 

TDV Exploration Update

Ed Bugos & Kashyap Sriram

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NAME	SYMBOL	MCAP	LOCATION	DESCRIPTION
Cascadero Copper	**CCD:TSXV**	$13.3 mill	Argentina	Prospect Generator & Advanced Explorer
Mexican Gold	**MEX:TSXV**	$12.6 mill	Mexico	Exploration, District Scale
EMX Royalty Inc	**EMX:TSXV**	$124.4 mill	Global	Royalty Generator
Sabina Gold & Silver	**SBB:TSXV**	$433.8 mill	Nunavut	Emerging Producer

In this update I want to deal with the speculative stocks, which at the current late stages of the economic and financial cycle make up only a small (15%) weighting of our broader stock portfolio. The portfolio of stocks that we design is more or less a permanent fixture in our general investment allocation and strategy.

It is designed by me under the historically factual premise that there is always a bull market somewhere, even within the equity ecosystem, except perhaps during those very brief liquidity crashes. Sometimes it is defensive (like now), but I also aim to invest in those sectors most likely to benefit from the various stages of the boom-bust cycle, which is in turn largely a product of the government's banking and monetary policy.

The stock portfolio is only part of our overall investment strategy. We promote many kinds of ideas, even some that can't be fitted into a "portfolio" of any kind, but can be developed by an entrepreneur, or built upon. Real estate has been part of our overall investment allocation in the past but I can no longer promote it anywhere, it's been so inflated around the globe. So at the moment, outside of your residence, or unless it is your primary business, I'd say stay away as an investment. In most places around the world real estate is typically where bubbles manifest because the central bank inflation policy has long hollowed out the capital of the economy and all that people can afford to save is poured into their own homes.

For accredited investors, we currently suggest a weighting of around 35% of your financial investments in equities—like our stock portfolio which is fully available to premium subscribers—with the rest spread between the precious metals (30%), cryptos (10%), and fiat cash (25%). Precious metals are not the same as precious metals miners. One is a commodity, the other is a business. They are valued different, and macro variables often affect them differently. Not that they aren't correlated. But they have different types of risk.

If we can't find an equity bull market to invest in or promote then we may lower the 35% weighting significantly or hedge it through our trading program, which is offered in the place of the cash part (25%) for sophisticated investors, i.e., those who understand ETFs and option strategies—as per our e-book.

The stock portfolio (currently 35% of the allocation) is structured defensively at the moment, which in part implies a very minimal (15%) exposure to higher risk segments—stocks which in my definition do not yet have revenues, and are not self sustainable businesses, i.e., exploration, development, venture, and so on.

Hence, the portfolio has three segments: large caps, juniors, and venture or exploration. The large caps generally consist in the blue chips of the sector. Our recommended weight for that segment is 40% of the stock portfolio. The second category is midcap or junior producers, with the operating word "producer" suggesting that it has to be a "going concern", i.e., self sustaining business whose value is in its revenue and earnings stream. This segment is presently assigned a 45% weighting, although I should reduce it in favor of the large caps because of how late we are in the cycle—should be more defensive right now, perhaps.

But the category we are concerned with in today's report is the exploration category, to which we assign a 15% weighting. It is small but deliberately so. And in my promised portfolio review I will likely lower the second category weighting as it is a high beta segment. And both are vulnerable in a general market panic.

In general I urge you to start accumulating the large caps right off as their fate is most correlated with gold price trends. Historically you will find 100% of the time that when the gold segment sits out of the general asset boom AND the US dollar falls when the boom wilts, then the price of gold will rise, and gold stocks will buck the trend in stock prices generally. This has occurred several times in history, including 2000-02, as well as in the gold bull markets of the late sixties and mid seventies. The only time it is not true is if the gold stocks are overvalued, have been part of the general boom, and the US dollar bounces during the bust, as was the case in 2008, and also a few times historically. But my view is that in terms of the situation with gold, the US dollar, and the stock market it is more like it was going into the 2000-02 market than 2008.

Even with the stock market I'm expecting a regular old fashioned bear market lasting 1-2 years, not an all out collapse like 2008. I wouldn't rule out a 1987-style crash to kick it off, but in general I'm looking for the price of gold and gold shares to buck the general bear market trend that I foresee in US dollar denominated asset markets for at least the next ten years. I still recommend some exposure to the exploration segment because it is hard to time these busts and there are things happening in most of those stocks, meanwhile.

A 15% allocation in the stock portfolio means basically just a 5.25% allocation in the four stocks currently in the portfolio, or basically 1.3% each; probably not that different than the 5% for our cryptos. The reason is that both of these categories are speculative, and should be treated as such in your portfolio's design.

I'm aware that many of our clients, however, tend to have a bigger weighting in these stocks, and are generally risk takers. The above weightings are designed for the average investor. And the math works out as you saw with bitcoin and the cryptos - we only had a 5% exposure, grew it to 10% in the middle of the run, and our entire portfolio ended up almost 200%, driven by big gains in a small position. The risks are high in the speculative end of the pool but if you can make 200% returns annually with only 5-10 percent of your capital then I highly recommend putting 90% in gold and focusing on speculating with the rest.

Such is life. Everyone is different. Our weightings are only a guide. You should design your own and if you don't know what you are doing seek a pro. If you want individual consultation, and you are uncomfortable with your broker, or would like a second opinion, I would be happy to do it at a rate of US$250 per hour.

[Send me an email at: gold@goldenbar.com to set a time, either by Skype or phone.]

The stocks in this segment of our portfolio are high risk but high reward - we expect returns of upward of 1000% from each of them over a period of a few years, and particularly as the gold bull cycle gains steam.

Speaking of which, we are also going to start up a private placement program of some kind, and if you would like to be on the list email me at the above email. Please note that to be on this list you will need to be accredited. I'm happy to include people from the US but that may be a non starter due to regulations.

Update on GoldQuest Mining (TSX-V:GQC)

In case you missed it in the newsletter, **sell your shares of Goldquest at the market.** As commented on in the newsletter, the political situation in the Dominican Republic is no longer favourable to mining.

Below is the update again:

Goldquest has taken a hit, with the share price dropping from 29 cents to 19.5 cents at the time of writing. The drop was triggered by a surprise news release stating that a court had ruled against Goldquest in a Constitutional Injunction Remedy case. According to the court clerk, the ruling requires that the company suspend all activities at its Romero project until it obtains certain certificates and licenses. The relevant facts are still an unknown, and might remain unknown until a week or so when the verdict is issued in writing. What we know is that in August the Dominican Republic stopped issuing new exploration licenses as tensions have been mounting about the effects of exploration and mining. The company said in January it received approval on its application for the Romero permit, subject to an environmental impact study. But then, according to one rag:

> *...on February 11th, thousands marched against gold mining in the southern province of San Juan de la Maguana. When the Ministry of Energy and Mining requested the government to approve a mining concession to GoldQuest, a Canadian mining company, public opinion exploded in anger. That anger as well and growing public indignation with government corruption triggered the recent mass mobilization.*

From what I have been able to gather, a group of farmers, i.e., the Unified Agricultural Committee, led by a fanatical priest, are concerned about the effect of mining on the water systems in the area, I think largely due to whatever damage they think Goldcorp has done at Pueblo or elsewhere.

The group filed a lawsuit, and as a result, a judge ordered a halt to all mining work by GoldQuest in the municipality until the Ministry of Environment and Natural Resources issues an environmental impact certification to authorize mining in the higher areas of the valley in this province. Goldquest's management calls it a nuisance lawsuit. The shares have stabilised in the 19-20 cent range after getting knocked down hard. The damage has already been done and the sell-off may be over. Although there is no clarity on the court decision, the mood in the DR seems to have turned against mining and I am not interested in having money tied up in a geopolitical hotspot or where the extortion rates for producing wealth may rise. **Sell your Goldquest, every last share of it, we'll find a more grateful address for your capital...**

Cascadero Copper (CCD, CCDEF, MCap C$13.33M, 177.75M SO)

There is definitely sharp disagreement about the way forward, with the company founder, and until recently, its Chairman, Bill McWilliam, pushing for his own picks for the board, and Judith Harder pushing ahead with her own. McWilliam has now been replaced by George Brookman as Chairman, but remains on board, and as an executive.

I don't want to divulge board names because much is unconfirmed and not in the public domain. What I can tell you is that the board Bill wants is on the smaller side while Harder is vying for a relatively large board, including people like George Brookman and Kathryn Heath, who were appointed on May 1. This will apparently all be decided by July 19, when the previous AGM reconvenes. At the moment I am collecting names of shareholders (non US only unfortunately) who may want me to be their proxy, in order to vote the way I think best, which, for what it's worth, I haven't decided even yet. Based on the feedback I have received and from what I've read in other forums, shareholder complaints revolve around a small board and a management that behaved as if it were running a private company - despite how accessible they made themselves to the public, and to shareholders. In my opinion this is a shallow criticism, not that I don't have any. I do. Here are a few.

Guidance is poor. Management cannot seem to meet the expectations they create. In their defense, I will add that more of that is due to factors outside of their control than due to poor execution. And in some ways where they chose to zig instead of zag it produced positive results, at other times, negative results.

No long term capital plan. Management tends to run on until it can't, and by the time it starts to think about how to bring in more capital, it faces shutting out the lights. The best way to deal with this is to bring in a person in charge of this part of the business. But, again, in their defense, this is a small company with a limited budget where a lot of the work was outsourced to consultants, and which task ultimately fell on Bill.

Poor shareholder communications program. It's not that they don't promote, but they are shy to promote widely (they send press releases to relatively few distributors for example), and they are not very strong in their communications strategy, often leaving shareholders feeling like they are in the dark.

I would rather they spend on development than marketing so we can keep buying the shares on the cheap, and I'm not kidding. Maybe about the last part I am. But I'm not kidding about development, that's where the money needs to go in this deal. The story is out there. What needs to happen is for CCD to validate it.

No deals have closed, despite how many deals and NDA's management claims to have on the table at any time over the past several years. The absence of any signed joint venture agreements on the individual properties has led investors to question whether the problem is management. I can't tell how much blame to assign between the nature of the cycle (i.e., bear market in resource stocks), the politics in Argentina or management. Having worked close with management on earlier aspects of the company's development, I can only tell you that Bill McWilliam believes there is value in those assets, more than what the sharks that have been circulating will admit or offer. Whether it is possible to say that management is too far apart on potential deals with likely suitors or not is a difficult question, but one I will put in Bill's favor as a defender of the value he perceives… a defender in the sense of not giving away value when not necessary to survive.

Most of the criticisms on the bulletin boards are without merit or shallow or interested. Some of the negative propaganda making the rounds includes how it is paying some crony friend of theirs 67% interest on a loan to the company, and how they are over-paying management, etc. The truth of the matter is that 67% is a typo. It is supposed to be 6.7%. The loan was them mortgaging their home to put more money into the company. The interest pays back their interest obligation. So nobody is benefitting from this except shareholders who have a management group that cares about them regardless of their disapproval.

Neither the CEO nor former Chairman have taken the full amount of their salaries, instead just letting them grow as current liabilities, and putting as much money into the ground and development as possible.

Regardless, certain factors have led to infighting. I don't know which side will win but what this company needs is a new CEO (or small team) that can raise capital and execute the plans that have been laid.

I would like to be able to help with that and have offered my services but have not heard back.

The expansion of the board is an important step in the development of the company, to which McWilliam, the *former* Chairman, objects, although he will likely remain as a director, at least until the July 19th AGM. Bill McWilliam is a former Canaccord investment analyst from back in the day when Peter Brown and Murray Pezim ruled Howe Street.

He helped launch biotech firm Quadra Logic Technologies in the eighties. He is a businessman who likes to roll up his sleeves and get involved in the deal, but out in the field.

McWilliam taught himself geology, and knows some of the best geologists in the industry. He has earned a reputation among them as a critically brilliant judge of projects relatively early in their development.

I would hate to see the company lose Bill. He is Cascadero's burning fire. He is the one who put the assets together, built the company, demonstrated value, and has kept it alive for the last decade. Judith has said as much herself. It's tough to see them at odds over the future of this thing they both built, but such is life.

Change is coming. I can't tell you how it will look yet. I can promise you that I will try to do what I can to protect (our) shareholder interests. I don't know when they will get on the ground next or when they will raise the additional development capital they need, i.e., beyond working capital. But I agree with Bill that there is value in these assets, and that the shares are a bargain for investors with a long term horizon.

In the short term, Cascadero is likely to remain dead money. But whoever is running this ship after July, the realization of their flagship assets (Taron and Sarita) is not far away. In the meanwhile, the shares are totally vulnerable. If we don't buy them, I fear, there are predators and enemies ready at lower prices.

I'll keep you posted as the AGM approaches but if you have any stamina buy the stock and forget about it.

Sabina Gold & Silver (TSX:SBB, MCap $433.81M, 251.83M SO) filed a preliminary shelf prospectus with the intent to raise $500 million in capital. Having received the final Project Certificate last December it is gearing up for the promotion-intense mine financing stage that precedes construction.

The company closed a non-brokered private placement to sell 3.3 million flow through common shares at a price of $2.00 per share to raise gross proceeds of $6.7 million. The proceeds will be used for exploration on the Back River project, including another 10,000m of drilling. Sabina received its Type B water license from the Nunavut Water Board. The Type B Water License permits Sabina to complete pre-construction infrastructure works, including preparing the marine laydown area to receive necessary fuel, equipment, and supplies to the Back River project, as well pre-development earthworks to establish all weather roads between the deposits, campsites, tailings storage facility and the mill site.

The Type A Water License review is in process and is expected by the end of 2018. Sabina commenced its 2018 drill program at Back River with a 6,000 meter spring drill program, to be followed by a 20,000 meter summer drill program. A key focus of the first phase drilling program will be a follow up on last year's success at the Umwelt Vault and the Llama Extension targets. In addition, drilling will test targets located within significant gold trends where geologic modeling and past work indicates potential for large-scale growth. These target areas or main trends include: the Goose Main gold trend, the laterally extensive DIF target horizon, and the over 2 km long Echo-Koyok gold trend. Drilling will also continue to target down plunge and lateral extensions of the Echo deposit.

>> **Highlights:** ***15.67 g/t Au over 23.25m, including 32.56 g/t Au over 10.30 m, including 115.8 g/t Au over 0.95m; 28.95 g/t Au over 5.65m; and 24.72 g/t over 2.20m.***

The company appointed Mr. Lello Galassi as Vice-President, Project Development and Construction.

Mr. Galassi is a retired US Air Force Officer and Engineer with extensive experience in systems development, acquisition and project management and construction in leading greenfield mining projects in remote areas of the world. His breadth of knowledge and capacity ranges from multi-million to multi-billion-dollar projects. His CV is impressive: from building a greenfield copper and cobalt mine in the DRC, to developing new greenfield iron ore mines and plants in NW Australia and Guinea, to being the project director for Guyana Goldfields's Aurora mine in Guyana and the Phoenix potash mine in Spain.

Bruce McLeod, President and CEO, stated:

> *We are pleased to welcome Lello Galassi to the team. Construction and logistics in remote locations around the world is Lello's specialty and exactly what we need to ensure smooth development and construction of the Back River Project. We all welcome Lello to the Company and look forward to the next three years as we move towards becoming a gold producer.*

Sabina has finalised a binding term sheet agreement with the Kitikmeot Inuit Association (KIA). Essentially, this means that they will not have any trouble with the First Nations community as they go about with their mining operations, provided they pay up as per set terms, the terms being:

- A 1% net smelter return royalty paid to the KIA on production at Back River on the properties that are subject to a commercial lease
- A grant of 6.7 million Sabina shares to the KIA expected on or about May 20, 2018 subject to regulatory approval
- An initial investment of $4 million in regional wealth creation initiatives in the Kitikmeot, $2 million of which will be paid forthwith and the remainder no later than upon a production decision, with

additional payments commencing the third year following commercial production if Sabina-related employment targets aren't achieved.The purpose of the regional wealth creation initiative is to create new long term operating jobs outside of the mine to expand and diversify the Kitikmeot economy
- An annual payment to the KIA of up to $1 million to cover KIAs cost of implementing the FA
- Water and wildlife compensation agreements including additional payments if Sabina fails to implement caribou mitigation commitments regarding calving and post-calving periods made to the Nunavut Impact Review Board

Stanley Anablak, President of the Kitikmeot Inuit Association, stated:

> *On behalf of the KIA Board, I would like to congratulate Sabina on the completion of these agreements for the Back River Project. These agreements allow a mine to be built and operated on Inuit Owned Land and will provide significant social and economic opportunities and benefits to Inuit of the Kitikmeot Region. Sabina has been very professional in these negotiations. We wish them success in their development plans for the mutual benefit of Sabina Shareholders and Kitikmeot Inuit.*

Almost a no-brainer $5 takeover target in my books, or a $10 plus share price at peak cycle.

Mexican Gold (TSX-V:MEX, MCap $12.66M, 42.18M SO) closed a financing of $1 million in April by selling 3.49 million units priced at 30 cents. Each unit consists of 1 common share and 1 warrant with an exercise price of 60 cents valid for 3 years from the date of closing.

The company's drill program has continued to expand the initial resource at the Las Minas deposit (304koz M&I + 719koz inferred) in Mexico with drill holes like those announced in December (14m grading 7.2 g/t Au equivalent), January (18m grading 7.9 g/t Au equivalent), March (38m grading 10.2 g/t Au equivalent), April (20m grading 5.7 g/t Au equivalent), and May (8m grading 13.5 g/t Au equivalent).

As at the end of Q1 they had working capital of about $319k so the financing gives them another year or so worth of drilling, presumably. The drill results to date will likely increase the resource size by at least 40%, and also improve its confidence and quality towards a potential PEA (economic study). They are still very early in the exploration program. What I love about this company is that there are very few out there who can boast a relatively large (district scale) land position in an historic mining camp where exploration has not been applied in its modern forms, and which already has a head start with a 1 million ounce deposit.

Company management is experienced and includes a former Goldman Sachs analyst, exploration costs in Mexico are on the cheap end of the spectrum, the company is well financed, and importantly, it is cheap!

Based on a per ounce basis it is cheap relative to its peers. Just check out our initial write up for the graph on that. But more so, in our model, which is derived from and based on John Kaiser's IPV model for resource juniors, at this infill stage of its life cycle, assuming a potential NAV of $100 million (which is typical for a 1-2 million ounce deposit with grades this high and near surface like here), the Las Minas target alone should be worth between $5 and $25 million, closer to $25 million in this case because of the high grade for an open pit situation like this. The entire company is worth barely $12 million today.

The shares are doing great. I still like them and consider them a buy up to 40 cents given their continued success at building out the inventory at Las Minas, and success at raising additional funds higher.

With gold poised to break out into a new cycle I see this stock at a $1 per share easy by year end.

[We own shares as well as some options.]

EMX Royalty (TSX-V:EMX, MCap $124.41M, 79.75M SO) entered into a $5 million credit facility agreement with Sprott Private Resource Lending maturing in one year and carrying an interest rate of 12%.

EMX's partner **Boreal Metals (TSX-V:BMX, MCap $9M)** has announced drill results from its Gumsberg property in Sweden, on which EMX holds a 3% NSR royalty.

Boreal's current drill program, which is planned for a total of 2,500 meters, targets a number of precious and base metal rich massive sulfide zones on the property. All of the geologic targets drilled remain open along strike and at depth.

Highlights: 10.94 meters averaging 16.97% zinc, 8.52% lead, 656.70 g/t silver, and 0.76 g/t gold; 3.7 meters averaging 19.27% zinc, 17.66 g/t silver and 0.25% lead; and 6.7 meters averaging 7.01% zinc, 11.14 g/t silver and 0.44% lead.

EMX owns a 17.9% interest in BMX, and recently also acquired a 9.9% equity stake in its subsidiary, Boreal Energy Metals, in return for the sale of its Guldgruvan cobalt project, and Njugg Träskliden and Mjövattnet nickel-copper-cobalt projects in Sweden. The company has also been granted a 3% NSR on the projects.

The 2,383 Ha Guldgruvan cobalt project is located near the town of Los, Sweden. The Guldgruvan nr 101 license contains the historic Los Cobalt Mine, one of the better known historic cobalt producers in the region and is also the region where nickel was first discovered and recognized as an element in 1751.

[Cobalt, copper, and nickel were mined on the property in the 1600s to 1750s.]

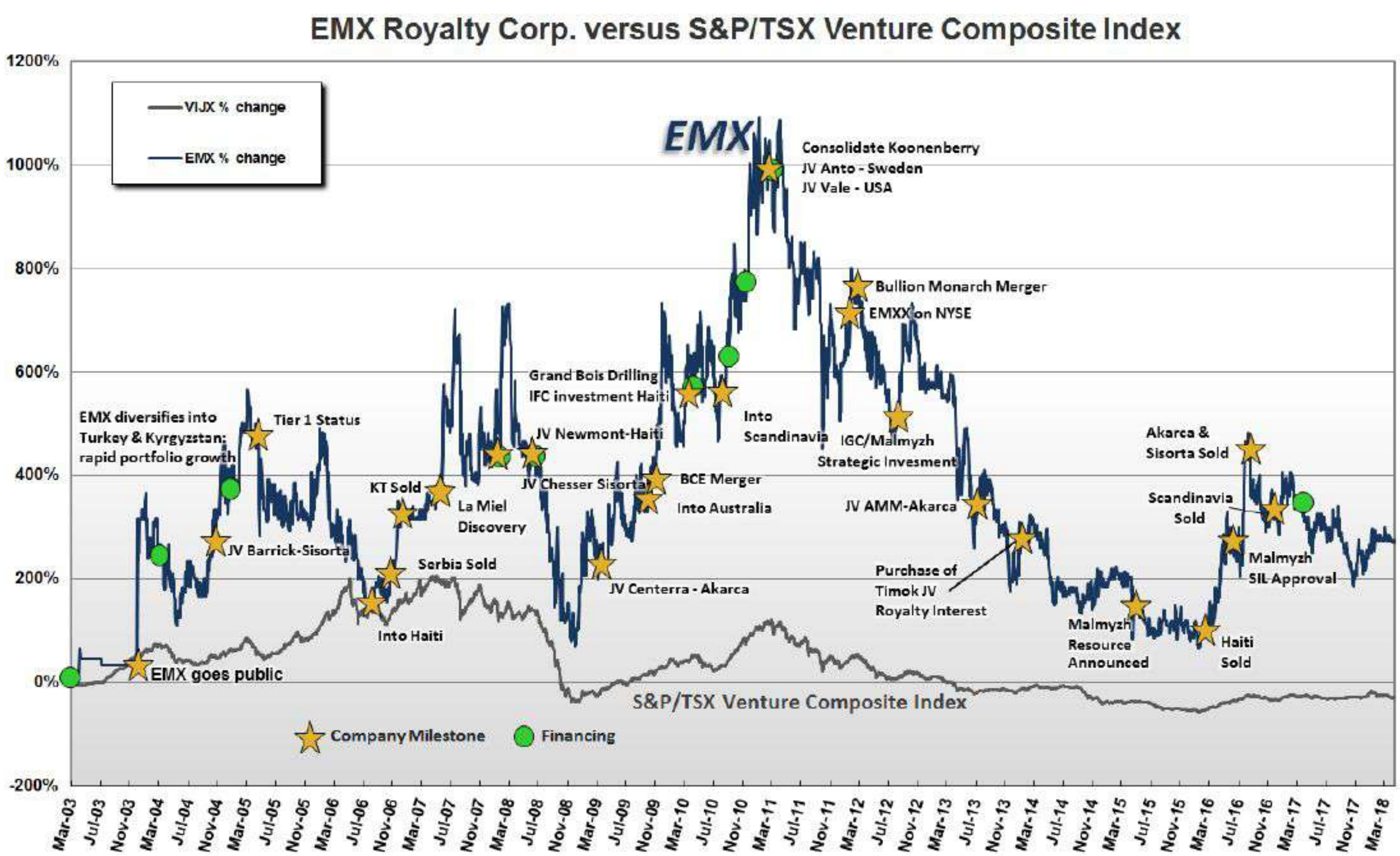
The 9,000 hectare Njugg Träskliden and 6,400 hectare Mjövattnet licenses cover multiple drill defined zones of nickel-rich sulfide mineralization. The mineralization remains open at depth, and possibly along strike in several cases. More recent work included geophysical surveys and limited re-sampling of historic drill core for platinum group elements (PGEs) and gold. These metals are shown to be enriched at Njuggträskliden and Mjövattnet, but their distribution is not well understood at present, and represents additional upside potential. The projects are accessible year-round, with infrastructure including paved roads, water and power, as well as skilled labor in nearby municipalities.

EMX also recently announced drill results from the Akarca gold-silver royalty property in Turkey, on option to Çiftay İnşaat Taahhüt. Akarca is a low sulfidation, epithermal gold-silver district located in the Western Anatolia mineral belt that was discovered by EMX in 2006. Çiftay continues to advance the Akarca project toward the deposit delineation and development stage, with ongoing drilling and trenching, as well as additional metallurgical studies, planned for 2018.

Highlights: 9.5 meters averaging 50.30 g/t gold and 29.2 g/t silver, including 1.8 meters averaging 256.25 g/t gold and 133.0 g/t silver; 69.3 meters averaging 3.68 g/t gold and 4.8 g/t silver.

Additionally, EMX has optioned the Riddarhyttan Iron-Oxide-Copper Gold and massive sulfide project in Sweden to diversified global miner **South32 (ASX: S32, MCap $18.93B)**.

The Riddarhyttan project is a past producer of iron and copper located in the Bergslagen mining region of southern Sweden. Historic production at Riddarhyttan dates to antiquity and continued through the late 1970s. EMX and South32 plan to immediately commence exploration work on the project, including airborne geophysical surveys, as well as mapping and sampling campaigns.



EMX also announced the departure of Kim Casswell as Corporate Secretary.

Kim was a key member of the management team during the 2003-2010 early growth period of EMX.

She will be replaced by Marien Segovia. Ms. Segovia has over 17 years of experience in the administration of natural resource companies listed on Canadian and US exchanges, with appointments that included responsibilities as corporate secretary, corporate administrator, and paralegal. Ms. Segovia has a BA degree in Business Information Systems and a Corporate & Securities Paralegal Certification.

IG Copper, a private company in which EMX holds a 42% stake, reported drill results from its winter drill campaign at the Malmyzh copper-gold porphyry project in far east Russia. Best results include 261.2 metres grading 0.57% CuEq and and 245.6 metres grading 0.6% CuEq, including 86 metres grading 0.96% CuEq, with the equivalent being in gold. The Malmyzh deposit hosts pit constrained inferred resources of 12.45 billion pounds of copper and 9.11 million ounces of gold. There are at least eleven additional porphyry prospects that have undergone various degrees of reconnaissance drilling.

At more than a $100 million market cap the shares are relatively expensive. But EMX has a large portfolio of properties to use in order to achieve its objective of CREATING its own royalty portfolio at the earliest stages of a revenue stream, the exploration stage. It may never turn into a revenue stream. That's the risk.

On the other hand, EMX has an established and capable management team that is not new to the royalty building business model (having bought one royalty company), and the properties they have to negotiate with are elephant size prospects with lots of potential for large, long life royalty streams for the patient.

The pop in the share price is due to the market's current infatuation with the battery metals.

Ed Bugos & Kashyap Sriram