upgraded resource from Beatons Creek during Q1. Then in March, work is scheduled to begin at Egina, where I think the company may possibly generate some relatively early cash flows. It’s good to know also that Novo has a sizeable funding commitment behind it from Sumitomo. With these near-term drivers at hand, I’m thinking I may want to add a few more shares early next week.


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Novo Resources (163.7 million shares @ US$1.90 = US$311 million market cap) has received results from the initial testing of mechanical rock sorting of gold-bearing conglomerate at its Karratha gold project as discussed in its news releases dated November 19 and December 20, 2018. The potential viability of mechanical rock sorting was tested by subjecting four bulk samples (see illustration below) to crushing, screening, and sorting using a TOMRA mechanical rock sorter. Sorted rock concentrates of very small volume were generated returning high gold contents.

Assays of the sorted waste material, undersize (-6 mm) fraction and oversize fraction (+63 mm) have returned allowing for further evaluation of this technique (please refer to Table below).

- Samples KX234 and KX237 generated 81.1% and 89.4% recovery of gold, respectively, from the 6-63 mm fraction that was sorted. These recoveries are considered very encouraging considering these tests are first pass and un-optimized. Interestingly, the best recovery is from the lowest grade sample, KX237.
- Although samples KX235 and KX236 generated lower recoveries, the fine (-6 mm) unsorted fraction of each of these samples displays higher grade than the respective calculated head grade. Novo believes the well-oxidized, crumbly nature of the rock comprising these bulk samples may have played a role in lower recoveries. Gold particles appear to have preferentially reported to the fines rather than remain encapsulated in rock that was sorted. Such oxidation persists to about 1-2 m below surface at Karratha. Below this level, Novo believes the targeted conglomerate will be harder and less crumbly.

- Sorter tailings commonly display gravity recoveries of gold of over 50% indicating significant coarse gold remains in this material. Novo believes crushing to somewhat finer size, perhaps 50 mm, may improve sorter recoveries because X-rays will more readily penetrate smaller rock particles making it easier for the mechanical sorter to identify gold particles.
Although testing was conducted on rock particles down to 6 mm size, further work is needed to determine the lowest range of particle size that can effectively be sorted. Further crush testing is also required in order to determine means of minimizing generation of fines and maximizing the fraction of material that can be sorted.

Gravity recoveries of gold from the undersize (-6 mm) fraction of the four bulk samples tested during this study range between 44%-64%. This data suggests gravity recovery of gold from unsorted fines may be a viable treatment option.

Novo considers mechanical sorting a potentially low cost means of concentrating gold that is particularly suitable for the nuggety conglomerates Novo is exploring in the Pilbara. Novo is currently undertaking a thorough review of recent mechanical sorting test data to determine means of optimizing crushing and sorting and what further testing is needed.

Rob Humphryson, CEO and a director of Novo, said, “Novo is highly encouraged by initial mechanical sorting results. Typically, mechanical sorting machines are utilized to upgrade mineralization by sorting out waste. In this case, gold is being directly and effectively concentrated. Novo expects that optimizations can be made to further enhance this means of gold recovery.”

In explaining the highly unconventional sampling and assay process, Novo reported that “Bulk samples were crushed at Cook Industrial Minerals in Perth, Australia prior to being shipped to TOMRA. Once rock sorting was completed, the concentrate and smaller mass tailings samples were submitted to MinAnalytical Laboratory Services Australia in Perth, Australia for analysis via Photon assay and fire assay. PhotonAssay methodologies are described in Novo’s news release dated December 20, 2018. Larger tailings samples were submitted to SGS Minerals in Perth, Australia where they were treated in a test plant detailed in Novo’s news releases dated February 6 and May 31, 2018. All assay certificates and head grade calculations were provided by SGS and MinAnalytical, with the calculations and head grades checked by Novo internal resources. There were no limitations to the verification process and all relevant data provided to date was verified.”

From my perspective, this is very encouraging news because this sorting process would presumably be applied at or right next to the site of mining, such that non-gold-bearing rock can be immediately returned to the place from which it was mined and a very high grade concentrate could then be sent to a mill. It seems clear that conventional assaying of the conglomerate rocks is not feasible. But this creative approach would seem to hold great promise because of the massive extent of these beds in the Pilbara Basin. As pointed out in the news release, there are various initiatives to be explored to optimize these encouraging recoveries.

While this report on sampling is very promising for the conglomerate targets, I think the news that may start to get people excited about Novo again will be from a report due within the next few weeks from Egina, when we will get results from a 170-tonne sample. Also, sometime in February, I’m expecting an updated report from Beaton Creek, where the resource should be larger and grades higher than already good open grades reported in the past. Stay tuned; there should be much more important news to come for Novo in the weeks ahead.

Weekly Message (2019-01-18)

Great Bear Resources Ltd.

Great Bear Resources' shares had fallen considerably from its blockbuster drill assay headlines last year as the "cocaine highs" from assays bordering on the extreme seemed to have returned to more normal earthly kinds of numbers. But on January 16 of this past week, another mind-blowing 1,602.73 g/t gold assay was reported that drove the stock up by about 24% that day. Yes, I know it was over only a true width of 0.7 meter, or 2.3 feet. But 1,602.73 g/t gold equates to 51.29 ounces of gold! Moreover, this was one vein within about a 10-meter zone of true width of exceptionally high grade intercepts, as set out in the table below. DHZ-014 tested the Hinge Zone and mineralization started at a vertical depth of 150 meters from surface.

High-grade intercepts within this zone of approximately 10 meters of true width are shown here:

Great Bear’s 2019 drill program is fully financed and results will continue to be released regularly in batches as the program progresses."

So overall, DHZ-014 intersected a 10.1-metre-wide vein zone (approximate true width) in the Hinge Zone. Visible gold was observed at both its upper and lower contacts. The vein zone is part of the larger Hinge/South Limb vein system, which parallels an ultramafic unit and deep-seated fault at the centre of the Dixie gold system. The DSL/DHZ vein system has been intersected in 28 drill holes across 300 metres of strike length to date and is open along strike and at depth. The D2 fold axis that appears to be a significant gold control has been traced through geophysical methods across more than 10 kilometres of strike length. DHZ-014 was drilled to test Great Bear's 3-D vein model, which accurately predicted veining would be present within 15 metres of the actual intercept.

The 3-D model of gold mineralization drilled to date on its Dixie Gold Deposit is shown above. My apologies for its lack of clarity of labels in this illustration but it should give you a sense of what is being discussed in this and other news releases. Only a very minor portion of this large target has been drilled to date. If ongoing drilling continues to be as strong as it has been from the start, Great
Bear is on to something great. The model displayed above represents an approximately 12-square-kilometre area of the approximately 100-square-kilometre Dixie property, from surface to one-kilometre depth, centered on the area of most drilling, and includes:

- Mineralization models for the DL and DHZ/DSL zones;
- Interpreted geological units from geological and geochemical data including 12,008 litho-geochemical samples, 2,998 structural measurements and 20,898 gold analysis;
- Interpreted D2 fold axes which are related to mineralization.

Management reported last week that its fully financed 30,000-metre, 150-drill hole program has resumed after a brief break for the holiday season. The company will mobilize a second drill rig early in 2019 in order to more rapidly drill the known mineralized zones and simultaneously test new gold targets. Results will continue to be released in batches as received. This is most certainly one of the more exciting stories covered in this letter. Stay tuned for ongoing commentary on this deposit that is looking more and more like a copy of the famous Red Lake Mine that was the Goldcorp company maker.

I am writing this to you from Vancouver on Thursday, January 17, and am scheduled to interview President Chris Taylor tomorrow. I will make available a link to the video of my interview with Chris as soon as it is available.

Company Review (2019-02-01)

Rise Gold Corp.

Rise Gold Corp. (116.1 million shares @ US$0.07 = US$8 million market cap) – Keep your eyes on this story that is hidden in plain sight. The Idaho-Maryland Gold Mine located on private land in a very pro-mining county in Grass Valley, California, is about to gain notice of the gold share investing community.

On Thursday of this past week, I received an email from the company’s president & CEO, Benjamin Mossman, who explained that Hole I-18-13, which is currently being drilled, is at the 3,000-ft. level and is going quite straight. He said it looks good to hit the main Idaho #1 Target at around 4,200 ft. depth in the next week or so. The company just signed a contract with Devico Services (directional drilling) and they will be onsite around February 11. This will allow Rise to precisely target the Idaho shoot and reduce the time per intercept, from the current 25 days to around 10 days.

Management is planning to drill eight holes in the Idaho #1 Target in the next three months to expand gold mineralization at depth below the levels of extension last summer, which is 1,000 meters vertically below the old workings, which are shown in the brown areas in the illustration below. This is an extremely high grade underground mine. Past production from the Idaho #1 Zone totaled 935,000 ounces of gold grading 39 grams/tonne. As we reported in our initial write-up on Nov. 30, 2018, the mine was shut down by World War II decree. For various reasons, it has never been put back into production.

The brown area in the graphic below is the depth to which past mining extended. At that point, numerous channel samples on the floor of the old mining level have intersected extremely high grades of gold as noted in the illustration above. The green area represents mineralization open at depth.
The location of Hole I-18-13 is illustrated above, along with the location of eight additional holes in the current drill program. In the past, 800,000 ounces of gold were produced from 310 meters of vertical distance. Since Rise took over this project, it has demonstrated that this high-grade mineralization extends 1,000 meters below the old workings. Not only channel sampling in the floor of the old workings but drill holes put down also have scored very impressive intersections, as shown in Drill Hole 8-18-05 on your left. The existing drill program will almost certainly extend gold mineralization substantially below that level.

This is one of the most exciting stories on my list at this time. Management has been unobtrusively going about the scientific work of building the mine under the supervision of the company’s president and mine engineer, Ben Mossman. It was when I was speaking with Dan Olver during a commercial for my radio show that I learned of the progress this company quietly has been achieving. Dan’s fund is invested in this story. One of the reasons it has been kept so quiet is the stock has been discreetly funded by the likes of Southern Arc Minerals, Yamana Gold Inc., and several wealthy individuals, including G. Proust, who owned 26.2% of the stock as of last report. Actually, 75% of the stock is owned by insiders.

I really got excited about this story when I started to focus on it, and this week I increased my position in this stock by 50%. I have invited the company to attend the Metals Investor Forum in Toronto in March. I think there is a chance the company will start telling the

J Taylor's Average Gain (Loss) on Prospect Generator Stocks

<table>
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<tr>
<th>Security</th>
<th>Ticker</th>
<th>Company Activity/Comments</th>
<th>Price 1/2/19</th>
<th>Initial Price 2/2/19</th>
<th>Overall Profit/Loss</th>
<th>Buy/Hold</th>
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based on size of mineral bearing structures and early geological work, potential for outlining an ore body appears good.

The material contained herein is solely for information purposes. Readers are encouraged to conduct their own research and due diligence, and/or obtain professional advice before investing in any of the ideas expressed in this letter.