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NFLD Trip



It was a wonderful day and perfect weather for the ferry ride from Sidney Nova Scotia to Channel-Port aux Basques NFLD. One thing I noticed strange on my first several days of travel in NFLD was all the high voltage electrical transmission lines. They seemed to be numerous and going everywhere although nothing is really there. For the most part NFLD is barren land with only around 550,000 people across the whole province. And NFLD/Labrador is larger than New Brunswick, Nova Scotia and PEI combined, although you could eliminate half of it (Labrador) as there is little development other than resources. About 95% of the people live in NFLD (the island), and has about 25% of the population of the other 3 eastern provinces I mention.

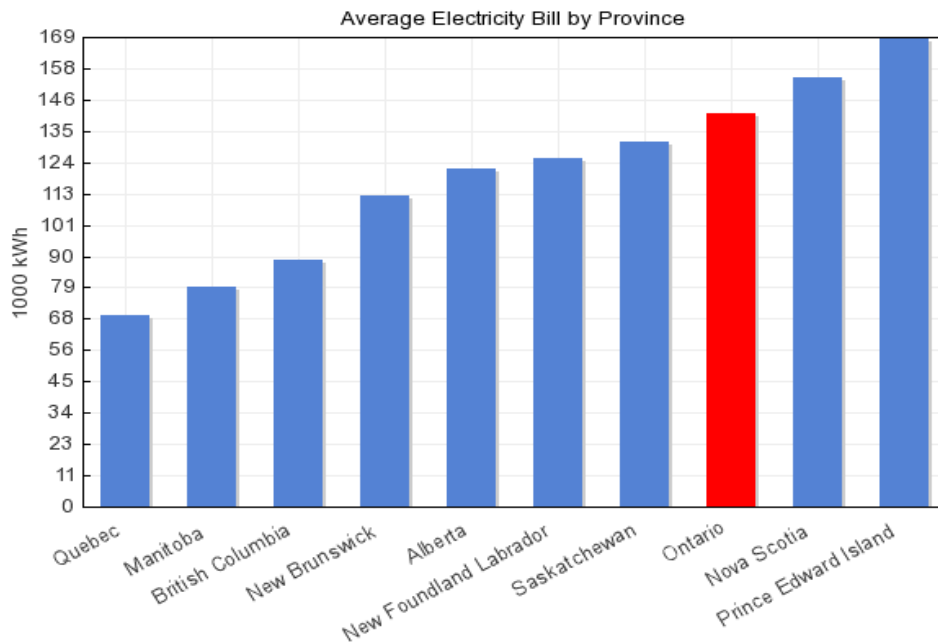
As you know I have a keen interest in energy and alternate energy. I could not help but wonder, where is all this power going in a province where growth is stagnant and the population has been stuck in the 500,000 to 550,000 range for decades.



This is a picture of new transmission lines and towers. The most positive outcome - is this new high voltage transmission line runs through the northern part of Zonte's Cross Hills project. This picture is not from Zonte's property but elsewhere, but it is the same transmission line.

NFLD's electrical boondoggle

Electricity prices are a hot topic in Ontario, but Ontario folk may take some comfort that NFLD will soon join them and probably see rates way higher. Ontario has the 3rd highest rates in Canada and NFLD is about 1 cent/kWh lower.



After several days speaking with locals and seeing local news I learned all the transmission lines were in part about a project called Muskrat Falls. About 3,200 transmission towers were built because the project is far away from where any power is required. In fact all this power is not required in NFLD either.

In NFLD, Hydro is a provincial crown corporation under the umbrella of a company [called Nalcor Energy](#) and is the primary generator of electricity in Newfoundland and Labrador with an installed generating capacity of 1637 MW. In 2008, more than 80 per cent of this energy was clean, hydroelectric generation. Hydro's power generating assets include nine hydroelectric plants, one oil-fired plant, four gas turbines, 25 diesel plants, and thousands of kilometres of transmission and distribution lines.

The diesel plants are small and for remote areas. **For a province with no growth, why would they need a huge new 3000MW hydro generator**, almost twice current capacity. Just considering the first phase at 824 MW is about a 50% increase over current capacity. **The answer: it is not needed.**

Muskrat Falls was sold as a bundle of BS and is probably a bigger boondoggle than the likes we have witnessed in Ontario. Phase One at Muskrat Falls, includes construction of an 824 MW hydroelectric generating facility, over 1,600 km of transmission lines across the province, and the [Maritime Link between Newfoundland and Nova Scotia](#).

[The original Muskrat Falls deal](#) was designed to supply the island with low-cost hydro power to replace power generated at the oil-fired Holyrood power station and sell Emera 20 per cent of the output for use by its Nova Scotia Power subsidiary. The balance was going to be sold to 'lucrative U.S. Power markets'. There is no doubt the original projected cost, between \$5 and \$6 billion was low balled because of either engineering incompetence or political posturing or some of both. The project got the go-ahead during the 2011 election campaign when Stephen Harper, desperate to win seats in the province, promised federal loan guarantees to get the dam and its lengthy transmission system from Labrador to the island and on to Nova Scotia built, despite an unconvincing economic case.

The latest estimate for the project completion is \$12.7 billion, more than double the original. There are estimates between 22 and 24 cents per kWh for the cost of generation. This is about double current rates in NFLD and **no doubt makes this the most expensive large electrical generation in Canada.**

Even Nalcor admits that only 1/3 of Phase one is required in NFLD. To get it to market, NFLD gave one-third of the power generation to Nova Scotia for 35 years, for nothing — other than it is in return for building the (Maritime Link). The remaining one-third was supposed to be sold into the market at a big profit, but energy prices have collapsed in the northeast, and it will be sold for next to nothing. Left holding the bag are Newfoundland electricity users. Power costs are expected to double over the next few years to an extortionate 24 cents per kilowatt hour from about 12 cents. Can you say Puerto Rico?

As a power plant price reference or comparison, in 2015 Duke Energy Progress said that the final cost of its 625-MW Sutton combined-cycle project near Wilmington, North Carolina, was US\$551 million. Of course NFLD has little natural gas at this time.

Now to throw in my 2 cents on what should have been done for fractions of the cost is actually very simple. **NFLD has the best and strongest wind resource in North America, yet there are very few wind mills.** I did see three turbines and apparently there is two wind farms.

The problem is that Nalcor does not allow power inter connections to the grid.

Instead of almost \$13 billion, a better/cheaper solution could have been done for \$1 to \$3 billion.

NFLD only needed 1/3, at most of the 824MW or about 275MW. All they had to do was change regulations for interconnects and set some development regulations for wind power. Wind companies would submit plans and develop projects at no cost to Nalcor or NFLD. **That is right zero cost.** They would only require a 20 year Power Purchase agreement from Nalcor to get project financing and build the farms. There is already so much power transmission across the province, wind farms could have easily been built close to existing transmission. **The wind is strong practically everywhere in the province.**

If we consider 20 wind mills per farm at 1.5MW each that is 30MW. They could build 10 to 20 farms for 300 to 600MW. Given winds intermittent 15 to 20 farms would be more than enough. I would bet that the capacity factor for wind in the province is 50% or better, there would be no wind very few days on the province because they have shoreline facing all four directions.

The \$3 billion interlink to Nova Scotia was a good idea. With strong wind across the province, excess could be sold to Nova Scotia and if there ever was a shortage, power could be purchased from Nova Scotia. The link would improve grid management. Probably a 50/50 deal could have been struck on the link because Nova Scotia would know that it was not a necessity if there was no Muskrat Falls. If we consider that NFLD funded 100% of the link at \$3 billion it would be the only capital outlay and Nova Scotia would be paying for power instead of getting it for nothing.

Furthermore they could do wind and feasibility studies at the remote diesel sites and I bet if it reduced diesel consumption 50% it would be a cost savings to install wind.

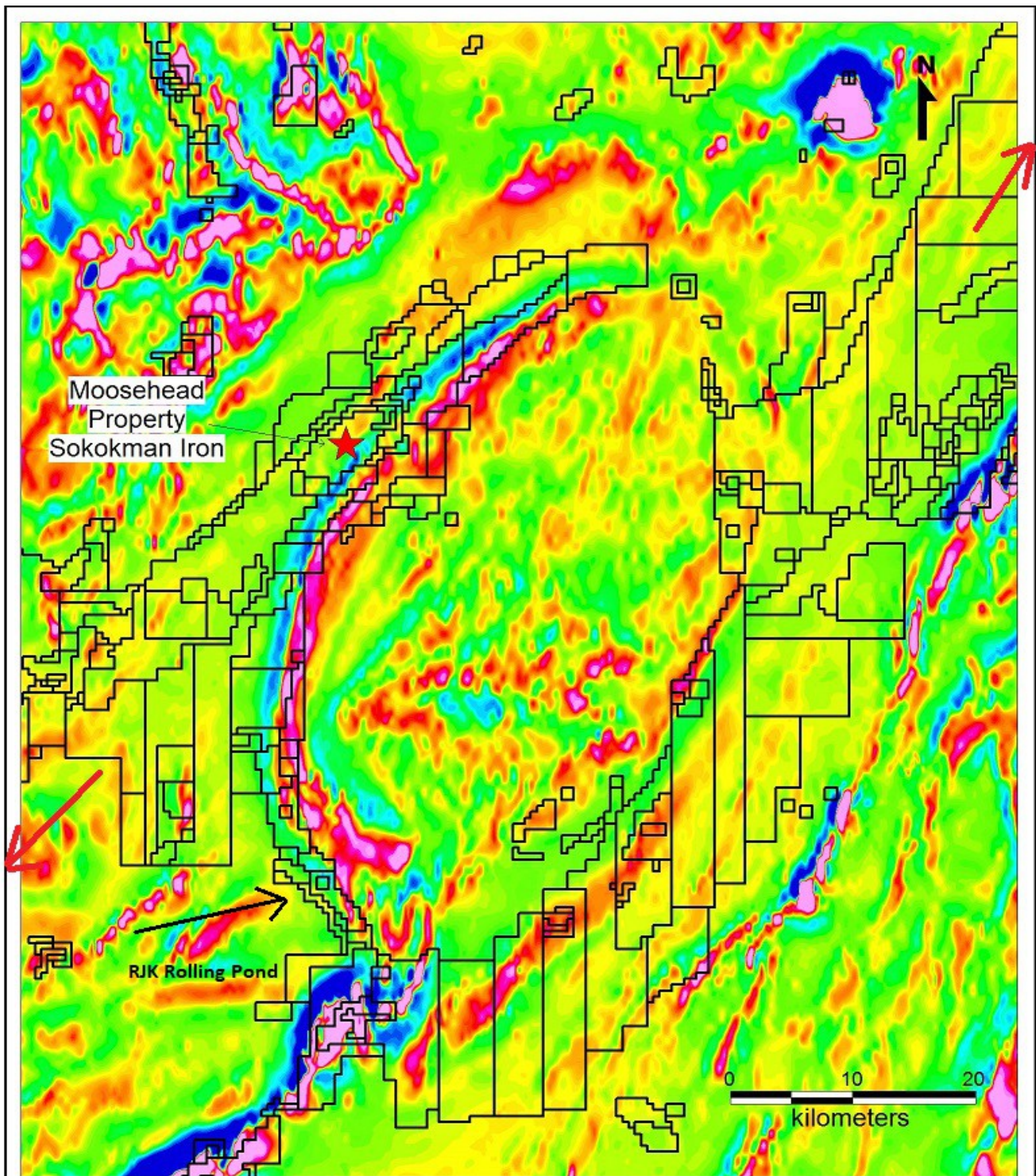
With the strong wind resource in NFLD, currently wind power could easily be produced profitably at 7 or 8 cents per kWh. Back in 2011 when Muskrat Falls was approved wind would have cost about 10 to 11 cents per kWh to build. Less than half the price of Muskrat Falls and fractions of the capital outlay. NFLD also has an enormous amount of rivers and strong streams that are close to transmission lines. With open interconnect to the grid, alternate energy companies would have likely applied to build many run of river small hydro generation. Another cheap source of power.

Muskrat Falls has actually become cheap power for Nova Scotia at NFLD's expense. What a win for Nova Scotia. Think of it. NFLD agreed, if you (Nova Scotia) connect to our grid, we will give you 1/3 of Muskrat Falls power free for 35 years. Since there is no market for the rest of Muskrat Falls power, Nova Scotia is going to get another 1/3 at [market prices](#) of 3 or 4 cents per kWh. **In essence, Nova Scotia will be getting 2/3 of Muskrat Falls power for a few pennies or less/kWh while the cost to NFLD will be 22 to 24 cents/kWh. What a boondoggle, I think this could beat out Ontario.**

This is very sad for a province already saddled with huge taxes. [Provincial fuel taxes](#) are more than double almost anywhere else in Canada. Practically everything costs 10% to 25% more because it has to be shipped to NFLD by Sea as not much is produced there. However, the beautiful scenery and laid back way of life is free.

I love NFLD and the people there are second to none. Mining discoveries and new mines would be very well received as the jobs are badly needed and the extra revenues to government coffers from the additional tax base is badly needed also.

That said, lets get into the mining mania that is gripping the province. The best explanation is the graphic on the next page.



The circular structure outlined by the air magnetic in red is the intrusive outlining epithermal vein activity. Practically all the ground is now staked around this and on the epithermal trend that continues to the Northeast indicated by the red arrow towards Zonte's Wings project and the arrow to the Southwest towards Marathon's Valentine project.

I found most of the projects there are early stage and private. There is a good private project that will soon be vended into a public company and I believe that one will be a good one to jump on. It is advanced and drill ready. As soon a news is out on that acquisition I will send out an alert. RJK Exploration acquired it.

Sokoman TSXV:SIC
Entry Price - \$0.23

Recent Price \$0.17
Opinion – sold at average of \$0.38

I was looking forward to visit the Sokoman project to gain a better understanding. However, when I spoke with the CEO, he came across quite unusual. He was not interested in me visiting the project, I was told there was nothing going on until September, there was nothing to see and there was no outcrops. Although their presentation and news releases say other wise. I spoke with him a day after I commented about their misleading news release and I would be surprised if SIC saw that, perhaps they did. A site visit would be an opportunity for a better understanding of the project - who turns down free newsletter coverage?

Something smells here and it is not good. Misleading drill news that hyped about a 11.9 metre intersect when it was only 1.35 metres. There has been trenching, 111 drill holes and no resource yet. I think their drill hit was simple luck. For now I will still follow it and let the chart and/or the next drill results make my decision on what to do next. We took profits out twice at higher prices and sold the remaining position in the high \$0.20s so I will use an average of \$0.38 as the selling price.

This is how to calculate the grades outside the 1.35 metre high grade intersect. First find the total grams over the long intersect. $44.96 \times 11.90 = 535.02 \text{ g/t}$

Next the high grade portion $385.85 \times 1.35 = 520.90 \text{ g/t}$

Next, subtract the two gram numbers and average over the outside portion of the high grade intersect which is $11.90 - 1.35 = 10.55 \text{ metres}$

$535.02 - 520.90 = 14.12 \text{ g/t}$ So $14.12 \text{ g/t} / 10.55 \text{ M} = 1.34 \text{ g/t}$ over 10.55 metres

This 1.34 g/t would not be economic in an underground mining scenario and that is what we are looking at here, because it is under a lake. Really there is no long intersect. The real result is 385.85 g/t over 1.35 metres and this is high grade but a narrow intersect and most likely a lucky hit on that vein.



In my update to sell a couple weeks back, I noted the stock will probably move down and continue to fill the gap from \$0.24 to \$0.42. It actually went lower and shows signs that it might be consolidating between 15 and 20 cents. I will wait for next drill results before I decided whether to jump back in or not.

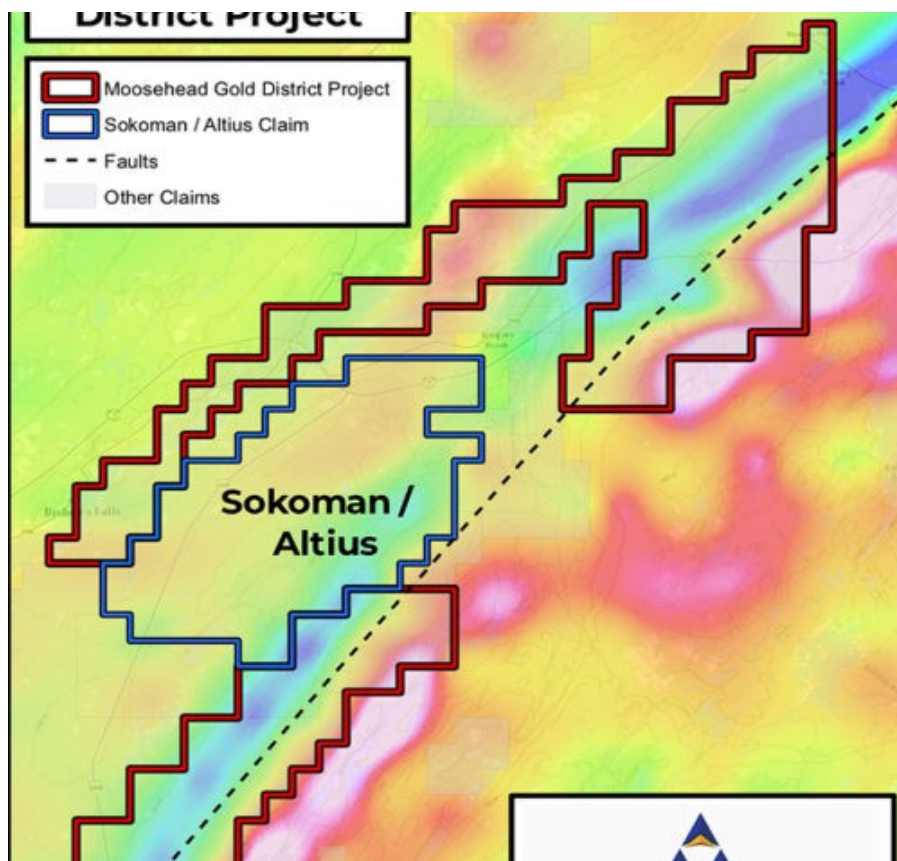
RJK Exploration
Entry Price \$0.19

TSXV:RJX.A

Recent Price \$0.17

Opinion – sold at \$0.19, buy back under 15 cents

RJK announced their acquisition of their MGD project just as I was leaving for NFLD and I did not have a chance to arrange a visit, there was probably nothing going on anyway so soon after acquiring it. I have a feeling I will be back to NFLD soon so will try a site visit then. This map gives a good idea of where RJK's project is and location relative to SIC. In that regard the location is awesome.



The MGD project is located within a northeast-trending belt of Silurian volcanic, volcanoclastic and sediment rocks. The project has considerable coverage of the large regional fault structure located in the area. The MGD project consists of approximately 12,896 acres (5,200 hectares).

RJK paid quite a bit for this and a 20 million share financing is quite dilutive. The good news is that Spratt and Palisades came into financing. The stock jumped higher and quickly, so often you see a correction back to the gap, weakness down to around 11 cents was no surprise.

What really interests me about RJK is their 2nd acquisition, Rolling Pond announced last week. The Rolling Pond property consists of 3,550 hectares of highly prospective ground containing a large epithermal system within a structural corridor that extends for a distance of eight kilometres. Historical exploration work performed by Altius Minerals Corp. in 1998 included prospecting, mapping, ground induced polarization/resistivity and high-resolution airborne magnetometer surveying. The results of this work successfully delineated a high-level sinter zone over a strike length of 1,100 metres with an approximate width of 50 metres to 60 metres along a small portion of the structural corridor. A follow-up, five-hole program not only confirmed the presence of the epithermal system at depth, but also successfully identified the presence of the boiling zone, as defined by the presence of bladed calcite and lattice textures.

It was also noted that gold and base metal values increased at depth in the system and additional deeper

drilling was recommended. Boiling zones are of significant importance in epithermal systems as they indicate the proximal locality for precipitation of gold-bearing fluids. RJK has applied for exploration and drilling permits with the intention of using the historical high-resolution airborne magnetics and induced polarization/resistivity surveys, along with the drilling data from historical drilling, to test the system below the boiling zone. A 3-D analysis of the historical drill data is currently in progress and field crews have been mobilized to site to begin preparatory work.

RJK can earn a 100-per-cent interest in the Rolling Pond property by paying \$50,000 cash and 350,000 shares on signing; and \$50,000 and 350,000 shares on the first, second and third anniversaries of the agreement. The property is subject to a 2-per-cent net smelter return royalty, with the ability to buy back 1 per cent for \$1-million at any time.

I went over this property with Dean Fraser and like the potential much more than what they have around Sokoman, mainly because Rolling Pond is more advanced and we will soon see some drilling. **I marked the Rolling Pond property on the regional map I used proceeding Sokoman.**



We did well selling around \$0.20 and the stock came back down and started filling the gap between 8 and 15 cents. It has been trading thin since that bottom at 11 cents. I would try bids under 15 cents to buy back positions.

The issue with all these projects around Sokoman is that they are epithermal vein systems and one has to do a lot of drilling to find the veins and see if they carry any good grades. Once orientation, strike and depth of the veins is determined, then infill drilling has to be done to prove resources. Often these veins have to be drilled on 25 foot centres. Your looking at a lot of drilling and if it is down deeper, even more costly. These can be very worth while if you have high grades, but as in the case of Sokoman, 111 drill holes and no resource yet.

Zonte is exploring a much different target at Cross hills, a bulk tonnage Iron Oxide Copper Gold (IOGC) system. White Metals is also exploring a different type of system.

While Sokoman news brought a lot of attention to NFLD, perhaps the best is yet to come. Wait until Zonte makes a discovery at Cross Hills this year and the staking rush will go into an even higher gear.

Zonte Metals **TSXV:ZON** **Recent Price \$0.30**
Entry Price \$0.15 **Opinion – strong buy**

I met with Terry Christopher and Dean Fraser the night before we were going to head out to the project. Both are a wealth of knowledge, Terry with two discoveries under his belt and a native of Eastern Canada and Dean a native of NFLD has also participated in large discoveries. I met Dean many years ago when he worked with another company and he is an intense, hard working geologist and an expert geophysicist. Both Terry and Dean have a hard work ethic and work well together. Earlier in the summer Bill Carson, a prospector, also aided in the systematic exploration on parts of the property.

A key to understanding these IOGC systems is the magnetite which is really the iron oxide that carries the other metals like Copper, Gold and Silver. It is very easy to identify with a magnet and when I tested this sample the magnetic pull was strong. You can also do this in the field and keep in mind that the iron adds value to an IOGC system, but usually the copper is the key metal.



I spent the next day investigating Zonte's Cross Hills project and my timing was very fortunate. Christopher and his team have been working relentless and meticulously, since the beginning of January over turning every rock and running high resolution ground magnetic surveys on this large project. It has paid off big time as the previous press releases have identified numerous large targets. Many of which Zonte has yet to field check and others such as Dunns Mountain and K6 have delivered copper coincident with the large magnetic targets. Since early July they expanded the land position significantly to 123.25 square kms. and have submitted numerous samples to the assay labs..

It appears, through their meticulous process culminating in these past several weeks, Zonte has figured out the controls of the system, orientation of known anomalies and how they tie together in an IOGC system. With this knowledge they have been revisiting anomalies. There is very little experience in Canada on these systems, but Zonte does have some outside consultation. Previously they found little copper out cropping because surface rock was very weathered. Unravelling the alteration pattern, geologic setting and system controls at Cross Hills, they discovered where and what rock types and surface features to look for. At one target I visited with the Company I was able to observe surface copper showings throughout the anomaly and it appears the company has not sampled many of them, which is upcoming when assays are received.

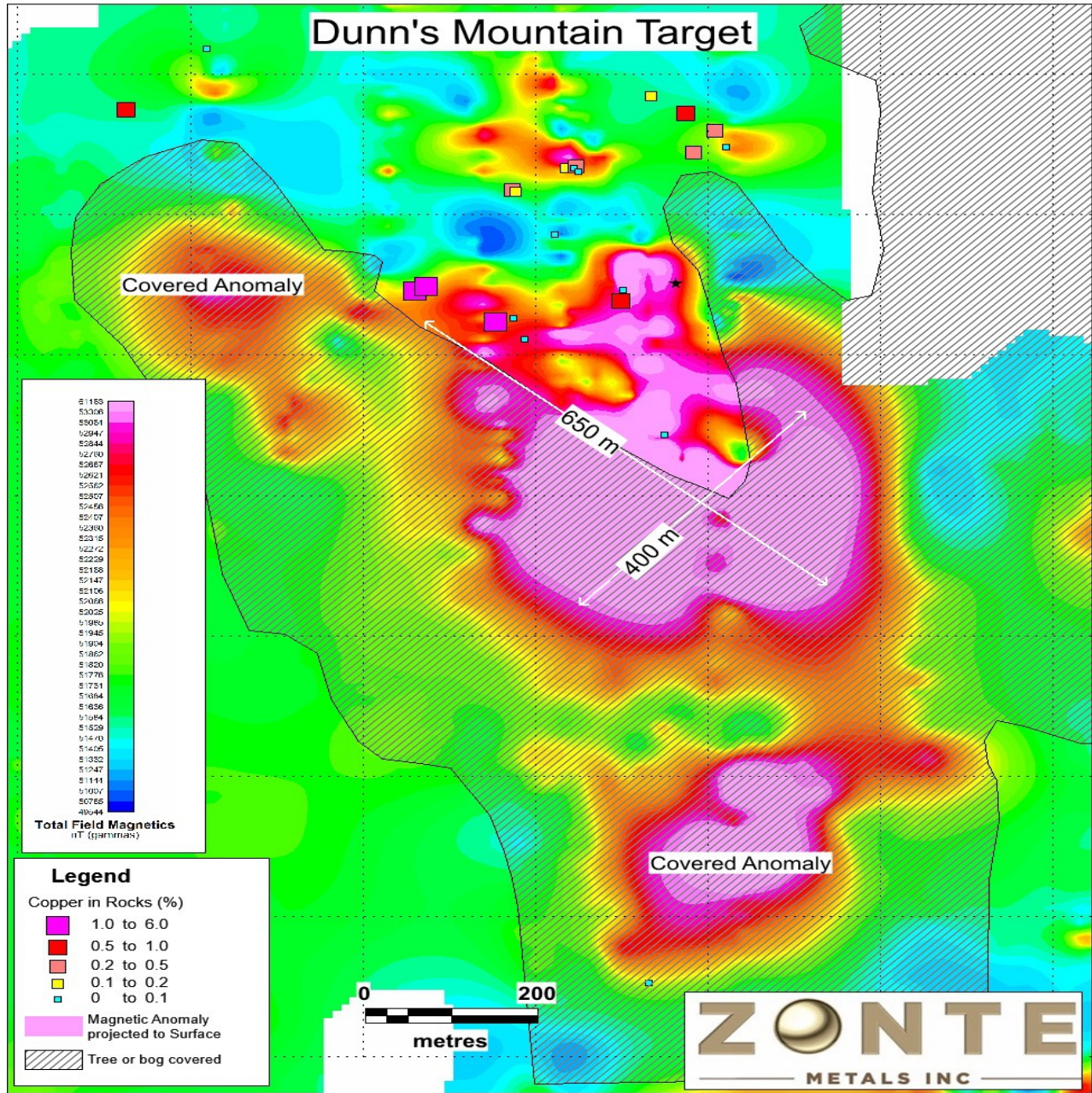
The pic below is an example of a magnetite vein on top of the Dunns Mountain anomaly. The colour does not show well in this picture, but the vein is about as wide as the pen on each side - what looks blueish in colour is actually green, indicating copper.



With IOGC systems you have the main massive/breccia ore body down deep with mineral pulses creating veins above it and above the veins the disseminated mineralization. It is very rare to find the veining exposed as indicated above - most cases they are buried and you find the disseminated at best. Most anomalies in these systems are often blind or drilled in very little more than alteration. At the Cross Hills project copper mineralization is found at surface and at Dunns Mountain as veining throughout the target area.

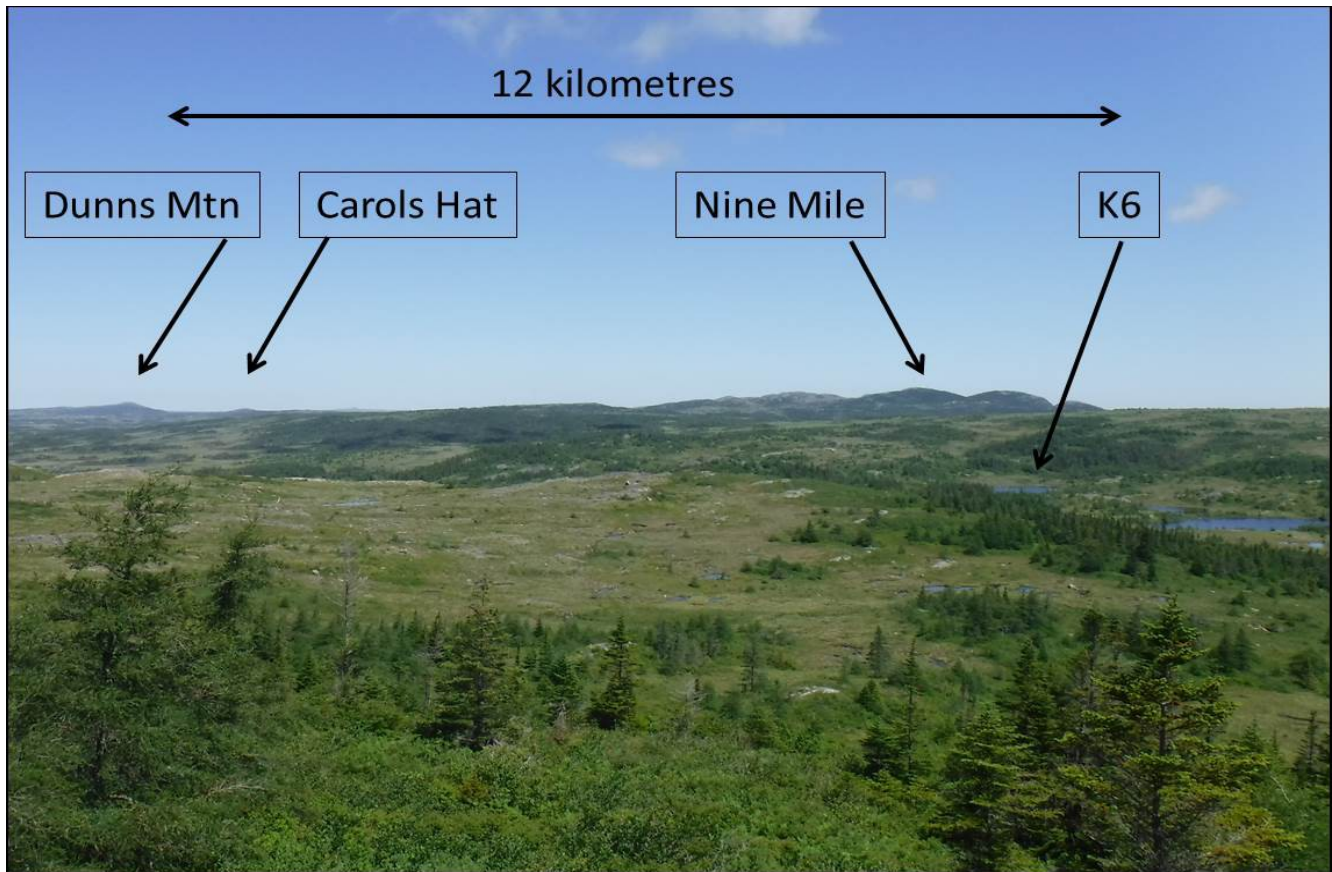
It pays to do all the long, detailed and hard work and Hats off to the Zonte team in doing this and putting this puzzle together.

As I mentioned the iron oxide is key and this is what Zonte's magnetic surveys have been identifying. This is the Dunn's target and it shows the magnetite as very intense just 50 to 100 meters below surface. When you have magnetite veins running copper above this, there is little doubt the magnetic anomaly carries stronger copper values. The only question is what grades and what lengths of mineralization will be revealed by the drills.



Zonte is planning more sampling, tightening up the magnetic surveys and they might run IP surveys to help pin point drill targets.

The picture next page is from Zonte, is better than the one I took and from a distance and shows Dunn's Mountain, K6, Nine Mile and Carols Hat anomaly positions. It points out how vast the project is and that it might contain more than one deposit.



After seeing this all for myself and going over all the geology and data with Terry Christopher, I am convinced this will be a major discovery.

Here is a little background on IOGC and what public info we know on Cross Hills so far. Most often IOGC systems are large, hosting billions of pounds of copper and millions of ounces Gold with Iron. Zonte's magnetic anomalies show up very large and strong. Typically you will see long intersects (100s of metres) of mineralization in these systems and they are large open pit operations. Grades can vary.

A description [at investing news on copper](#) "IOGC ore bodies range from around 10 million tonnes of contained ore, to 4,000 million tonnes or more, and have a grade of between 0.2 percent to 5 percent copper, with gold contents ranging from 0.1 to 3+ grams per tonne. The tremendous size, relatively simple metallurgy and relatively high grade **IOGC deposits can produce extremely profitable mines.**" And that is why Zonte is focused on Cross Hills.

The advantage Zonte has is their location and infrastructure. There is paved road access to the project and a major high voltage transmission line was put through the northern area of the project last year. Access to Atlantic sea port is only about one hour away. This means a lower grade project could be economic. I am not saying this will be lower grade. At this point we don't know and don't have a deposit yet.

Just before putting this out Zonte released news Monday. They increased the land position significantly from 81.75 to 123.35 square kilometres after identifying controls of the mineralization. Christopher commented that they will advance drill targets with about a month of additional work. Therefore it sounds like it will be drill ready later in October.



I often commented that the stock would fill the gap between \$0.25 to \$0.32 or so and has now done that. It may continue to trade there longer, just no way to be certain. On the topic of gaps, we also have a break away gap from 18 cents to 25 cents. They are identified with higher volume and we can see that higher volume. The good news is, these break away gaps often repeat themselves a few times. For example, with Garibaldi TSXV:GGI last year, it had 4 gaps. The first from around 25 cents to 60 cents, the 2nd gap \$0.80 to \$1.50, the 3rd one \$2.00 to \$3.60 and a 4th from \$3.75 to \$4.75.

White Metal Resources

TSXV:WHM

Recent Price \$0.13

In some cases timing did not work out well. In August many were on holidays and with the bear market on the TSXV, many juniors have little funds to do any work. I headed up the peninsula to St. Anthony, probably the most beautiful part of NFLD. I believe I found WHM's property but there was a very thick fog that day, even though the forecast was sunshine. We also planned to go whale watching and the fog usually lifts by the afternoon, but not that day. I waited to 5PM and the thick blanket of fog persisted, but when leaving, just 5 to 10 kms down the highway there was no fog, unbelievable.



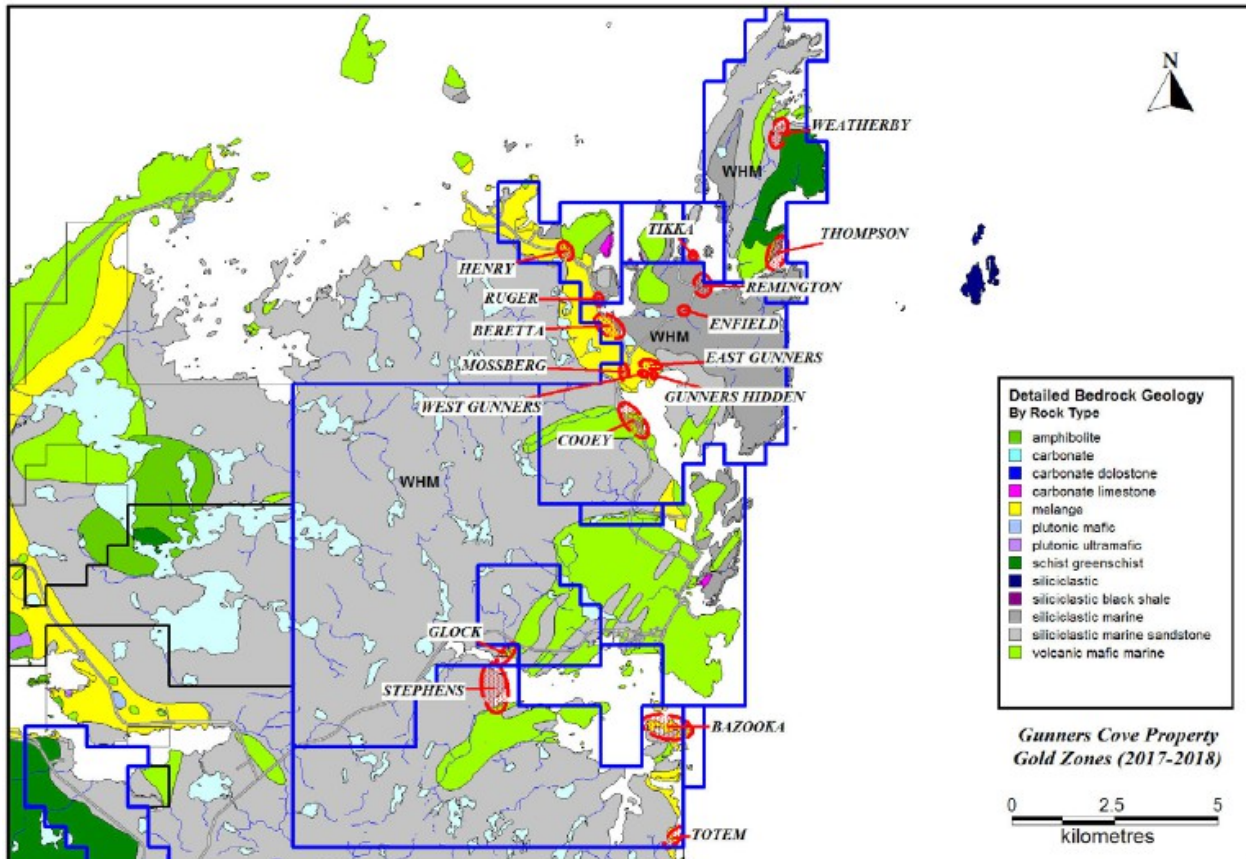
The pic above is the lighthouse and you should see the ocean behind it, but it was all fog and that dam fog horn went off about every 3 minutes. It was no use taking any pictures so I used this pic from WHM's presentation. WHM's Gunners Cove project looks quite interesting and I have known their Geo, Dr. Scott Jobin Bevans for many years. White Metal's announced a financing Sept. 5th and have begun an important channel sampling program on seven priority targets at its Gunners Cove gold property. To date, 120 channel samples have been submitted to Eastern Analytical Laboratories in Springdale, Nfld., and a further 300 samples are expected to be taken in the coming weeks.

CHANNEL SAMPLING: BAZOOKA ZONE

White Metal Resources



The Gunners Cove gold project is a new unexplored gold system that has now been traced intermittently for 18 kilometres along strike (north-south) and from 1.3 kilometres to three kilometres in width (east-west). It is quite a large project at 59,402 hectares and has good road access.



It has some similarity to Zonte's Wing's project because it is sedimentary based and in WHM's case Gold is hosted in black shales. This is much different than the Sokoman area focused on veins. To date, 15 new areas of gold mineralization have been discovered of which, seven have been identified as high-priority targets. The seven priority targets that will be channel sampled include the Thompson zone, the East and West Gunners pit (discovery pit) and the Hidden pit, which is also located in the Gunners pit area. Also included in the program are the Stephens zone, the Totem zone and the Bazooka zone . Grab samples taken across strike at the Bazooka zone area yielded anomalous gold concentrations over 1,000 metres across strike.

Technical personnel for the company have designed the channel sampling program as the best way to properly evaluate the gold tenure and continuity on the various gold zones, as well as assist in the delineation of targets for a future diamond drilling program.

Since the initial gold discovery in September, 2017, the company has had excellent success, not only in making new discoveries, but extending the area of gold mineralization substantially at the Gunners Cove gold project.

Anomalous and moderate-grade gold assays are associated with 2 per cent to 10 per cent pyrite nodules, discontinuous stringers, fragments and cubic crystals. The gold zones are hosted in a geological distinctive unit of chaotic, multilithic breccia with a predominately graphitic and mudstone matrix. This unit is associated with regional thrust faulting and referred to as a melange. Anomalous silver, copper and molybdenum are also associated with the gold mineralization.

I am going to look at this in some more detail and wait for channel sample results before deciding on whether to buy the stock. On the chart, there is resistance around 15 to 17 cents and higher around 23 cents. Support is around 8 to 11 cents and it appears it will probably trade between 10 and 15 cents ahead of channel sample results.



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