

Jury Report 2020 CDFund Discovery Award

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Terence van der Hout
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The list of presenting companies at our Discovery Day, is a careful selection of the companies in our portfolio following up on a discovery. We are of the belief that all of the companies presenting are well-run companies of quality in their own right, regardless of whether they win our award or not. The final short list and selection of the winner was done following the criteria we use for managing positions in our fund: the winner is the most perfect fit to our Discovery Investing criteria. In essence, these amount to the quality of the discovery hole, the subsequent confirmation of the discovery in follow up drilling, a mineral resource pointing towards a world class deposit, excellent project economics, a very probable outlook on a takeover, and, most importantly, value creation for our portfolio.

The CD Fund Discovery Award is presented to a company which succeeded in proving up a mineable metal discovery, of World Class size or potential.

Adriatic Metals

Drilling at Rupici (Bosnia & Herzegovina) was initiated in 2017, following up on historical holes. In 2018, Adriatic returned 72m of polymetallic mineralization with a rock value of over \$1,100 per tonne, a truly world class discovery hole. The average value of the deposit equates to a 5g/t gold deposit, or about 400 g/t silver. This project has a Net Present Value of \$917 million and an Internal Rate of Return of over 100%, comparing favourably to almost all metals projects in development in the world at this moment. Mine life will be at least 15 years, and the project has an incredibly quick payback time. Economics were done when gold and silver prices were substantially lower, so in a rising precious metals environment this can only improve. A large part of the value comes from silver, we believe a very good place to be in the next few years.

Although Adriatic may want to mine it themselves, the quality of this project, as well as the recent addition of prospective property, and its bid for fellow explorer Tethyan Resource Corp., puts it firmly on the radar of the bigger producers as an acquisition target. Adriatic has created low-risk value in our portfolio, rising from 40 cents at our initial investment to \$2.20 today.

And last but not least it is situated in Europe, not the first place one expects a World Class Mineral Discovery. As the premier European exploration-focused fund and loyal shareholders we are truly proud on this achievement.

So the Rupici project has all the rare ingredients that we are looking for, and therefore Adriatic Metals is the clear winner of our inaugural, 2020 CDFund Discovery Award.

DeGrey Mining

De Grey has clearly shown the potential for a huge open pit gold mine to be built in the Australian Pilbara. DeGrey is proving up near surface gold mineralization over kilometers of strike length. Knowing they have found similar mineralization as far as 10 km away from the Hemi project De Grey is also one of the favorites for next year's award. The share price is up over 2500% this year, making DeGrey the best performer in our portfolio this year, and as a consequence, our largest position.

Fireweed Zinc

Although the MacMillan Pass project has been drilled for a long time, the recent discovery of broad intercepts of zinc at Boundary Zone, as well as the Yukon government's commitments to upgrading the access road to the project, will likely elevate Fireweed above its peers in terms of quality and economics. With further exploration at Fireweed's large property, there is good potential for a rare tier 1 zinc project that would be of interest to major base metals producers.

Great Bear Resources

As we have seen, this is a very exciting and massive gold discovery, in the well-known historic Red Lake mining district. We see the potential for a gold mine of long duration, that is likely to get taken over. Discovered three years ago, we have yet to see an initial estimate of the size, which qualifies the project as somewhat early stage for our award.

Greatland Gold

Greatland's massive discovery hole in June 2018, immediately attracted our attention as well as that of gold producer Newcrest Mining, who are now earning into the project. Newcrest are spending large amounts of money to advance this project as fast as possible in order to replace their almost depleted neighboring Telfer mine, located only 40km West. Despite the speed, and the high quality of the discovery this company also is somewhat early stage for our award. The share price has risen over 1,300% this year.

Osino Resources

The recent discovery at Twin Hills shows remarkable similarities with Otjikoto, a Namibian gold deposit that Heye Daun's team discovered and is now being mined by gold producer B2Gold. Large volumes of lower grade gold are dissected by high grade shoots, and we feel there is a good chance Osino will eventually prove up a world class sized deposit. The project is somewhat leveraged to the gold price, such that the economics of the project at these elevated gold prices should be impressive.

Regulus Resources

With the discovery of a deeper, high grade skarn, Regulus Resources is converting the Antakori copper/gold project into a tier-1 deposit that will without doubt be mined one day. We are confident the company will be able to work around the higher levels of deleterious elements, and the world class deposit size, the strength of mineralization, as well as the mining operations already taking place in the immediate surroundings, make the project a natural fit for any of the three producers active in the area.

Reyna Silver

Reyna Silver's suite of projects are targeting high grade silver in Mexico, intending to follow up in areas where historical mining has taken place. For our fund, we are betting on the expertise of the team to find a discovery, and we eagerly await results from the first round of exploration. The fact Dr. Peter Megaw can now finally explore his PHD-project GuiGui is a more serious way, was the reason of our involvement as founding shareholders.

SilverCrest Mines

SilverCrest might be the closest runner up. It is set to become one of the highest grade silver mines in the world, will produce just under 10 million ounces of silver a year, if we include the gold. Easily accessible, building the mine and operating it will be cheap, and we expect margins to explode as the price of silver rises. Slight drawback, owing to the nature of the deposit, is the size at this stage. This will grow with more exploration, as we expect, but the high grades warrant development of the mine, even if world class size hasn't yet been achieved.

Wesdome Gold Mines

Wesdome Gold, already a gold producer, fits somewhat differently in our portfolio than most discoveries. What has attracted our attention is the high grade underground discovery at Kiena, in Quebec, where past production was suspended in 2013. Although not quite the size of a world class deposit, we are very enthusiastic about the grades at Kiena Deep A zone. Grades averaging around 17 grams per ton underground are very quickly going to expand the margins for Wesdome, and even at this relatively small size, Kiena has very healthy economics.

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Disclaimer: CD Fund owns shares in all mentioned companies and often trades in and out our current holdings. This is not a buy or sell advice. We must note that, although the companies pay a representation fee, they have been selected by us to present, because they fit well in our discovery investing concept. We therefore own shares in all of the presenting companies.