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## AN INTERVIEW WITH CHRIS RITCHIE

### PRESIDENT OF SILVERCREST METALS

(As of February 27, 2019)



**Chris Ritchie**

We had finally put together a piece on **SilverCrest Metals** with a lot of work, because it's turned out to become one of the most exciting and most rewarding exploration plays in the precious metals sector. One look at the chart tells you that they've been doing things right and probably in the right country - Mexico. With the announcement of the huge new resource added to their already significant numbers, time to run the original interview with Chris and add a wee bit of very relevant material at the end.

**David Pescod:** Chris, you've had quite an experience in the brokerage business over the last 15 years with three or four major firms, but this exploration in Mexico has provided you with a whole bunch of excitement hasn't it?

**Chris Ritchie:** The project itself is certainly something exciting within an industry that needs some excitement. We have only drilled on the project for three years, but so far to date, we have had a success rate of about 60% to 70% for every hole we've drilled and we have a finding cost per ounce of less than \$0.30. So regardless of the commodity price, we've been really excited to add value when we are in an industry where a lot of people are unfortunately reliant on the commodity price.

**DP:** Now you've been coming up with some spectacular high grade results over the last while. They might not be the biggest intercept, but the grades are out of this world.

**CR:** It's not only important to note our average grade, which is over 600 gram per tonne which puts us as the 7th highest grade primary silver project in the world. Our highest grades which are significantly above our average grade are in an area that we will be accessing first. So one of the key parts of our recent press release is that we had two very high grade shoots that are now turning into one high grade shoot for our upcoming resource next week and this high grade area has the potential to be over 200,000 tonnes over 2 kilos.



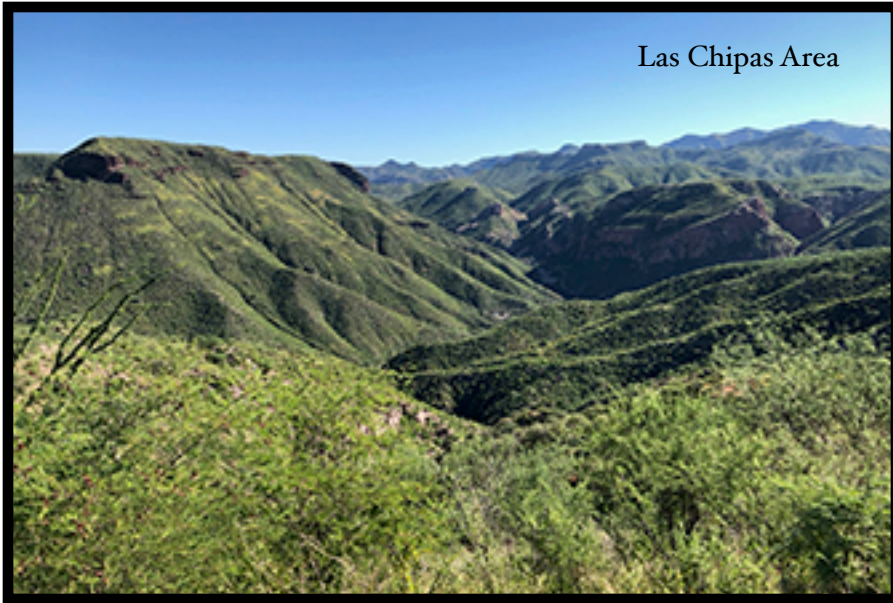
Our decline to access this material is underway and we will be touching that material by mid-summer. Hopefully and that will be the first ore that we will hopefully be putting into the mill.

So the high grade is also significant from the engineering and mine sequencing standpoint which has the potential to contribute to a quick payback and high IRR.

**DP:** Now you have been going to several mining shows over the last few weeks. I believe you are at one in Florida right now. You must be being well-received?

**CR:** Correct. We just finished up the BMO and PDAC conferences.. and we've been on the road marketing consistently. We have a new U.S. listing as of last September, so we are just getting on the radar for the U.S. community as well, so that's part of the reason I'm on the road so much. With the share price performance near a 52-week high, in an industry where it's tough to make money, it's nice to make our owners money.

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**DP:** Now one interesting question would have to be with the election of the new government in Mexico a while ago, some people in the mining industry were a little nervous about some of their positions. Your thoughts?

**CR:** Mexico has a very long history with mining. Mining has the highest paying jobs in the entire country, so it's an extremely valuable part of the economy. They are very much pro-mining and

I think their biggest concern is about monitoring bad actors. Mexico has some very powerful families that have had a lot of influence on the political and the economic scene and I think part of the noise is to address those bad actors and people who have too much power and influence. I will give you an example of the difference between good and bad practices that I think they are more looking to monitor. In 2014 there was a spill at a mine called Cananea in Sonora. Unfortunately, the water was not cleaned up and SilverCrest Mines, the predecessor to this company, spent \$50,000 of our own capital to buy fresh drinking water for all the ranchers in the valley so their cattle could have clean drinking water. So you want to differentiate people who are doing good things and people who are doing the bad things. Another big component of the government now is the royalty tax. That's been in place for quite some time. That money has always flowed to the federal government. As of about a year and a half ago, that money started to trickle down to the state and local governments. The local operating budget for the local community is about \$300,000 a year. When we are in production, we have the potential to add about \$1 million to their operating budget for the government and the local economy on top of the jobs. I did not have one question over the entire BMO Conference about local government changing in Mexico.

**DP:** Now I realize you come out shortly (within a few days/a few weeks) of what your resource estimates. But what would be your guess right now?

**CR:** As a means of an update, last February we had 63 million ounces with an average of over 500 grams per tonne. In September, we put in a resource of 87 million ounces at over 600 grams a tonne. And what we've been guiding the market to is in and around 100 million ounces.

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About half or 60% of the drilling between September and now was infill in order to increase our confidence of those ounces. One of the most significant things that we've already released, but will be in the upcoming resource is the grade and the width in our most important portion of the mine.

In Area 51 where we had 41 million ounces at 1.15 kilos, the average width was 2.7 metres wide. Of all the infill drilling that we have done since that resource, the average width of those infill holes is 3.9 metres and the average grade is over 1.8 kilos. So we've been de-risking that very high grade starter area and at the same time, getting higher continuity. Most of the time, analysts will take a resource and say you need to drill more infill before we get enough confidence to convert inferred ounces to measured and indicated...and they appropriately think about 75% of that resource will actually be mined. So the fact that we are seeing higher grade and better width in that infill process to date, it helps with the de-risking, but it also has the potential to add grade and ounces relative to expectations. We also announced Babi Sur as new discovery a few weeks ago and it's very significant to know that this vein can also be accessed by the decline that we are currently preparing. Also to note is that we only have nine veins in this upcoming resource and we have over 30 veins on the property. So again, we've been hitting on 60% to 70% of our holes and finding ounces at less than \$0.30 per ounce. We are one of the few companies out in the market that can significantly change the value of our company with our drilling program, regardless of what's happening to the commodity price.

**DP:** Now it's time to ask some tough questions on where we are in the world economy. Has what we've been through - the recession people were worried about...are we still facing a recession? And meanwhile we notice commodity prices have had a bounce back.



Surface Drilling as Las Chispas



What do you see as where we are and is there a risk of recession and can commodity prices head higher?

**CR:** I just spent two weeks in the United States and a lot of questions have come out about the deficit spending, the U.S. dollar, politics, and what is happening to the economy. And I've been having a lot of the conversations about the rate of deficit spending. Governments usually try to stimulate the economy via deficit spending when things are not going well. They did that post financial crisis and here we are, 10 years later and we have very low unemployment rates, but we are still deficit spending at record highs. The last time there was deficit spending this high relative to the unemployment rate was the late 1960's and inflation spiked up shortly after. As it relates to the U.S. economy with what's happening, a lot of the questions were about what happens if the democrats take the White House away from Trump. A lot of smart people I met were saying that when Trump came to power, everyone was going to do everything they could to throw money at the economy and that creates a huge movement in the stock market, a lot of stimulus, good performance, and a huge demand for the U.S. dollar. If the democrats come to power, people might assume that it means more taxes and a reversal of the trends that have helped fuel this stock market rally and the strong demand for the US dollar. . I am not sure if this is a coincidence or not, but the gold price was up over \$20 an ounce the day that Bernie Sanders announced his candidacy.

I think if the democrats come to power, there is going to be a huge amount of pressure on the U.S. dollar and that's obviously a huge stimulus for gold prices.

**DP:** So let's say for practical purposes, your crystal ball a year from now, where would you see the price of gold, silver and oil?

**CR:** One chart that I like to look at is relating commodity prices to the broader market. So if you

take the Goldman Sachs Commodity Index and you overlay that to the S&P, you are going to see the commodity prices have not been cheaper relative to that broader market in 50 years. What we are experiencing is a 10 year hangover for commodities post the financial crisis. We have seen money fleeing from this space, and not been much investment. So supply is on the way down, which is good to eventually stimulate pricing. But we need prices to go higher before the next wave of projects are economic.. About 50% of the projects today don't make money in precious metals. So if you fast forward one, two or three years, if we do not see an upward move in commodity prices, we will not see investment and the supply and demand situation is going to get even more positive for long term pricing. Visibility in the longer term for most mining related commodity prices is quite strong. We don't know the exact timing. So if you are investing in the space, it's really important to make sure that you have an asset or a stock that can make money at today's prices. I think that is a big focus for a lot of the mergers that we are seeing in the headlines where people are trying to manage their bottom line or the things that they can actually have an impact on. And finding better assets is the most challenging part of the industry and that's one of the reasons why SilverCrest stands out.

**DP:** Now let's get to our favourite question. You were not able to talk us into buying some SilverCrest way back when it was \$2.00 a share when we first starting writing you up. That was not good, so you owe us! If you had to pick a stock other than one of your own today, that you had hopes for...what would it be?

**CR:** If I had one stock to buy today other than my own it would be **National Energy Services ReUnited**. They have a really interesting story with an exceptional management team. It is an energy services company focused in the Middle East which is the lowest cost producing basin without much external competition. They have a huge growth network, they have great relationships driven by the CEO who was the number two person at Schlumberger before leaving to start this venture. All of those contacts are now partners and clients. So big margins, big conversion of EBITDA to FCF cash flow, a huge growth pipeline and well-funded. This story is totally off the radar and is very tightly held.



If you look at their shareholder base is full of some very, very wealthy and powerful people that have a big amount of influence in that area and it's a huge sign of validation for what they are doing. They have not done much of the grassroots marketing program to get into retail or people looking for good ideas, but as the word starts to get out, buying will pick up. I think it has very, very big upside.

**DP:** Okay now Chris, we just heard that you've had some significant developments with further drilling and resource news. Please give us the numbers.

**CR:** David, this resource is very significant news for us in terms of providing significant potential upside as well as removing risk. In our resource from September we 87m oz of AgEq at 623 g/t. In the Babicanora area alone this time we have 87.5m of AgEq at 996 g/t. The Las Chispas has another 19m oz of over 300 g/t as well. We moved 40m oz of AgEq into the indicated category and the grade on that is over 1.2 kg/t. We also delineated a subset of that which is ~375k tonnes at 1.75 kg/t. If we were to operate at 1200 tpd, we would use ~430k tonnes on an annual basis. The gross value of those 375k tonnes is near similar to our current market and is less than 10% of the total tonnes we currently have. We are adding ounces, increasing the grade and this resource is on just 9 of our 30 known veins.

**DP:** Chris, if you could update us about the drilling plans for this year?

**CR:** We have spent ~\$22m on drilling to in 3 years and we plan on spending \$14m this year alone. A lot of people don't realize that we've only been drilling on this property for 3 years and in the first year we only had one rig. We now have 12 rigs on site now and a much better understanding of the geology.

**DP:** Well, thanks for your time Chris!



## Deb's Ditty:



The Hacker was so disappointed  
in my bank account that he actually started a  
Go Fund Me page

Don't mind us, we're burning Hundreds of litres of jet fuel just to De-ice this clean energy wind turbine! 🌱



With much of the "Environmental Movement" being relatively new, there is so much bullshit in the field...

This bird-whacker is a prime example of stupid ...only works when the wind blows, high cost electricity, and other better forms of electricity have to be turned off when the wind blows, and fields of bird-whackers every bit as ugly as old smokestacks...