

# Jury Report 2021 CDFund Discovery Award

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Jury CDFund 2021 Discovery Award



# Jury Report 2021

## CDFund Discovery Award

The jury has compiled a shortlist of four mining companies that are eligible for the prize this year.

The nominees are:

- Chalice Mining
- De Grey Mining
- Great Bear Resources
- Greatland Gold

The final shortlist and selection of the winner was done following the criteria we use for managing positions in our fund: the winner is the almost 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, exploration pointing towards a world class deposit, a producer as partner with an interest in moving the project towards production, a very probable outlook on a takeover, and, most importantly, value creation for our portfolio.

## Nominees:

### Chalice Mining

MC A\$2.5 billion

**Discovery:** In March 2020, Chalice announced the discovery of 25m @ 8.5 g/t Pd and 2% Ni on its Julimar property in the Western Yilgarn, Australia, an area known for its gold mineralisation. Holes were drilled into a Ni-Cu-PGE sulphide deposit, a so-called mafic layered intrusive complex, analogous to the massive deposits of Voisey's Bay and Norilsk. Situated 70km from Perth, with road access, follow up results in April and May were wider and higher grade in layered zones, confirming the significant size. Anomalies were found in the north, extending the trend to 26km. Properties were secured and staked. First \$30 million, and then \$100 million was raised. The market rewarded Chalice for its discovery: the share price rose from 21c pre-discovery, to a high of A\$9.31 on 30th May 2021. This is 4,333%, in 15 months' time.

**CDF investment:** We held Chalice prior to the Yilgarn discovery because of their erstwhile Canadian and Australian (Pilbara) properties. Thus, our initial position was purchased at an average of 21 cents.

**Why do we like Chalice Mining:** although early stage, it has all the hallmarks of a world class deposit at Gonneville alone, with the potential of finding additional similar deposits along the trend. This is typical of the best of these type of intrusive complexes, leading us to believe we have not seen the full value of the trend, nor of Chalice Mining, despite its massive run up.

## De Grey Mining

MC A\$ 1.7 billion

**Discovery:** The Hemi discovery, in the Australian Pilbara, was made in December 2019, with a hole of 43m @ 3.7 g/t Au. Although not a blockbuster, this coincided with high grade intercepts at 2 other proximal targets, on top of the drilling that had been performed previously along the trend at Mallina and Toweranna. After 200,000 meters of drilling, Hemi showed a 6.8 mil oz gold resource at 1.1 g/t, from 5 deposits at surface, in an area roughly 3.5km by 2km. The ore has been shown to be refractory, but metallurgical studies show good recoveries with POX. Although the grade appears on the lowish side, raising the cut-off grade still leaves you with a world class size deposit, implying there is great consistency within the deposits. We see room to grow this project to well over 10 mln oz of gold.

Hemi is but one of many targets, and gold has been found all along a total 15km strike. At Mallina and Toweranna, small deposits were previously defined, and De Grey's targets stretch all along the 150km property trend. The project lies roughly 60km South of Port Headland, Australia's main iron ore hub, and both roads and railway lines dissect the property.

**CDF investment:** CDF took place in a financing before the Hemi discovery, at 5c in July 2019, following the discovery of the melon seed conglomerate nuggets at Loudens patch, as well as the Mallina and Toweranna discoveries. With a high of A\$1.60 on 18th April 2021, this is a 3,100% rise, making this one of our biggest winners.

**Why do we like De Grey Mining?** The Hemi discovery is a World Class Deposit, that has been defined from discovery to 6.8 mil oz within 15 months, a remarkable feat. The Hemi target is but one of countless other targets along the trend, giving potential of tremendous exploration upside. Despite the refractory 'tag', successful metallurgy studies and the immense size of the deposit will be unlikely to deter a major from snatching Hemi, one of a very small number of tier one gold deposits available.

## Great Bear Resources

MC C\$775 million

**Discovery:** Great Bear Resources struck gold on its Dixie project, Red Lake, Canada, assaying 10m @ 16.84 g/t Au in September 2017. Dixie is a typical Red Lake vein-hosted target, and follow up drilling showed more of the same from the Hinge Zone. The massive breakthrough for Great Bear, came from the discovery of the LP fault, in May 2019, where along a strike of 4.2 km a large area of low grade gold would periodically be intersected by very high grade shoots. An early hole showed 31 g/t Au over 4.6 m (0.5m @ 760 g/t Au). Together with the high grades from Dixie and Hinge, the low grades could potentially become a massive bulk tonnage open pit similar to the largest Canadian gold mines Detour Lake and Malartic. Current dimensions are 4.2km x 400m depth x 300 m width, a footprint very similar to these tier 1 mines operated by large gold producers.

The deposit is 15 min from the town of Red Lake, implying there is ample infrastructure to build on.

**CDF investment:** The discovery of the Hinge Zone triggered our initial investment at \$1.82, in August 2018. The share price peaked at \$19.50, mid 2020, or 917% higher.

**Why do we like Great Bear Resources?** Great Bear's project is a case of a great discovery getting better and better. Although a resource estimate has not been released yet, we have no doubt this is a world class discovery, and a tier 1 asset producers will be fighting for at some point. Given the early stage of the project, as well as the tight share structure, there is still plenty of room for further value creation.

## Greatland Gold

MC GBP 640 million.

**Discovery:** On 19th Nov 2018, Greatland Gold announced 275m @ 4.77 g/t Au and 0.61% Cu, from the first hole into their Havieron project, in the Paterson, Australia, a truly massive intercept. Once a follow up hole showed comparable lengths and grades, in Feb 2019, Newcrest, who operates the depleting neighbouring Telfer mine, pulled the trigger on the project and agreed to a 70% earn-in, for GBP 50 million. Although there was a decent initial uptick, a year after the discovery the shares could still be had for around 1.80 pence, implying it remained under the radar for a long time.

The initial resource estimate currently stands at 3.4 mil oz of gold at 2 g/t, and 160k tons of copper at 0.31%. Given the long intercepts far below the current resource, we consider this a world class deposit, and therefore a tier 1 asset, which could easily grow towards a 10 mil oz deposit. You could argue about the grades at these depths, but because the deposit is very continuous, the underground bulk mining expertise of Newcrest will have no problems mining at a profit.

Newcrest is operating the Telfer mine, a deposit similar to Havieron, albeit lower grade. Telfer has just a few more years left, and Havieron fits perfectly on the end of Telfer to ensure ongoing production through the mill. A takeover, in our opinion, is therefore virtually assured.

**CDF Investment:** The discovery hole triggered our initial investment of 10 million shares at 1.29 pence. The SP reached a high of 37.35p on 20th December 2020, a rise of 2,795% since our purchase.

**Why do we like Greatland Gold?** Greatland Gold is a classic case of Discovery Investing. A world class first hole, development of a deposit attracting a regional producer operating a depleting mine with similar characteristics, almost ensuring a takeover, and a delayed and massive appreciation of the share price.

## Conclusion:

All four companies bear the hallmarks of an outstanding discovery:

- Either a blockbuster hole, or large collection of high-quality holes
- Outlook on a world class deposit, a Tier 1 project that would be of interest to a large producer
- Very rapid exploration progress
- Outstanding performance in the CDFund portfolio
- Further potential for value expansion

The one defining factor this year is the involvement of a major with a huge interest in advancing the project towards production as quickly as possible, as this virtually ensures a takeover, which is our exit strategy.

**Greatland Gold has already advanced to this level, setting it slightly apart from the other three contenders, and therefore wins the 2021 Discovery Award.**

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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.