

Fundamental Analysis of Mining Stocks

Selling Bonterra Resources (BTR.v)

We begin by repeating the short note I published on BTR, last week in IKN574:

Bonterra Resources (BTR.v): *I need to pay more attention to the under-performing parts of the portfolio and keep looking at BTR, wondering exactly why I bought it. The answer is, of course, that it has a strategic address and is now proving up gold ounces in order to create (and then sell) a large resource, probably to neighbour Osisko. My sketched decision at the moment is to give this trade the Northern summer season in which to start impressing me, else move on.*

After that came out, three things happened on this end of the pipe:

- I heard something of what has been going on behind the scenes at BTR
- I subsequently spent a fair part of my week in one-on-one conversations with several different people and found out a lot more.
- I decided not to wait and see how the Northern summer goes. Instead I will sell my BTR shares.

The task now is to explain why I'm selling without mentioning any of the names of the people who have been talking to me this week, even though I consider all information received as high quality and trustworthy. That's because on the back of the REG sale call a couple of weeks ago, apparently capricious sales may start looking like a house habit. That's far from the truth, but circumstances must prevail today and therefore a second sale happens. We begin:

This 12 month price chart of BTR serves as a roadmap for the rest of the note today:



It has periods of time noted and those periods are:

- 1) The December period when RBC was contracted to shop BTR
- 2) The period in which RBC failed to find a buyer
- 3) The crash
- 4) The fall-out period, including CEO Gibson's ouster and Wexford's rights issue proposal

The appointment of Greg Gibson as permanent CEO in September was the starting point for the current friction at board level. Earlier in 2019 while Gibson was still interim and faced with dwindling cash and a poor market for raising capital, BTR decided to change course and would look into putting its mill back into operation, making some cash flow and self-funding the enterprise instead of relying on fickle capital markets. This is something I commented upon at the time, it was a change of plan and those are not usually good for juniors. This of course is in CEO Gibson's wheelhouse, he's a miner and producer person who does that end of the business well (or at least with a good reputation among peers) rather than an exploreco boss. Therefore

he confirmation of Gibson as CEO seemed to frank this change in course, but as things turned out it wasn't to the liking of everyone inside BTR.

That's backdrop, for today's purposes the story goes back to December 2019 and the time I decided to include BTR in those end-year Tax Loss Season trades (which are now difficult to remember, what with them having happened in the other universe). There was nothing underhand going on and more than enough legitimate reasons to include the stock in the trade basket; As well as its other selling points (gold stock, good address, etc) it was comparatively cheap to peers, was coming off tax loss selling in November and looked ready to provide plenty of newsflow from its frozen lake drilling season. However, there were also jungle drums about it now being up for sale and what this desk now knows (20/20 hindsight) is that one faction of a rather divided board of directors at BTR wanted to make a public announcement the company was up for sale, while the other faction preferred the normal method of shopping it through a broker. In the end the latter camp won out and RBC was hired. That whole process dragged through the Holiday period, so it wasn't until January that RBC officially took up the brief. How much progress RBC made in the January/February period is unknown to this desk, but as no solid offer showed it's a fair guess that the response hadn't been enormous to that point.

And then came the crash. You know about that. Moving on.

Then came a very angry board meeting in April, at which the two factions (let's call them) squared off against each other and I will say at this point (while choosing words carefully in order to be as accurate s possible) that after considering independent testimonies of the situation I have a lot of time for the dissenting views on the board of directors about BTR and where it was at that time. The combination of drifting share price, late-starting and interrupted drill campaign, dwindling treasury and the apparent change of strategy still in place to move to limited production is a list that doesn't inspire confidence. One of the main upshots of that meeting was the resignation of Greg Gibson as CEO (1), who in my view was right to leave when he did but not because he did or said anything wrong, simply that he's better off out of this snowballing mess. He didn't even last eight months as permanent CEO. As an interesting aside, that new release announcing the CEO's departure was never published to the company website, the last news we have from the company there (2) is from March 19th and the suspension of drilling. At that same April meeting, the company made another decision:

"The Company also announce the appointment of Cesar Gonzalez to the Board of Directors. Mr. Gonzalez is currently Vice President of Corporate Development at Mako Mining Corp., a consultant for Wexford Capital LP and holds a B.S.in Business Administration from the University of Southern California."

Grammar errors aside (much easier to spot other people's) this marks the moment when 16% shareholder of BTR, Wexford Capital, got their second person onto the board of directors at BTR. Which brings us up to date.

Except for a few details of course, and those mostly involve Akiba Leisman. Most of us know Mr. Leisman is part of the Wexford Capital group, CEO of Mako Mining (MKO.v) and CEO of associated royaltyco Sailfish (FISH.v), but since February 2019 he's also been a director of BTR as representative of Wexford's stake in the company. So far so good, but what we now know is that Leisman has designs on BTR. Three things:

- Such information will always be off the record so when you read the words written today and feel like rejecting them for lack of bona fides, I will not stop you. In recent months Akiba Leisman has been conducting a whispering campaign against BTR, this desk has more than one testimony on this. He's also said to either a) have sold or b) is selling his personal stake in BTR, depending on source. Be clear, this is separate from the Wexford Capital 16%. The odd thing about the share sale rumour is that this desk also heard the company offered to find a block buyer for him and the offer wasn't accepted.
- The appointment of Cesar Gonzalez to the board brings a lot more weight to the

Wexford point of view at Bonterra. It will allow Wexford's proposals to get through more easily, which include the next one as the upcoming main event.

- In order to improve its cash position, BTR still plans to move into limited production using its bulk mining licence and thinks it can cover corporate costs and lose its dependence on capital markets. However, the alternative plan on the table is to raise money via a rights issue that would be back up by Wexford Capital.

This is the way Wexford works to gain and consolidate control of a company, we've seen the same rights issuances used by Wexford at the ill-fated Marlin Gold and also at Mako. In this case, once the financials are out (they were due this week, that didn't happen) the coast will be clear and while the other large insto holders of BTR will surely take up their rights, what Wexford achieves is to mop up all the retail and smaller house positions that don't like the idea of sending more good money after bad, even if it means the company is funded through plans.

As for Leisman, I have no problem at all with his strategy and before we go into this paragraph, my personal opinion of the man is of zero importance because so far I think he's played his cards very well at BTR. Once you know what a CEO is like, seeing him stick to his role of the "moving shaking young exec with all the clever moves" is fine by me, predictability is all I require from a mining person of influence. He's not the first person to use multiple strategies like this, he won't be the last and in the world of cap markets and business there's nothing out of the ordinary, it's all been by the rules so far. He's ousted the guy he wanted out, got another director on board, the stock has responded the way he wanted to the crap-talk because there's no news or direction from executive management, he sees in the near future an opening for Wexford at BTR and in the longer-term, full control of some sort (be it a separate entity in the Wexford stable, or in a merger with MKO or other). With Gonzalez on board the rights issue happens and as a result, the company gets cashed up and Wexford will surely get over the 20%+ ownership line.

All the same, the above will not be happening with me on board because even an amateur poker duffer (e.g. me) knows that sometimes, when faced with a bigger stack, you have to fold no matter what your cards are. Wexford has correctly calculated that the upcoming rights issue will be less popular with retail than with the larger holders and one of those retail investors is writing these words to you. I see no reason to hold onto shares worth \$1.20 now when there are directors of that very company trying to talk the stock down. There is no reason to hold into a period that will enjoy precious little catalyst news and likely corporate manoeuvres that we on the outside know nothing about until too late. There's no reason to hold, wait for the rights issue, then decide to sell because by then the dilution is in. No, ladies and gents, it's at this point when the minnow retail player is best served by retiring from the battlefield, there will be big players playing around this stock and I have no idea what all this might do to the share price before the dust has settled. What's more, I do not have any emotional or vested interest in BTR, their plan when I was up on site was the one I bought and since then, the company has been through at least two changes in direction and is about to put in a third.

I wish Leisman and Wexford luck at BTR. Even though their aggressive style is not to my taste, as one person with third party knowledge of inside-BTR told me last week, "Someone needs to take it over" and get some "Osisko sized spending" happening there in order to add true value. I fully agree, so if Wexford becomes the catalyst for better things after the mess that Metanor made and the failure of current BTR management to get anything meaningful done, that's good for mining and good for Quebec. While they do all that, the money I receive by liquidating my shares of BTR next week will be in a different gold stock that provides the optics I need.

Cartier Resources (ECR.v) company review (in Canadian Dollars unless stated)

Among other documents such as quarterlies and such, today's analysis leans on the latest drill result NRs from Cartier (3)(4), the original agreement to purchase Chimo (5) and the latest corporate presentation dated May 28th (6). Those links are now easier to find because they are