

# Resource Maven

Independent Analysis of  
the Resource Markets

GWEN  
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## Maven Buys: Quebec Precious Metals (TSXV: CJC)

Today's new stock idea brings together almost all of the characteristics that I seek in an exploration stock.

- **Tight share structure:** 45M shares outstanding (and 42% with management, Goldcorp, and Quebec institutions)
- Enough **money in the bank** (~\$3M) to make significant progress on an asset
- New listing – as yet still **pretty much unknown**
- Operating in a **strong jurisdiction** – Quebec – and project is road accessible
- **Strategic investor:** Goldcorp owns 13.5% and operates the Eleonore mine just 90 km away, which is under capacity
- **Clear plan to create value:** drilling one area to outline an initial resource of at least 2M oz. (which I believe is in reach – impressive as an initial count) while also testing earlier-stage targets to the north with the potential to produce splashy high-grade hits. Also working to monetize legacy/non-core assets.
- **Strong management and board** with successful track records and access to capital

Should I just stop there? I'm kidding – I'll provide all the details below – but truly if a company offers all these merits it is well on its way to earning my investment dollars.

### The Sakami Project

CJC is focused on the Sakami project. It is located in Quebec's James Bay, 90 km northwest of the Eleonore mine.



James Bay has several very good gold deposits but as a region it has seen far less exploration than areas farther south. There are two reasons. First, it was hard to get deep into James Bay until recently. Second, the greenstone belts to the south – the Abitibi, for instance – are more straightforward. In James Bay, the greenstone belts are harder to find and are more highly metamorphosed (changed by heat over time).

However, the discovery of Eleonore in 2004 drew new attention to James Bay. Goldcorp built Eleonore based on reserves of 4.6 million proven and probably tonnes grading 6.07 g/t gold – a very nice deposit. Eleonore is mainly hosted in sedimentary rocks and after years of study geologists now agree that key to its development is its location: it is within 5 km of a major stratigraphic contact (change of rock type).

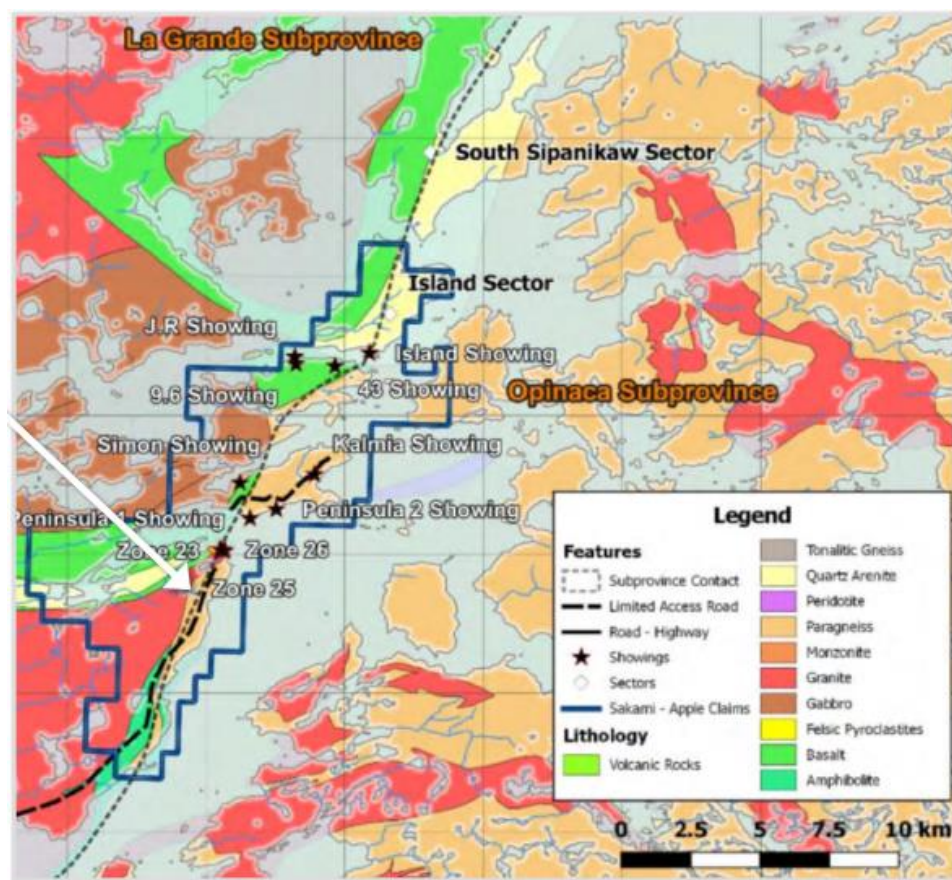
Eleonore is in the La Grande sub-province, which is comprised of volcanic rocks and intrusions. Just 1.5 km north everything changes; the Opinaca sub-province is sedimentary rocks.

A review of all the research done on Eleonore concludes this:

“Gold mineralization in the Éléonore mine and adjacent properties (Cheechoo and Éléonore South) suggests that the Opinaca/La Grande tectonometamorphic contact and in particular the ~5 km area, located immediately to the south of the contact, is a promising area. Gold mineralization locally occurs in 2620-2600 Ma pegmatite dykes and within or in the vicinity of a 2612 Ma reduced granodiorite/tonalite intrusion.”

I wouldn't include such intense geology if its application wasn't very clear.

The Sakami property straddles the contact between the La Grande and Opinaca rocks. The gold discovered to date is very similar to that at Eleonore, hosted in sedimentary rocks and pegmatite dykes near an intrusion.



Here it's also important to note: Michel Gauthier, who discovered Eleonore, is on Quebec Precious Metal's board of directors.

The key target at Sakami for now is called La Pointe. For some reason it is not shown on the map above, but it's near the middle of the property.

This target has seen a good amount of work, including 132 drill holes totaling 24,728 metres. The work has outlined a gold zone with 800 metres of strike and at least 550 metres of downplunge extent that ranges from 20 to 50 metres in width.

And it carries some very nice grades. Here is the table of highlight drill results from CJC's presentation.

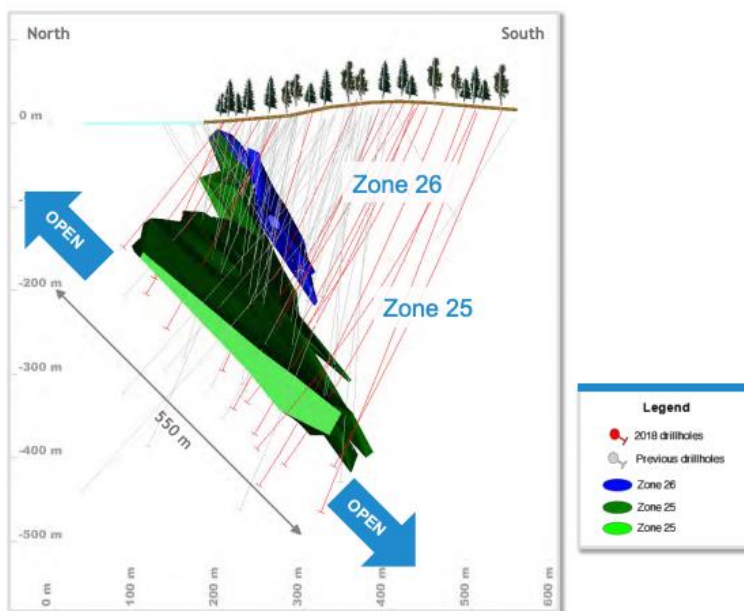
4.94 g/t Au over 21 m including 6.35 g/t Au over 11 m  
4.01 g/t Au over 23 m including 7.21 g/t Au over 7 m  
4.16 g/t Au over 21 m including 6.40 g/t Au over 13 m  
2.51 g/t Au over 48 m including 6.93 g/t Au over 12 m

#### September 2018 Drill Results -

3.89 g/t Au over 14.9 m including 4.26 g/t Au over 11.9 m  
3.22 g/t Au over 31.5 m including 5.11 g/t Au over 15.0 m  
3.59 g/t Au over 27.0 m including 5.06 g/t Au over 15.0 m

There are two mineralized lenses at this point, called Zones 25 and Zone 26. They are parallel and separated by 10 to 100 metres.

#### La Pointe Area Vertical Section



Zone 25 is much larger, as the long section below shows. The long section also makes clear how CJC is working to grow the zone (the green and blue dots mark proposed drill holes): by drilling below it along its shallower east and by drilling down plunge.

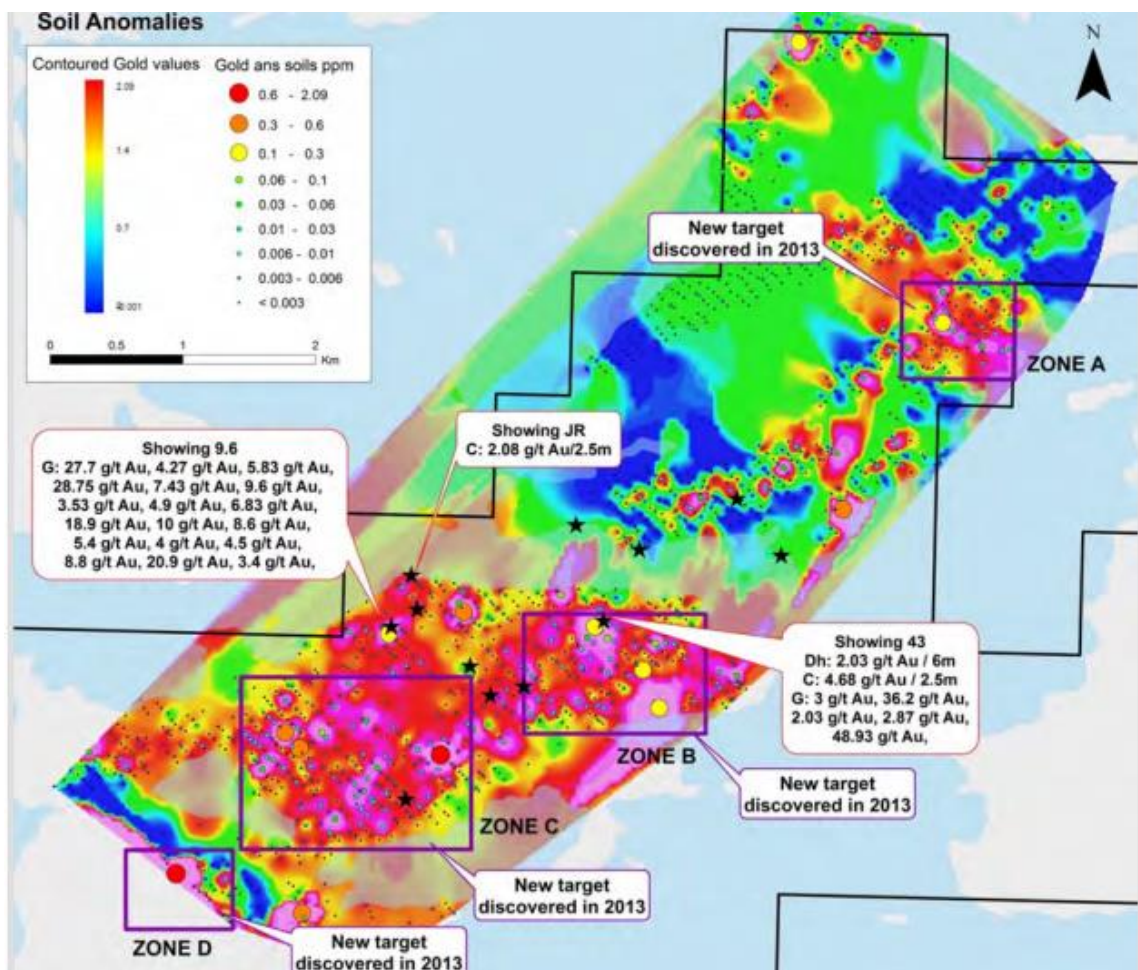


Before I move on, let me comment on the fact that the zone is right beside Sakami Lake. That lake is actually a reservoir and is only a few metres deep. And La Pointe is actually on a bay, which could theoretically be dammed off without too much difficulty. As such I don't see the lake as a problem.

La Pointe is the foundation of building value at Sakami. It's a zone that already carries a sizeable gold count at a nice grade that starts at surface and plunges steeply (good for underground mining). **Given that the market barely knows Quebec Precious Metals, I think a maiden resource of 2 million oz. at a nice grade (perhaps 4 g/t gold) right near Eleonore would really surprise the market to the upside.**

**Goldcorp certainly sees that potential in CJC.** The miner invested \$3.7 million into CJC last summer at \$0.61 per share to get its foot in the door with a project that truly holds potential to become additional feed for Eleonore. That mill is running under capacity and Sakami is just close enough that ore could likely be trucked.

The other way that CJC might grab investor attention is through its exploration drilling at the north end of the Sakami project. This area has seen only a few historic holes but sampling has returned a slew of moderate to high-grade rocks. Showing 9.6, for instance, has returned a dozen samples grading better than 5 g/t gold; the best carried 28.8 g/t gold.



Quebec Precious is just getting started in the northern area; the first drills will be turning soon. The team thinks gold in the area is similar to that at La Pointe, as in hosted in metamorphosed sediments, but that gold may have concentrated at the contact with the adjacent basalt. Such a concentration would explain the extra high-grade samples.

Much remains unknown about the north end of Sakami but the consistency of high grade gold in samples suggests the potential for high-grade drill results. **Just as the scale and grade of the La**

**Pointe resource will, I think, take the market by surprise, so too would high-grade drill results from an unknown project just down the road from Eleonore.**

That's the Quebec Precious story, except for one part: how this lovely project ended up in a new company that no one knows about! CJC was formed in June of last year through the merger of two companies: Canadian Strategic and Matamec Exploration.

The Sakami project already linked the two companies through a joint venture, but the partnership hadn't been working very well. Both companies were focused elsewhere (and had been in hibernation during the bear market) and Sakami had been left in the lurch.

The team that now leads CJC saw the mess as an opportunity. They worked to hammer out a deal that saw the two companies merge (including a share rollback to create a tight structure), pick up a suite of projects from a third company, attract that \$3.7-million investment from Goldcorp, and start out as essentially a new company with a new management group.

The deal left Quebec Precious with four other projects. They are all in the James Bay area but despite their proximity CJC is looking to sell them, as the company sees more than enough potential in Sakami to keep them busy and growing in value. The team is working on vending those projects slowly, with the goal of raising more money to explore Sakami.

I should also mention: Quebec is an amazing place to explore. The province has an exploration tax credit that pays companies \$0.37 for every dollar they spend exploring. Yes, exploration dollars go a third farther in Quebec than anywhere else.

It took me a while to get CJC in the newsletter because, to be honest, the story seemed too good to be true. I sent it to a list of geologist friends to see if they could poke holes in it but no one could. After all that due diligence, I am a buyer at the open.

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