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GOOD TIME TO BUY GOLD

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A GOOD TIME TO BE BUYING GOLD

By Richard (Rick) Mills
Ahead of the Herd

As a general rule, the most successful man in life is the man who has the best information

There's a lot going on in the world - from Trump being elected in the U.S. to turmoil in the middle east, the China Sea and Turkey, Russia is flexing it's still considerable might, North Korea's flinging it's nukes helter skelter, Japan's rearming, disease runs rampant and fear escalates about virus mutation, there's shortages of fresh water with many rivers not reaching their former endpoint and of course climate change is rearing its head to destabilize natural rhythms or cycles. It'd be hard to go back in history and pick a period of time when things weren't so combustible.

Your author believes gold and silver have never been better safe-haven investments. Inflation, world events, diversification - gold and silver bullion do offer investors leverage.

So too do resource related equities. Junior resource companies, financed to near term production, currently offer the greatest leverage to increasing demand and a rising gold/silver price. This is where the money will be made in the next two years.

It's a fact junior mining companies outperform senior miners at finding new mineral deposits and generating wealth for stakeholders…

> *"These are among some of the findings released in a study conducted by resource company strategist MinEx Consulting, which analyzed the performance of explorers and producers operating in Canada between 1975 and 2014. What the consultancy firm found is that, in the last decade, junior companies were responsible for more than three quarters of all new mineral discoveries and were approximately 30 percent more effective than senior companies at generating wealth."*

Aheadoftheherd.com's editor isn't looking for huge producers with so much overhead that they can't profitably mine an ounce of gold. I'm not looking at huge mines with billions and billions of dollars in capex. I'm much much more comfortable with smaller mines having lower capex and under-control operating expenditures.

If you want to invest in the building of something of value – be there as the company moves it's mineral deposit down the development path towards a mine there are a very few quality junior companies to choose from. Even fewer with the studies done and money already raised to get into production.

These are the situations that are an enormous opportunity to back excellent management teams with your investment money.

SPENDING

Let's look at why companies aren't making a profit:

- One of the biggest reasons is capital expenditures (capex), which is the basic cost of building a mine and its supporting infrastructure.
- There are lower grades being mined and more complex metallurgy.
- Companies are increasingly going into more remote areas that lack infrastructure.
- Environmental regulations are increasing.
- We are seeing more money-grabbing governments and resource nationalization. Miners are an easy target as mining is a long term investment and one that is especially capital intensive – mines are also immobile, so miners are at the mercy of the countries in which they operate. Outright seizure of assets happens using the twin excuses of historical injustice and environmental/contractual misdeeds. There is no compensation offered and no recourse.

Because everything you can imagine is working in a perfect storm to increase costs, and risks, on mining companies, here at aheadoftheherd.com we're seeking out the smaller mines with low capital costs, uncomplicated metallurgy, no worry of governments seizing our asset and we're looking in areas with long mining histories.

NORTHERN VERTEX MINING CORP. TSX.V – NEE

Northern Vertex has activated the historic Moss Mine area (100% owned by NEE) in north west Arizona. With excellent site access – only a 20 minute drive from Bullhead City and its population of 35,000 people there's excellent infrastructure to support an operational mine and the skilled workforce close by to run it.

The Moss Mine Gold-Silver Project is an epithermal, brecciated, low sulphidation quartz-calcite vein and stockwork system which extends over a strike length of 1,400 meters and has been drill tested to depths of 370 meters vertically.

The Moss mine is a potential heap leach, open pit project that has been advanced to the Feasibility Study stage.

Measured and Indicted oz gold (Au) 377,000.

Measured and Indicted oz silver (Ag) 4,610,000.
The Feasibility Study shows the Moss Mine to be an economically robust, higher margin, lower risk project in one of the world's premier mining jurisdictions.

Annual Production (5,000 tpd)	1,750,000 tonnes per year
Strip Ratio	1.62
Average Gold grade	0.826 grams per tonne
Average Silver grade	9.282 grams per tonne
Average Gold Equivalent ("AuEq") grade*	0.93 grams per tonne
Recoveries to Doré	Gold 82% and Silver 65%
Life of Mine Gold Production	173,490 oz
Life of Mine Silver Production	1,530,650 oz
Initial Capital Costs (including indirects)	US$33 million
Operating Costs (@5,000 tpd)	US$13.19/tonne
Gold Equivalent Ounces/yr (Avg. @5,000 tpd)	42,000 oz/yr
Gold Equivalent Cash Cost (@5,000 tpd)	US$ 514.27/oz
Cash Cost net of Ag/oz (@5,000tpd)	US$409.07
All-in Sustaining Costs AuEq**(LOM)	US$624.01/oz
NPV 5% after tax	US$55.25 million
IRR after tax	44.3%
Payback Period after tax	2.4 years

Moss Claim Blocks:

- Moss Mine has 200,000 Oz Gold (M&I) not included in the BFS
- Moss Mine Resource remains open at depth and on Strike to the East and West for more than 3kms

The Company has also identified **four high priority targets** - all four are situated in close proximity to planned operations facility - that will be the focus of a proposed upcoming multi-phase drill program.

Northern Vertex has just signed a US$20,000,000 million credit agreement with Sprott Lending.

With US$8,500,000 in equipment financing under negotiation, US$7,000,000 in the treasury and capital expenses estimated to be US$33,000,000 to build the mine, development of, and production at NEE's Moss Mine seems to be a certainty.

Exploration potential to further expand the gold and silver resource certainly exists.

Because Northern Vertex is well advanced along the development path towards a mine the guesswork about grade, size, costs and metallurgy have been taken out of the equation for us. Company management has done the work necessary to give investors the confidence that their project will be a profitable mine.

CONCLUSION

Northern Vertex TSX.V - NEE has raised the dollars needed to get into production, investors can see they are going mining and cash flow is just over the horizon. Buying already paid for near term gold and silver production in today's current global climate of fear and uncertainty might not be such a bad idea.

Northern Vertex is on my radar screen, is it on yours?

If not, maybe it should be.

Northern Vertex Mining Corp. TSX.V – NEE is an advertiser on Richard's site.

Richard lives with his family on a 160 acre ranch in northern British Columbia and is the owner of Aheadoftheherd.com.

Richard's articles have been published on over 400 websites, including: WallStreetJournal, USAToday, NationalPost, Lewrockwell, MontrealGazette, VancouverSun, CBSnews, HuffingtonPost, Beforeitsnews, Londonthenews, Wealthwire, CalgaryHerald, Forbes, Dallasnews, SGTreport, Vantagewire, Indiatimes, Ninemsn, Ibtimes, Businessweek, HongKongHerald, Moneytalks, SeekingAlpha, BusinessInsider, Investing.com, MSN.com and the Association of Mining Analysts.

Sign up for Ahead Of The Herd's free highly acclaimed newsletter.

Investors buy physical gold because it is a store of value - a way to protect your wealth from the relentless devaluation of fiat currencies – and a safe haven in times of turmoil. Buying gold numismatics is not the way to do this and buying gold numismatics that aren't…well that's being taken advantage of, to put it politely.

KING NOTHING

I'm the king
I'm the king
I'm the king of nothing
Seals and Crofts

We better stop, hey, what's that sound
Everybody look what's going down
Stop, hey, what's that sound
Everybody look what's going down
Stop, now, what's that sound
Everybody look what's going down
Stop, children, what's that sound
Everybody look what's going down
Buffalo Springfield, For What It's Worth

CONCLUSION

Being prepared for worst case scenarios, that most pray never happen, should be on all our radar screens. Is a little prep time on your radar screen?

If not, maybe it should be.

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TAX-LOSS SEASONALITY OF THE TORONTO VENTURE EXCHANGE

By Mickey Fulp

In mid-June, I documented the intra-year seasonality of the Toronto Venture Exchange (TSXV) over its plus 14-year history (Mercenary Musing, June 13, 2016).

This venture capital market is dominated by nano-cap resource exploration companies with a few small miners in the mix. Of 1682 current listings, 985 (59%) are classified as "mining" companies. In actuality, the vast majority are mineral explorers; few actually mine anything other than the stock market. Energy companies comprise 10% of the listings. Minor sectors include diversified industries, technology, life sciences, real estate, clean technology, and "capital pool companies", i.e., shells with no project.

The Toronto Venture Exchange Index is a weighted average of about 400 of the largest companies and serves as a proxy for performance of the overall market.

In a series of normalized charts, we will show there are predictable patterns for the TSXV Index from mid Q4 of any given year thru January of the following year. Then I will illustrate how these patterns can be used to trading advantage before and after the new year.

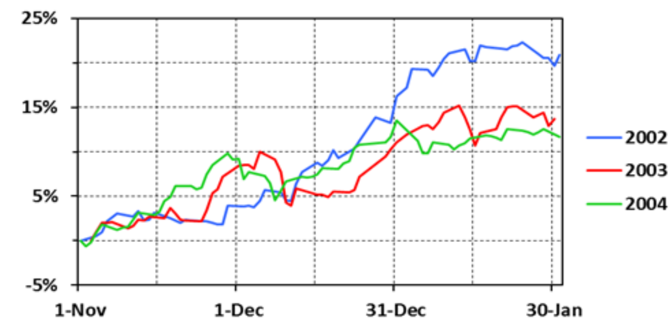
Here is the record of the TSXV Index from 2002 to present:

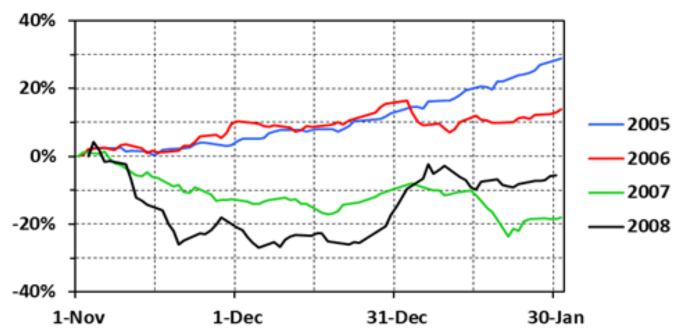
Toronto Venture Exchange: 2002 - Present

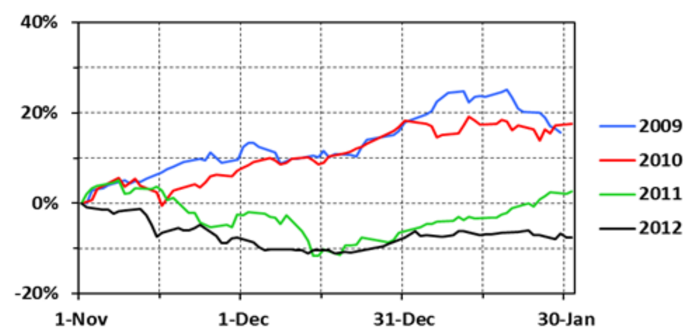
Over a history approaching 15 years, the Venture Index has exhibited significant volatility. Its rises and falls broadly correspond to bull and bear markets for gold but are much more pronounced:

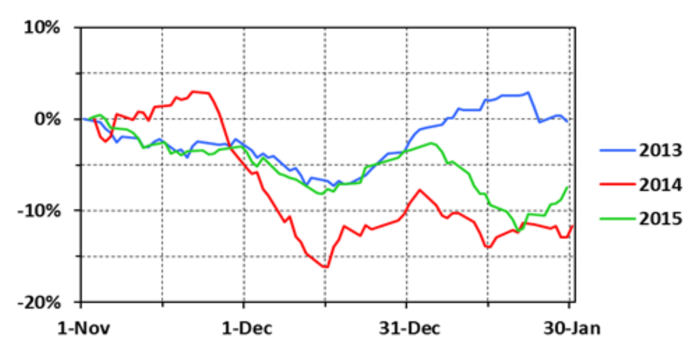
London Gold Spot Price: 2002 - Present

The following series of four charts shows the percentage change in the daily value of the TSXV Index normalized from November 1 to January 31 for each year:



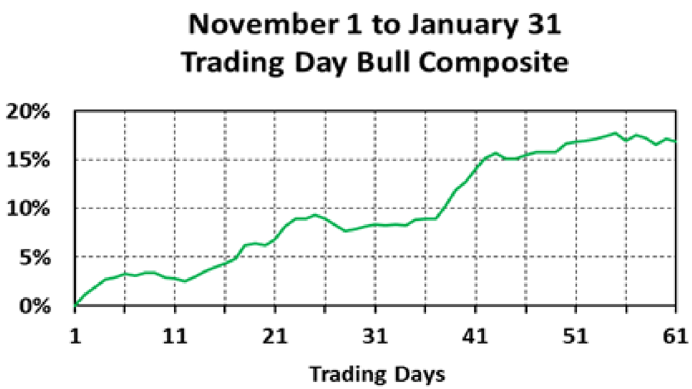






This composite TSXV Index chart shows the percentage change from November 1 to January 31 over 14 years:

In the next two charts, we have separated the November 1 to January 31 composites into bull and bear markets based upon overall TSXV performance for that year. Note the significant increase in data ranges at +18% and -13% versus the composite case presented above at about 8%:



These composite charts illustrate prominent mid Q4 to early Q1 seasonal trends for the Toronto Venture Exchange Index. Note that each month has 20-21 trading days in any given year.

- The composite Index chart shows a slight uptick during the first week in November then a downturn until mid-month followed by an uptick until month's end. There is no net gain or loss for the month.
- Overall, there is a downtrend from early to mid-December when the Index hits its seasonal low.
- The bull and bear Index composites are diametrically opposed over this period. In bull years, the Index ticks upward thru the first week of December then falls off during mid-month. In bear years, it falls unabated from the beginning of November thru mid-December.
- In all three cases, there is a very strong uptick from the middle of December that continues thru the opening sessions of the new year.
- The Index is then flat until the end of January for the 14-year composite and the bear market years. It exhibits a slight rise in bull years.
- Let's explore some factors that can account for the well-defined seasonal trends from November 1 to January 31 for the Toronto Venture Exchange Index:
- In all cases there is a dip in mid-November that I attribute to front-running by savvy speculators generating tax-loss sales.
- The peak of tax-loss selling is evident in all cases with significant market downturns and seasonal lows during the third week of December.
- Regardless of overall, bull, or bear market conditions, there is a strong uptick thru beginning of the new year as speculators bargain hunt for oversold but fundamentally-strong stocks.
- After the opening market days in early January, the TSXV market remains directionless for the remainder of the month despite generally stronger gold prices that I documented in a previous effort (Mercenary Musing, November 23, 2015).

In addition, many nano-cap resource juniors are raising money for the coming year's activities and promoting at the Vancouver Resource Investment Conference in late January. However, it appears there is little reaction to these efforts.

I established in an early summer musing that junior resource companies trade in well-defined cycles and therefore, present periodic entry and exit points that can be exploited for profit.

Our research indicates there is pronounced tax-loss seasonality in the Toronto Venture Exchange Index over the past 14 years regardless of market conditions.

Tax-loss sales peak and the market reaches a seasonal low in mid-December. For contrarian speculators, this is the ideal time to accumulate low-priced positions in good companies or to average down for existing holdings.

The patterns also indicate that savvy traders can generate incremental profits by buying oversold companies in mid-December and selling them in early January.

I trust this provides insight into the timing of trades in the junior resource sector during tax-loss season.

The above trends present short-term opportunities for speculative trading, accumulating positions, or averaging down of core holdings. That said, caution is always advised and this is especially so in bear markets. Institutional newsletter guru Bill King's comments during the global economic crisis of 2008-2009 merit consideration:

More money is lost by investors averaging down in bear markets than at any other time.

With this caveat, may all your tax-loss season buys be to the upside.

Ciao for now,

Mickey Fulp
Mercenary Geologist

BHT ACQUIRES ALPINE MINE GROUP

ADDING TO THEIR HIGHLY-PROSPECTIVE WEST KOOTENAYS PORTFOLIO

By David O'Brien

Braveheart Resources Inc. (BHT: TSX-V) *is focused on building shareholder wealth through aggressive exploration in a favourable and proven mining jurisdiction - the West Kootenays in southeast British Columbia (Ag, Au).*

Braveheart has only 27,614,505 common shares issued and outstanding. The company is currently raising funds by issuing one unit at $0.075 with a full warrant for $0.15 for 18 months, plus one Flow Through unit at $0.10 with a full warrant for $0.15 for 18 months. A couple of checkmarks for us already, considering both jurisdiction and share structure.

Although the company has six highly prospective groups of properties already assembled and referred to collectively as the **Big Strike Gold Silver Project** (see www.braveheartresourcesinc.com/big-strike-gold-silver-project/), their most recent acquisition, the **Alpine Group**, is their key focus in the near future, as it includes the past-producing Alpine Mine. On trend with Kenville (Au) and Silverton (Ag, Pb, Zn) and on the same side of Lemon Creek as Chapleau and Golden Wedge which have similar rock. Braveheart's Option Agreement requires an expenditure of $1,600,000 in exploration on the property over the first three years with a minimum of $400,000 in 2017. The 2,177 Ha property has historical production of material containing 356,360 g Au, 222,044 g Ag, 49,329 Kg Pb and 17,167 Kg Zn. (~ 1938 to 1948)

> *"The Alpine Mine property is located in a highly favorable geological environment and is an ideal fit for Braveheart as we continue our strategy of developing high grade gold targets," explained C.O.O.* ***Aaron Matlock****. "Our prospecting and geological team will be considering fresh interpretations and potential new exploration opportunities with regard to this important Property."*

The property is only 18 Km N of Nelson, 70 Km from the Trail smelter, and 200 Km from the Republic mill which enables production for self-financing. BHT now has over 12,000 Ha under administration. So, infrastructure and proven production: check, check.

David W. Johnston, CEO, President & Director, is the founder of BHT. A former miner with Hudson Bay Mining and Smelting, he also has considerable public company experienc e as a director. Johnston is a director of the Chamber of Mines for Eastern British Columbia. **R. Brian Murray**, M.B.A., C.A., Chairman & Director, has over 17 years of experience in both the resource and investment markets. Mr. Murray is the President of Nebu Resources Inc. and a director of several other TSX-V-listed companies. **Jim Decker**, P.Eng., VP Ops & Director, has 43 years of experience in senior management, mine operations and engineering. Mr. Decker's principal activities recently included due diligence exercises for acquisitions and sales of mining properties for **Antioquia Gold Inc. (AGD: TSX-V)**, operating audits of surface mining operations and supervisory training for large mining companies such as **Barrick Gold Corp. (ABX: TSX & NYSE)** and **Teck Resources Ltd. (TCK: NYSE)**. An impressive BoD includes Alex Falconer and Aaron Matlock (see www.braveheartresourcesinc.com/management/).
Management: check.

Braveheart recently completed a short diamond drill program on their 100%-owned **Whitewater Property**, designed and managed by **Bernhardt Augsten**, P. Geo. A

total of 582.8 m of core were drilled in ten holes. The purpose of this drill program was to test for grade, width and continuity of the Whitewater vein system. The program was successful in intersecting mineralized quartz veining in several holes. Highlights of the drill program are on "Table 1 SIGNIFICANT DRILL RESULTS" (see www.braveheartresourcesinc.com/2016/ for results). Mr. Decker serves as the company's **Q**ualified **P**erson under the NI 43-101.

Always important is agreements for development with indigenous bands and the most recent and relevant are with the Pentiction/ West Bank First Nations. Check.

Mr. Johnston can be reached at davidwjohnston@shaw.ca.

For more information go to their website, www.braveheartresourcesinc.com

As always, do your Due Dili.

*David O'Brien, is the owner of **Int'l Mining Research Inc**, which employs Media, Event and Online exposure, including **MineSnooper.com**. O'Brien also owns **W.I.T. Marketing**, an ad agency, and has been contributing articles to **TheProspectorNEWS.com**, on demand. He owns no shares in the above companies. dobrien@InternationalMiningResearch.com*

KING OF NOTHING

By Richard (Rick) Mills
Ahead of the Herd

As a general rule, the most successful man in life is the man who has the best information

I am writing this article for the gold and silver bullion purchaser who wants the comfort, the insurance of owning some gold and silver in what are very troubling times.

There's a lot going on in the world - from Trump being elected in the U.S. to turmoil in the middle east, the China Sea and Turkey, Russia is flexing it's still considerable might, North Korea's flinging it's nukes helter skelter, Japan's rearming, disease runs rampant and fear escalates about virus mutation, there's shortages of fresh water with many rivers not reaching their former endpoint and of course climate change is rearing its head to destabilize natural rhythms or cycles. Add in out of control population growth, the divide between races, religion and wage inequality – the have and have not's – and a coming major economic collapse caused by interest rate increases on the trillions and trillions of dollars of global debt and it'd be hard to go back in history and pick a period of time when things weren't so combustible.

Of course the natural degenerative process, the creeping Fascism, of a capitalistic society might not be on your radar screen.

RUN FOR CASH

Commission dependent brokers, analysts, politicians, special interest groups and fund managers are all currently telling us the U.S. and global economy is rock solid. They were telling you, us, the same thing in late 2007…

Just a few months later the world was on the verge of global economic collapse, staring into the abyss of the Great Recession and a stock market crash. That same kind of misguided optimism prevails today.

Unfortunately the pillars (use this link to know what they are) supporting the U.S. and global (especially the Chinese and European) economy are actually more fragile than they were before the Great Recession.

In any kind of disaster situation - say an economic crash caused by interest rate increases on totally unsupportable global debt levels that can never be paid back - the first thing that would happen is a run on the banks for cash.

Panicking people will want every penny they can lay their hands on to buy supplies. When the banks run out of cash, when there's a forced 'bank holiday,' when your grocery store runs out of food and bottled water then chaos, in the form of weeks and weeks of widespread looting and rioting hits the streets.

The Rodney King riots, the Ferguson riots etc will be a pale ghost compared to the levels of looting, stealing and killing when the new normal is a permanent state of anarchy.

Think what your life would be like if a Carrington style event took place next week. Try to imagine living without electricity for a minimum of four years. No running water, no sewage disposal, no heat, no A/C, no refrigeration, no cars or buses, no internet, no banking, no stores with shelves stocked for your browsing pleasure. Consider the fact it isn't if this is going to happen, it's when it happens. Life would be very hard, impossible for most.

Cash, water, food, gun. Doesn't it make more sense to be prepared and stock up now? At least have a couple of months worth of food and water, a shotgun to keep your supplies, and some cash laying around to get a last minute stock up done.

Your author believes the buying and owning of gold and silver bullion has never been a more prudent move. Inflation, world events, diversification - gold and silver bullion do offer investors leverage.

A supply of different size/value gold and silver coins and smaller bars kept close to home is the best way to ease the mind and navigate through troubled times.

If things do go to hell – war, economic collapse, disease, famine, climate change, loss of electricity - and you need to buy food, water or medicines with your gold/silver stash you need to have the appropriate coin values in order to trade safely and in a timely manner.

When all your money is nothing more than a bunch of ones and zeros in an account you can't access, when grocery store shelves and the cupboards are bare, when the kids are starving, YOU, the owner of gold and silver bullion, have something that is going to be wanted by the people who have what you want, anything from water, fuel, blankets, protection, first aid to safe passage to freeze dried meals and condensed milk to bullets and a gun.

What you'll need is a stash of smaller gold and silver bars and different denomination coins easily stored, transported, sold and traded.
The slight premiums for buying these smaller sizes are more than offset by the convenience of having different products of different denominations when you need to use them. Hopefully you never will.
The advantages of owning the smaller denomination coins/bars include:

1. Easy transportation. Slip a couple quarter or half-ounce coins into your pocket when you need to go barter for an item(s) you need.
2. Everyone recognizes the value of gold; in wartime pilots are given gold so if they have to bail out over enemy territory they have a bargaining tool to use with the locals to help them escape. Who hasn't heard of people fleeing from tyranny and with the help of gold crossing borders to freedom?
3. Coins/wafers/bars are easy to store.
4. If you want to sell or trade some of your gold it's easy to do.
5. Gold and silver are actually very easy to buy, look in the phone book for a dealer (Gold, Silver & Platinum Buyers & Sellers in my Yellow Pages) that's close, drive over and buy some, it really is that easy.

No bank or dealer selling gold in your town? Go online and use Google, you'll find many companies selling the appropriate size and denomination products that will be the most use to you.

There have recently been some shortages in the more popular one-ounce gold/silver coins but other smaller sizes are readily available as are the smaller bars. My personal preference is for the smaller than one-ounce gold coins, coins in a range of sizes from 1/10, 1/4 to 1/2 of an ounce.

As for silver I like one oz coins and the 5 to 10 oz bars.
I'd have more gold then silver, a 60/40 mix.
Getting a secure storage place for your precious metal stash should not be difficult or expensive. Buy a good safe, keep it out of sight and live by the old saw 'loose lips sink ships.'

CONFISCATION

A simple recession was turned into the Great Depression by the Federal Reserve of the day not doing enough while the money supply contracted 31 percent between 1929 and 1933.

This reduction in the money supply was caused by no less than three bank runs between late 1930 and March 1933. Bank deposits formed 92 percent of the money in circulation at the time and 10,000 banks failed with the loss of $2 billion in deposits.

"The Fed failed to inject enough money into the system to sustain the desired minimum level of monetary aggregates. Because it failed to do this, the public run on banks resulted in a contraction in the money supply, which caused the Great Depression." Milton Friedman

Friedman believed if the Fed had provided enough money to the large banks and bought US securities then these banks would never of fallen.

So why didn't the Feds of the time simply increase the money supply by turning on the printing presses? Well, at that time the US was on the gold standard and the amount of credit the Federal Reserve could issue was limited by the Federal Reserve Act which required 40% gold backing of Federal Reserve Notes, paper money, issued. Back then if you had $10 in your pocket, you knew, that somewhere, there was $4 worth of gold backing that "promise to pay" in your wallet.

But the Fed's back was up against the wall, they were running out of room to issue more notes. They had almost hit their issue limit on credit that could be backed by the gold in their possession – they needed more gold to issue more credit.

Their need was made worse because during the bank runs Federal Reserve paper money had been exchanged for Federal Reserve gold. Since the Federal Reserve was already hitting its limit on allowable credit, any reduction in gold in its vaults had to be accompanied by a greater reduction in credit. Something had to be done.

On April 5, 1933, President Roosevelt signed Executive Order 6102 making the hoarding of gold certificates, coins and bullion illegal. This order, by confiscating Americans gold, increased the amount of Federal Reserve owned gold thereby making an increase in the availability of Federal Reserve Notes or credit possible.

The reason gold was confiscated back then doesn't exist today. Today no country is on the gold standard (the US cut the last ties to gold in 1971) and the US Federal Reserve's ability, or any countries ability, to create credit, print money, is no longer tied to how many ounces of gold a country has.

There is also something else potential gold and silver bullion buyers need to be aware of.

THE SCAM

Its true gold was confiscated in 1933 – but now you know the why and you also know that the reason for confiscation back then doesn't exist today.

So the next time you read an article about how your government is going to confiscate your gold – all of it except rare collector numismatic coins - track it back to its original source. Too many times you will find that it has, as its originator, a gold numismatics merchant. The patter is always the same – "Your gold is going to be confiscated, buy rare collector coins because they won't be confiscated."

Gold numismatics were not confiscated in 1933. Order 6102 specifically exempted "customary use in industry, profession or art." The same paragraph also exempted "gold coins having recognized special value to collectors of rare and unusual coins."

The US Constitution's Eminent Domain Clause says - "nor shall private property be taken for public use, without just compensation." When gold bullion was confiscated compensation payment at the official gold price of $20.67 an oz was considered just, after all that was the price of an oz of gold.

But the confiscation of rare gold coins, called numismatics, would have been stealing private property. Legally just compensation would have had to been paid but for that to happen each gold numismatic would have had to been individually graded and priced – a huge and expensive time consuming task the government was unwilling to take considering the small amount of gold that would have been recovered.

So let's revisit - "Your gold is going to be confiscated, buy rare collector coins because they won't be confiscated." We know the reasons Americans gold bullion coins were confiscated but gold numismatics weren't. For today's gold buyers, who still fear confiscation, the problem is: are the coins some gold dealers want to sell you actually gold numismatics and for a gold bullion investor – versus a coin collector – are they worth buying? Unfortunately the answers are maybe not and no.

Gold numismatics are rare collectors gold coins that trade at high premiums to their intrinsic gold content value. These coins are extremely rare, or one-of-a-kind, that collectors (there's that qualification again) purchase for their historical and aesthetic qualities.

Gold merchants can sell rare gold coins for a healthy markup, sometimes as much as 25 percent and more. The fierce competition in the gold bullion coin market often limits profit margins to maybe 3% over the spot price of gold.

American Gold Eagles, the Canadian Maple Leaf and South Africa's Krugerrand are all examples of gold bullion coins. Their value is derived entirely from their gold content. They are universally recognized and the value of these coins is easily verifiable. The reality is that too many coins sold as "numismatic" or "collectible" are ordinary gold bullion coins sold at high mark-ups to make fear mongering dealers extra profits.

Gold numismatics are not a store of value nor a better safe haven in a meltdown situation than gold bullion. If social order breaks down and a collector needs to trade one of his collectables he's going to receive the exact same amount of goods that I would receive using gold bullion. That's because the transaction will be valued based on gold content and purity, not historical and aesthetic qualities.

TSX-V:OK | FRA:1KO

OK2 Minerals is a Vancouver based Canadian precious and base metals exploration and development company with two exploration projects in British Columbia, Canada. Our technical team has been actively advancing the Pyramid and Kinskuch projects. Both projects have presented highly prospective porphyry Cu-Au and epithermal Au targets.

OK2 MINERALS

Pyramid

Road accessible gold-rich copper porphyry environment. Large geochemical and geophysical anomalies with coincidental porphyry alteration located within the prolific Quesnellia Terrane, home to BC's largest operating copper mines.

Kinskuch

Cu-Au porphyry and epithermal project located within the prolific Golden Triangle. Historical drilling bottoms in copper-gold mineralization. Underlain by the prospective "Red Line" Stuhini-Hazelton contact.

PDAC SHOWS STRENGTH IN CANADA'S MINING & EXPLORATION INDUSTRY

By Andrew Cheatle

If you are in any way involved in exploration and mining, then chances are the acronym "PDAC" is one you have heard of before. It might even summon images of thousands of geologists, mining executives, government officials, students and financiers gathering in Toronto every year for the world's largest annual industry event. But there is so much more to the letters P. D. A. and C. than you might realize.

The Prospectors & Developers Association of Canada (PDAC) is the leading voice of Canada's mineral exploration and mining industry, working on behalf of more than 8,000 corporate and individual members, and effectively mining worldwide.

PDAC's mission is to promote a globally responsible, vibrant and sustainable minerals industry. As the trusted representative of the sector, PDAC encourages best practices in technical, operational, environmental, safety and social performance. The work is carried out by a Board of Directors, 16 committees, and a team of permanent staff.

The association was formed by a group in 1932 to fight a Bill being proposed by the Government of Ontario that would have negatively impacted the industry. They won, and continued fighting for the betterment of their livelihoods through the new association, which grew in size and stature as the years progressed.

These humble beginnings ultimately set the foundation for the PDAC as it's known today.

THE STRENGTH OF CANADA'S EXPLORATION AND MINING INDUSTRY

The mineral exploration and mining industry makes modern life possible, while also contributing to the economic and social prosperity of communities across the country. More than 550,000 Canadians work in the industry, contributing an estimated $57 billion to Canada's GDP annually. Operating in some of the most remote parts of the country, it is proudly the largest private sector employer of Aboriginal peoples.

Canada is recognized as being the global leader when it comes to mineral exploration. According to SNL Metals & Mining, 45% of the 1,800 companies with exploration budgets in 2015 were headquartered in Canada, accounting for 32% of global exploration spending in that year.

Not surprisingly, Canada also leads the world in mine equity financing, accounting for more than 60%. Additionally, Canada is also home to hundreds of mine service and supply companies that operate around the world, and continues to attract the largest share of global non-ferrous mineral exploration budgets.

Canada's globally recognized expertise has emerged over the course of more than a century. The root of success is its rich mineral endowment and natural capital. However, resource wealth alone is not enough. The transformation of natural capital into improved quality of life for Canadians has arisen through the application of intellectual capital and resourcefulness to all aspects and all stages of the industry. Geoscience investments, regulatory innovation, fiscal policy, infrastructure – in each of these areas, and more, Canadians have found ways to manage their mineral wealth responsibly. The combination of industry expertise, good governance and innovation has helped make Canada an exploration and mining superpower.

World-class discoveries continue to be made and turned into new mines in Canada.

Proof of this is in the rankings. Canada ranks in the top five globally with respect to the production of 14 major minerals and metals (calculated by value of production). Canada is:

- First in potash
- Second in uranium and niobium
- Third in cobalt, aluminum, tungsten and platinum group metals
- Fourth in nickel, salt, sulphur and titanium
- Fifth in diamonds, cadmium and gold

The production of these minerals and metals has generated significant economic benefits for Canadians, including over $10 billion paid to various levels of government in the form of taxes and royalties, and additional billions spent on local businesses during exploration, mine construction and mine operation. Many of these expenditures have involved training for, employment of, and procurement from, Aboriginal or northern people, businesses and communities.

The ability of the industry to sustain these economic benefits is not guaranteed however, as most mines eventually close. Additional mineral deposits must be brought into production to sustain the economic opportunities created by the industry. While there are a number of companies working to bring known mineral deposits into production, many known deposits are not economically viable to mine. New discoveries must constantly be made to replace the pipeline of projects moving into production. Sustaining mineral exploration in Canada must be a critical part of any strategy to sustain the economic benefits generated by the industry.

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CHALLENGES

The industry, which only recently has started to show signs of improvement, is still in the midst of a prolonged downturn in exploration financing that has had a significant impact on the junior exploration sector. Juniors have accounted for the vast majority of new discoveries in Canada over the last decade, so ensuring they have access to capital is crucial for sustaining exploration.

One of the fiscal policy innovations that have helped juniors raise money for high-risk exploration in Canada is the flow-through shares mechanism, which allows juniors to pass on certain exploration expenses to high net-worth individuals. These individuals help to finance exploration in exchange for a reduction of their personal income taxes. This system, which really took off in 1986, catalyzed an explosion in the number of juniors operating in Canada, and exploration expenditures in the country. In addition to helping make Canada a hub for mine equity financing, it also attracted the largest share of global non-ferrous exploration budgets, particularly after the introduction of the federal Mineral Exploration Tax Credit (METC) in 2000.

Canada has since lost its status as the top exploration destination, slipping behind Australia, which has adopted a financing scheme for juniors that is modeled on the flow-through shares system. While there are many factors affecting Canada's attractiveness as an exploration destination some of the key ones include:

- The rising costs of making a discovery in Canada, as companies search for mineral deposits in more remote parts of the country and also at depth. Remote exploration project costs are up to 2.27 times more than non-remote projects, while very remote projects face costs up to six times more, hindering exploration and economic development in these regions. The average depth of discovery in Canada has also risen.
- Increasingly large tracts of prospective land are being withdrawn, reducing the ability of companies to access Canada's vast resource endowment. In Ontario, for example, the provincial government committed to withdrawing 50% of northern Ontario from exploration activity.
- The regulatory system is characterized by increasing levels of uncertainty, including with respect to implementation of the Crown's duty to consult and accommodate Aboriginal people, creating delays in project approvals and increased costs for companies and communities.

OVERCOMING OBSTACLES

Sustaining exploration in Canada is critical to sustaining the economic benefits generated by the industry, as without exploration there can be no discoveries, and without discoveries there can be no producing mines.

To enhance the competitiveness and responsibility of Canada's mineral exploration sector, PDAC has focused its attentions on two top priorities:

1. **Enhance Access to Capital:** Renewing the federal Mineral Exploration Tax Credit (METC) and maintaining the flow-through share system.
2. **Facilitate Access to Land:** Developing strategic investments in infrastructure to unlock the resource potential of remote and northern Canada.

These priorities were given to the Government of Canada in PDAC's recommendations for Federal Budget 2017. PDAC continues to advocate for improvements to Canadian capital markets that allow companies to cost-effectively raise money from a wider range of investors. This includes support for the range of new prospectus exemptions brought forth by various securities regulators over the last few years. These exemptions help to 'democratize' Canada's capital markets by allowing a more diverse array of individuals to invest in grassroots exploration.
PDAC is also working in partnership with regional industry associations across

Canada to ensure that mineral potential is factored into land withdrawal decisions, and to support effective implementation of the Crown's duty to consult Aboriginal people.

PDAC CONVENTION

The work of PDAC culminates at its annual convention in Toronto every March. It has brought the world's minerals industry together for more than 84 years.

The International Convention, Trade Show & Investors Exchange draws thousands of investors, analysts, mining executives, geologists, prospectors, students and government officials from over 100 countries. In 2016, more than 22,000 professionals were in attendance, despite the economic challenges being faced by the industry across the world—a testament to the caliber of the event.

The cutting-edge learning and collaborative opportunities are unmatched by any other event. The Convention offers a Capital Markets Program, Aboriginal Program, a variety of Short Courses and Workshops, Mineral Outlook Luncheon, and Keynote Session. PDAC also hosts the thought-leading Corporate Social Responsibility (CSR) Event Series, addressing issues such as diversity, gender, water, artisanal mining and climate change.

Bringing government, key influencers and decision-makers together means that the latest trends, technologies and challenges affecting our sector are brought to light to ultimately help Canada remain a global leader.

PDAC and the World Economic Forum (WEF) co-hosted the inaugural International Mines Ministers Summit (IMMS) that brought together 16 Mines Ministers from around the world at the PDAC 2016 Convention. Led by Canada's Minister of Natural Resources, the Honourable Jim Carr, the IMMS provided an important setting for the international mining community to discuss and work on resolving issues affecting the industry. In addition, 25 Federal Parliamentarians, six Provincial and Territorial Ministers and two Premiers also attended.

The PDAC 2017 Convention will be held at the Metro Toronto Convention Centre (MTCC) from March 5 to 8. More information is available on the PDAC website: www.pdac.ca/convention.