



Know when to hold-em!
 Know when to fold-em!
 Know where to set stops!
 Know when to run!
 Never count your portfolio
 Until the sells are done..

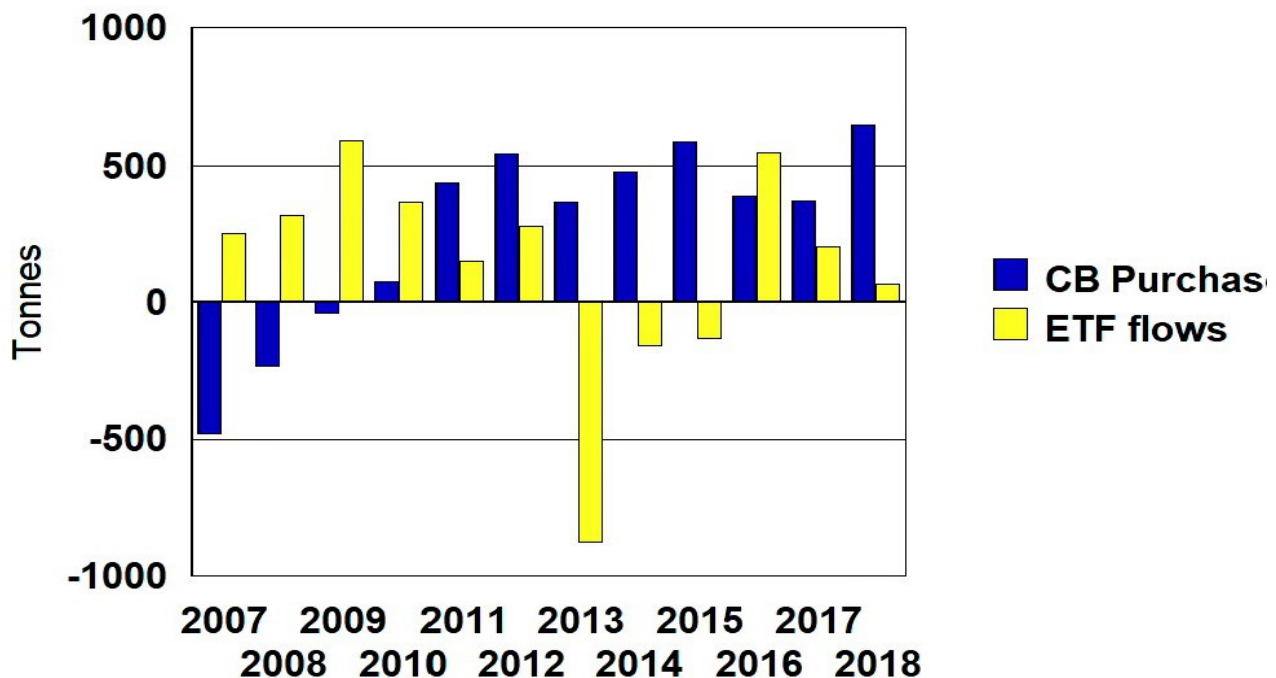
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Gold bugs have been harping for years that inflation is coming, a debt crisis is near and that gold will go a lot higher. Investors have not paid much heed but the gold bugs can take solace that the Central Banks (CBs) have listened. In fact CBs have been buying up large amounts of gold since the 2008 crisis. While at the same time, the message that banks and the Fed etc. portray to the public is that gold is a relic and push their stocks, bonds and fiat currency. According to the World Gold Council, central banks added the highest level of gold reserves in 2018 in over 50 years.

Central Bank & ETF Flows



I saw a recent warning, “get out of cash now” and I bet the suggestion was to buy gold. That is what CBs did in record fashion in 2018 and are no doubt continuing in 2019. I now know why CBs bought more gold in 2018 than ever before. **On March 29, 2019 a very significant change was made to the world banking system and of course it was swept under the carpet and kept very quiet.**

The BIS, the central bank of central banks moved gold up from a tier three asset to a tier one. As a tier three, only 50% of it's value could be considered an asset on the banks balance sheet, now as tier one it is 100%. In effect a world wide QE took effect.

The World Gold Council estimated the top 40 CBs and/or governments held 31,721 tonnes of gold in September 2017. Add in the purchases for the rest of 2017 and the over 600 tonnes in 2018, plus a few small CBs and we can easily come up with 33,000 tonnes, which is about 1.163 billion ounces worth about \$1.5 trillion at \$1,300 per ounce. In effect CB balance sheets increased about \$0.75 trillion. Not a huge amount when you consider the Fed still has about \$3.8 trillion of bonds on their books.

What is more important is that the favourable status for CBs to buy and hold fiat currencies and sovereign debt over gold is gone. Furthermore, any increase in the value of gold helps the CBs balance sheet. Of course, only gold bugs have been talking about the change and you can [read some more here](#).

It has been disappointing for gold bulls that the price has been whacked down in the past few weeks. I say whacked because two or three times this month large sell orders were executed over a few minutes when liquidity was low. I show two examples here where large sell orders were executed at 7:30AM New York time. It is obvious these were not executed to get the best price but to drive the market lower. And once again today gold is being knocked down lower at 6 to 6:30AM.



This trading action happens often and you need to understand why it is actually bullish. We often see this action around option expiry so it effects the settlement price of options to someone's advantage. The most important factor is that I believe large physical buyers such as the Central Banks mentioned above are trying to build large physical positions in gold and of course at the cheapest price they can.

[Venezuela removed 8 tonnes](#) of gold from it's faults in early April and it was expected to hit the market so buyers maybe wanted a better price. It is not very much in the scheme of things compared to just one CB buyer, but it makes for negative press that can help drive the market lower. The Reserve Bank of India bought 42 tons last year and is expected to buy 46.7 tons in 2019 [according to Howie Lee](#), an economist at Oversea-Chinese Banking Corp., report by Bloomberg.

The key point is that these price corrections or take downs will be shallow and only be a blink on the yearly chart as you can see in the above samples. The bias is upward and I expect we will be back over \$1300 soon and making new year highs in 2019. **Regardless \$1250 or \$1300 are great prices for juniors making discoveries and producers with their costs under control.**

An example of a junior that could make a big high grade discovery is Providence Mining.

This is an unknown golden gem I was introduced to at the PDAC this year. It is very rare and I am amazed that such a high grade easy to explore multi-million ounce opportunity exists in North America today after decades of modern exploration. As is the case with these most of the time, some old prospector or family held the claims for many decades and circumstances changed. See summary for details but before we get there, please read on.

This penny stock is a must in every speculative portfolio.

You must understand the history of Providence Gold Mines to appreciate the strong potential. I show this in detail below. Here are the basic investment highlights:

- Tight share structure, 35.8M outstanding and well held;
- Experienced management with many past discoveries;
- Patented mining claims, no drill permit required;
- Strong infrastructure and located in active mining district;
- 225,000 oz. gold recovered from 1894 to 1916, grading up to 15 oz. per ton;
- Just one major stope mined, the rest is virtually untouched;
- Rare high grade gold potential in North America;
- Initial work completed, moving to first ever drill program.

[Providence Gold Mines](#) TSXV:PHD

Shares outstanding 35,835,051

52 week trading range \$0.06 to \$0.18

Management

Ronald Allan Coombes President & CEO & Director has been involved in mineral exploration and junior exploration company management for over 20 years and has raised significant funding in North America and internationally for various projects, including the Storie molybdenum deposit near Cassiar in northern British Columbia. Mr. Coombes has been responsible for the acquisition, exploration and development of several potentially significant VMS copper targets at the Marshall Lake and Norton Lake properties located in Ontario, Canada, and as well on numerous other exploration properties in Canada, USA and Mexico working closely with all levels of management and personnel. He is currently a director of Lincoln Mining Corp. which is developing the Ora Cruz and Pine Grove Gold bearing properties in California and Nevada.

Rodger Young, Director, has extensive international financial experience with some of his past attributes, including administrateur delegue of a family office in Monaco, president of an international group of lawyers based in Lausanne, Switzerland, with offices in London, United Kingdom, Ireland, Luxembourg, Netherlands, West Indies, and associate offices in Cyprus with relationships in other jurisdictions. Mr. Young has many years of experience in the natural resources sector as president of a natural resource fund based in Toronto with net asset value in excess of \$4.6-billion. He was director of various other entities based in London, U.K., with primary activities involved in the raising of finance, administration and subsequent development within both the mining sector and commercial property generally.

David Eaton, Chairman, Baron Canada' has been involved the capital markets since 1981, starting as a floor trader at the Vancouver Stock Exchange. His experience and involvement in businesses spans many industries including real estate, mining, tourism, retail, manufacturing and marketing and distribution. Mr. Eaton also serves as CEO of Jayden Resources Inc. and has served as a Director or consultant to many Canadian public companies. Since 2007 he has been Chairman at Baron Global Financial Canada Ltd.. Baron Global Financial Canada Ltd. provides merchant banking services in the areas of financing, transaction planning, corporate transactions, public listings and ongoing public company management.

Tom Kennedy, Director, B.Comm., J.D., is a graduate of the University of British Columbia. After an initial career with the Federal Department of Justice, Mr. Kennedy has primarily focused as a legal, financial and business consultant to publicly traded companies. Mr. Kennedy is a Director and /or Officer of several TSX-V and CSE publicly traded companies.

Property

The Providence Group of Mines are located in the Summerville Mining District, Tuolumne County, California, upon the eastern belt of the "Mother Lode" District. Within this belt are a number of the well-known, rich producing mines of California. These mines are located via passable all weather roads three miles east of the town of Tuolumne about 12 miles east of Sonora, California.

MOTHER LODE DISTRICT GOLD BELT



Mineralization: The veins of the Providence Mines are in black slates, lying parallel with each other at an angle of about 45 degrees, dipping toward the east. The strike of the veins is from south east to north-west. The formation contains intermediate porphyry dykes and limestone. The mineralized bodies are often found along these contacts. The mineralization bodies form high grade shoots or lenses at varying distances along the veins. These lenses or shoots of mineralization have been opened up on various levels of the mine and a large amount of historic ore extracted.

History

Historic production, to depth, East and West Belt:

- Buchanan Mine 500 feet 225,000 oz./au ;
- Soulsby Mine 700 feet 400,000 oz./au;
- Confidence Mine 1,400 feet 350,000 oz./au;
- Black Oak Mine 2,000 feet 200,000 oz./au;
- United Mines (Dead Horse/New Albany) 2,100 feet 575,000 oz./au;
- Carson Hill Mine 3,000 feet 1,300,000 oz./au;
- Keystone Mine** 2,600 feet 1,200,000 oz./au;
- Central Eureka Mine 4,855 feet 1,800,000 oz./au;
- Argonaut Mine 5,570 feet 1,000,000 oz./au;
- Kennedy Mine 5,912 feet 1,500,000 oz./au;

HISTORY



- 1894 – Providence mine opened.
- 1916 – Shut down in the midst of active and profitable operations & lower four levels allowed to flood. Lower levels never reopened.
- 1918 – Forest fire destroyed the surface workings of Providence Mine and Mill as well as all operation records.
- **UNTOUCHED FOR 100 YEARS**

The Providence Group of Mines has been historically identified and described as having similarities to many of the great mines within the “Mother Lode” gold district. The Providence Mines are known to have mined ore shoots with reported production of 30,000 to 50,000 ounces of gold within individual stopes with grades reported to **average greater than 1.0 oz. / ton**. From 1894 to 1916 there was 225,000 oz. gold recovered. Single chambers in mine reportedly produced up to 30,000 oz. of gold grading 15oz. per ton.

Mining did not stop because of no more ore, but for economic reasons. I have little doubt that there is still lots of multi ounce per ton ore on the extension of the main providence mine where mining stopped. There is also other veins on the property that were only mined down to 100 to 200 feet and no doubt there is a lot more at depth.

Providence used a vary modern tool to precisely map the shape and orientation of all the past underground workings, called 3D terrestrial laser scanning technology.

Tim Daly of Aero Geometrics of Vancouver, BC states: EXPLORATION POTENTIAL “Aero Geometrics Ltd. would like to thank Ron Coombes and Providence Gold Mines for the opportunity to work together on the project at the Providence Mine. To benefit from the knowledge discovered by the 3D terrestrial laser scanning technology shows wisdom on your proactive state of the art approach. This technology allows the visualization of highly accurate 3D data to the tune of 300 billion points and is definitely going to bring new life to the historical work done to date. This road map of data can be described as the MRI of the earth, a beautiful picture that tells the whole story and eliminates the guess work. Companies that have existing underground operations who do not have this type of scanned data are behind the times.

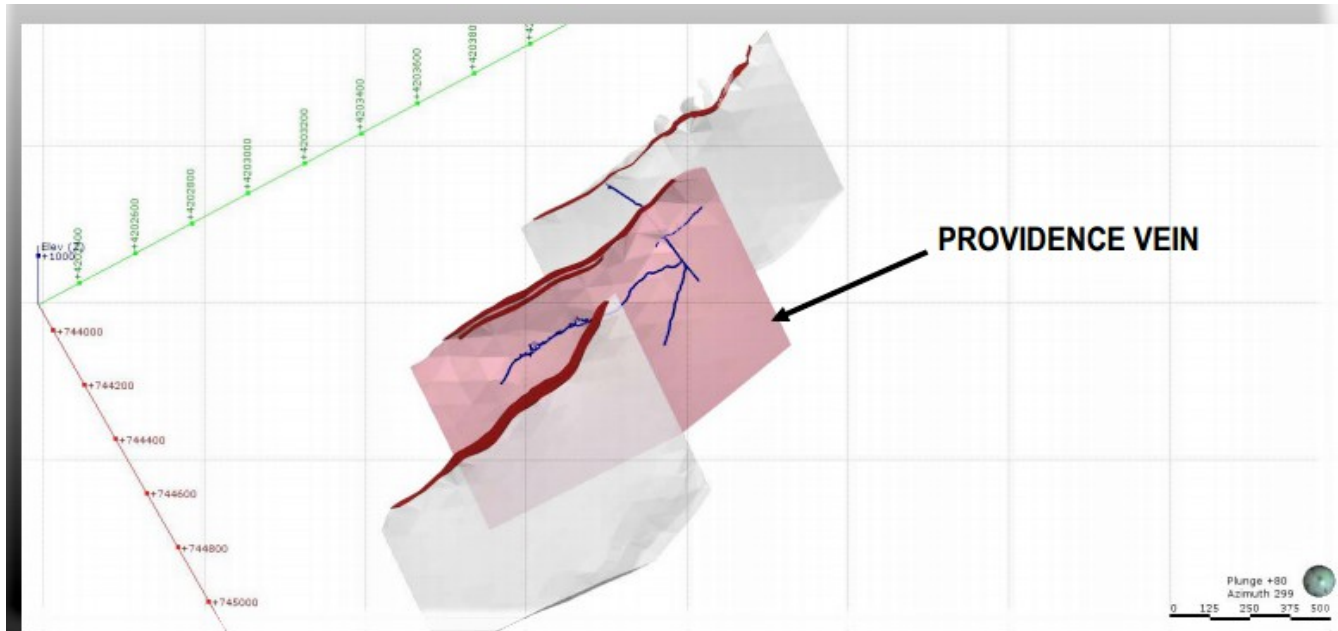
3D TERRESTRIAL LASER SCAN

PROVIDENCE
GOLD MINES INC



Historic Development: A double compartment shaft was sunk to a depth of 1470 ft. along the dip of the vein. Twelve drifts were run north and south of the shaft on twelve different levels. The number 12 level being about 1400 feet from the mouth of the shaft. From different levels, crosscuts were run east or west to develop and exploit parallel mineralized shoots found in parallel veins. Some of these mineralized shoots and veins have been stoped out. In others the mineralization is still reported to remain in place. Good potential remains unknown at depth and along strike.

This next graphic is a model of known vein profiles. I am sure exploration will extend these veins and probably find others.



Providence can earn 50% by completing C\$250,000 year one (completed), spending C\$750,000 in year two and C\$1 million in year three. The remaining 50% can be bought for \$5 million. There is a 2.5% royalty and 1% can be bought back for \$1 million. This is a very good structured deal as Providence will be able to do enough exploration to determine and be sure it is worth buying the remaining 50%.

Permitting a gold mine in California is similar to Nevada and Arizona, however, the following factors will give Providence Gold Mines a lot of help with permitting:

- Private Lands (Patent Claims) = Past producing gold mines.
- Project is relatively remote from nearby population.
- Aggregate mine (Old Carson Hill Gold Mine) in operation 10 miles away, (can be seen from the Highway) permitted until 2030.
- Nearest towns: Emolument and Sonora welcome mining employment opportunities.
- The lessor, Mr. Richard Ellers is a semi-retired lawyer who worked as a California permitting specialist most of his life. His knowledge and experience will be very beneficial.

Financial

Last financials show \$96,000 cash and no long term debt. Since then about \$950,000 has been raised in a private placement at 12 cents per unit. Each unit includes one share and one full warrant. Warrant exercise price: 15 cents for a one-year period; 20 cents in the second year; 25 cents in the third year.

The company is well funded to complete its next work program and the current drill program

Summary

To date just one major mineralized stope has been reported to have been mined and only to 1,100 ft. depth, other stopes have only been mined near surface to only 100 to 200 ft. The Motherlode District Deposits are historically very deep, easily traced down dip to 3,000-5,000 ft. These Orogenic type gold deposits generally increase in size and value with depth. **No doubt there is huge potential at depth.** Since the Providence Gold Mines have only been developed near surface, this leaves further expansion near surface and to depth, as well as along strike and new veins that historically were not evident at surface.

The potential here is very good for **high grade ore and drill results.** With the 3D laser scan on the old workings, Providence should be very successful drilling extensions of the high grade veins and these same veins at depth below the old workings. I would be very surprised if they do not hit some very high grade intersects on this first drill program. Providence has been upgrading roads and preparing for drilling to get underway very soon.

These are patent mining claims and is the only activity that has occurred here. There is no permitting required for drilling. I am very confident that drilling will be successful and once that is proven so, the next step will be to go underground. The company will have to get a permit to de-water the mine and I do not expect any issue there. The next step would then be underground channel sampling and drilling.

It is amazing that such a property is intact today with no modern exploration. The property was held by the same family since 1960 and the owner was a prominent oil engineer that was all over the world. He had plans to mine it himself but sadly passed away. It was simply forgotten with the passage of time by a man who kept it close to his heart. On the USGS maps the property also sits at the corner of four maps so was not easily observed by looking at any one map.



The important thing to us, is the opportunity is here now and I was lucky enough to come across it.

Secondly, the stock has traded between 9 and 25 cents for the past two years and we can buy at the bottom of that range.

Volume has picked up considerably in the last couple weeks and I believe it is a signal that a drill program is around the corner and we will likely see a speculative run in the stock ahead of drill results.

I participated in the 12 cent financing and have bought some shares on the market, currently holding 132,000 shares.

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