Digging Through The Dirt

August 2014

Index/Commodity	as of Aug 31st	Performance This Month
S&P/TSX Venture	1,023.99	+ 2.24%
S&P/TSX Composite	15,625.73	+ 1.92%
S&P 500	2,003.37	+ 3.76%
Dow Jones	17,098.45	+ 3.23%
Nasdaq Composite	4,580.27	+ 4.82%
Gold (US$/oz)	$ 1,287.10	+ 0.52%
Silver (US$/oz)	$ 19.42	- 4.62%
Copper (US$/lb)	$ 3.17	- 1.86%
Nickel (US$/lb)	$ 8.40	+ 0.84%
Oil (US$/barrel)	$ 95.83	- 2.13%

In The Crosshairs	as of Aug 31st	Performance This Month
Desert Star Res (DSR-V)	$ 0.24	+ $0.06
True Gold Mining (TGM-V)	$ 0.42	- $0.015
Roxgold Inc (ROG-V)	$ 0.77	- $0.10
Macro Enterprises (MCR-V)	$ 3.55	- $0.83
Hemisphere Energy (HME-V)	$ 0.70	No Change
Fission Uranium (FCU-V)	$ 1.20	- $0.04
Cayden Resources (CYD-V)	$ 2.82	+ $0.45
Brilliant Resources (BLT-V)	$ 0.06	+ $0.01
Savant Explorations (SVT-V)	$ 0.04	+ $0.005

Heads Up!

We are pleased to announce an additional service being offered to our clients; a wealth management solution.

Justin Hayek has taken on the responsibility as our internal wealth manager focusing on the conservative portion of clients' investable assets.

If you have any questions or would like set up a meeting to discuss this new service please contact Justin.

Updates

Roxgold Inc — ROG-V — $ 0.77

On August 19th, Roxgold announced they had received approval on their environmental and social impact assessment for the Yaramoko gold project. The next permit the company hopes to receive is the exploitation (mining) permit enabling them to start development activities, which is expected in Q4-2014.It appears that advancement of the project is on time and budget. Coming catalysts on the development of the Yaramoko project include:

Finalization of underground mining contract	Q3-2014
Securing initial long lead items	Q3-2014
EPCM contract finalization	Q3-2014
Power line agreement finalization	Q4-2014
Commencement of underground development	Late Q4-2014

Roxgold's management hopes to secure its $75 million debt financing package during the fourth quarter of 2014, thus allowing them to move ahead with underground development at Yaramoko. One concern with Roxgold is that it is likely going to be a long and difficult process for its management to find a significant number of additional ounces of gold. As we have covered in previous issues of DTD, the lack of continuity of grade in the regional exploration program leads us to believe that additional ounces being discovered and thus real upside potential will be difficult to achieve. Though there is little doubt that the management team will put their project into production, the road ahead is a long, mundane drive.

Investing in resource securities involves financial risk, please consult with either Bill Whitehead, Adam Simmons or Justin Hayek before investing to ensure suitability and risk tolerances have been considered before you invest.

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True Gold Mining TGM-V $ 0.415

Mid-month TGM's management announced they had entered into a US$ 100 million stream agreement with Franco-Nevada and Sandstorm Gold with the option to increase the funding by US$ 20 million,. The US$ 120 million in capital allows the company to construct Karma without the need for further dilutive equity capital. True Gold's management believes that this funding package provides capital at more favorable terms than traditional project financing and is the most beneficial to shareholders of the dozen or so term sheets management negotiated on. Some key terms of the funding package:

Starting March 31st 2016, True Gold is required to deliver 100,000 ounces of gold over five years and 6.5% of equivalent production thereafter at Karma for the life of mine. If True Gold elects to exercise the option to increase funding by US$ 20 million they are then required to deliver an additional 30,000 ounces of gold on a fixed payment schedule. For every ounce of gold delivered, True Gold will be paid 20% of the spot price at the time of delivery. If more than 4 million ounces of gold have been produced, thenn TGM is paid 40% of spot price for each ounce delivered thereafter.

To put all of this into perspective, let's use the base case scenario as defined in TGM's feasibility study (US$ 1,250/oz Au)

Gross value of gold delivered yr 1-5= 100,000 oz x $1,250 /oz = $ 125 million
Gross value of gold delivered yr 6-9= (200,000 oz x 6.5%) x $1,250 /oz = $ 16.25 million
Minus 20% payment of spot price= 113,000 oz x 20% x $1,250 /oz = $ 28.25 million
Net value of gold delivered= US$ 113 million

To sum, assuming True Gold only borrows US$ 100 million, the cost of capital is a mere US$ 13 million which is pretty attractive to shareholders of True Gold. However, where the cost of capital does increase is if True Gold manages to find and produce additional ounces of gold in years 6-9 or extend the life of mine. Either one of these two scenarios would generate upside for Franco-Nevada and Sandstorm. We do think that True Gold will discover and produce additional ounces of gold than those defined in the feasibility. Only time will tell as to how it all plays out.

One constant still remains, True Gold will likely be the focus of potential buyout talks as they continue to demonstrate the profitability of the Karma mine. We believe the stream agreement likely has little impact on the potential of a buyout as other development companies have entered into similar stream agreements and were subsequently acquired; the best example of this is Primero Mining's $220 million acquisition of Brigus Gold in December 2013 (see news release).

Management has outlined upcoming milestones: Construction of major mining infrastructure to start September 2014 with completion scheduled for Q3-2015. Ore from Rambo deposit will be placed on leach pad in Q4-2015. First gold pour is expected by the end of 2015.

Macro Enterprises MCR-V $ 3.55

Macro Enterprises announced its 2014 second quarter financials on August 27th. A summary of the results follow:

	Q2-2014 Results	PI Financial's Q2-2014 Forecast	Q2-2013 Results
Revenue	$ 36.698 million	$ 30.23 million	$ 37.28 million
EBITDA	$ 2.726 million	$ 3.23 million	$ 9.81 million
Net Earnings	$495,000	$ 838,000	$ 5.71 million

Couple of points to note about this quarter - our readers may recall, during Macro's last quarterly results they incurred a significant loss on a large pipeline project to the tune of $ 6.9 million. Unfortunately Macro incurred an additional loss on this project in the amount of $ 1.1 million. As was the case last quarter, the company continues discussions with the pipeline operator requesting additional compensation. If Macro receives any compensation it will be recorded when agreed to.

Management's outlook is still favorable for the company and for the oil and gas industry in western Canada. The company stated that they are pursuing multiple large scale potential projects, specifically construction contracts for LNG projects planned for the west coast of BC. Macro has completed bid processes and has entered into discussions with several of the LNG operators regarding future pipeline and facilities construction. It is still our thoughts that should Macro be awarded a contract for a LNG project, it would have a significant impact on the company's financials and share price.

For the coming quarter (Q3-2014) Macro's management expects revenues to be below those experienced this time last year, which were $ 60.1 million. The anticipated drop in revenue is primarily a result of what the company calls "customer project scheduling delays within the industry".

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Desert Star Resources DSR-V $ 0.24

Mid-month Desert Star announced a non-brokered private placement of up to $250,000 of convertible notes. The convertible notes will be outstanding for a period of one year and bear an interest rate of 12% per annum. The convertible notes can be converted to units at any time by the holder at a price of 19 cents per unit. Proceeds of the financing will be used for working capital purposes though expect a vast majority to supplement exploration endeavors.

Hemisphere Energy HME-V $ 0.70

Since HME acquired the Atlee Buffalo oil field and subsequent to their ~$10 million financing we have been anxiously anticipating the flow rates from Hemisphere's initial five well program. On August 25th, the company announced the flow rates (averaged over a 30 day period) from the first two wells of this program coming in at a total of 165 boe/d (100 boe/d at 93% oil cut and 65 boe/d at 88% oil cut). A per well average of 82.5 boe/d is in line with what we anticipated and what the company had been touting. This brings the company's total production up to 670 boe/d from 567 boe/d in May (reported May 22, 2014). The company also saw some anticipated declines in production from some of their wells, the largest of which is attributed to their first horizontal well into the Atlee Buffalo pool, which declined to 66 boe/d, down from approximately 100 boe/d. HME has yet to report on an additional three horizontal wells that have been drilled into the Atlee Buffalo pool.

These wells have been tied in and we are awaiting their respective 30 day flow rates, which should be reported sometime in late September. We anticipate that these wells will be in line with expectations as they encountered excellent reservoirs and were placed on production. This five well program was completed on time and 10% under budget. The company is set to begin another drilling program in late September consisting of an additional 4 horizontal wells into the Atlee Buffalo pool and a further vertical well in the Jenner area. With the recent introduction of the enhanced oil recovery program announced by Alberta Energy, HME is looking into the possible benefits of polymer versus water flooding in the Atlee Buffalo pool to boost the pool's recovery rate to potentially as high as 30-35% of original oil in place. This new program essentially offers reduced government royalties as incentive for companies to utilize enhanced oil recovery methods such as polymer floods.

HME also announced their quarterly financials for the period ending June 30th, 2014. Average production over this period was 553 boe/d (82% oil cut) with an average sale price of $85.72 per barrel. Net income for the three month period was $830,322; while capital expenditures totaled $3,515,191. With the addition of the fall drilling program, and barring anything unanticipated, we feel that HME is on track to close out the year at greater than 1,000 boe/d production rates. Once at these levels, the company should be at a point where they can sustainably drill new wells off of their own income as opposed to going back to the market as an alternative source of capital.

Constantine Metal Res. CEM-V $ 0.24

On August 19th Constantine reported that their partner, Dowa Metals and Mining Corp., signed an agreement with Japan Oil, Gas and Metals National Corp (JOGMEC) for funding the Palmer project. JOGMEC is a Japanese government organization with the mandate of securing a stable supply of natural resources for Japan. They provide funds for the exploration of metal resources by Japanese companies in the form of equity capital or loans.

Under the terms of the agreement, JOGMEC may fund up to 45% of Dowa's earn-in interest expenditures on the Palmer project up to a maximum of 45% for Dowa's interest. Constantine retains a 51% majority interest in the project. JOGMEC's funding is effective immediately and will include contributions to the 2014 exploration budget of US $6.2 million which consists of 10,000 meters of drilling.

During the month of August CEM didn't have any news pertaining directly to the Palmer project. However, after Adam's site visit to the project we are am happy to report that we remain fully committed to this company going forward. We feel all of the goals outlined by Constantine's management are both realistic and achievable. If these goals are achieved, we see upside to the share value from here over the next couple of years. The largest hurdle facing CEM is the doubling, at a minimum, of their current resource while maintaining grade. Given that the current resource does not contain holes drilled from later then 2001 and the first drill hole into the lower conductor returned 22.1m at 2.48% Cu, 4.05% Zn, 24 g/t Ag and 0.39 g/t Au - we feel that a doubling of the current resources at the Palmer project is perfectly achievable. By year's end CEM is planning on updating their resource and we hope that they are well on their way to the 10 million tonne range at close to current grades.

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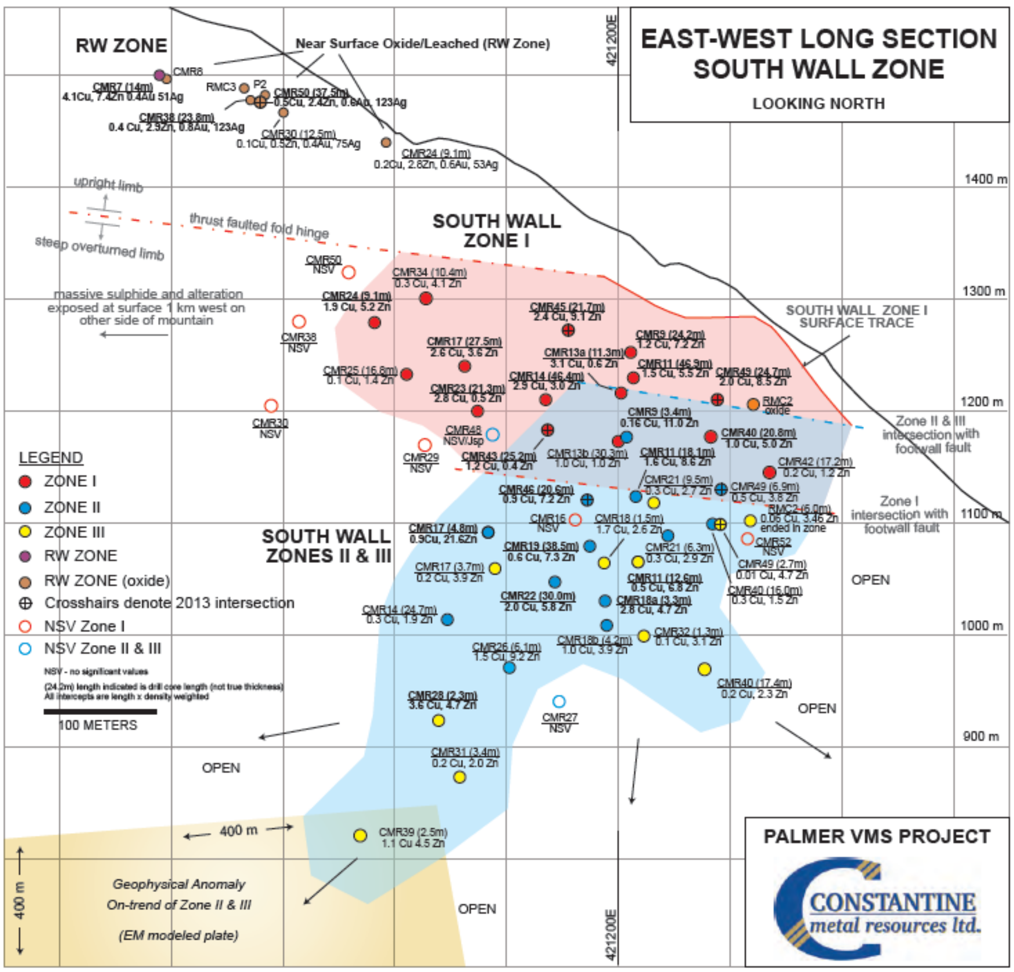
Due to the steep ground and rock fall hazards, the drilling of this area is quite difficult from surface. Some of the deeper drilling that is now being completed is having trouble getting out of faults due to the shallow angles at which they are interested. This has led to at least one abandoned hole prior to target already this year. We anticipate that surface drilling should be able to get CEM an inferred resource out of the lower conductor, hopefully by the end of the year. In order to bring this to measured and indicate underground drilling may be more cost effective. The permitting process for underground development is underway, but is not anticipated to be approved until the end of next year's exploration program. In addition to the resource expansion, the company is planning exploration drilling on additional showings around the property.

Two of these I am anxiously anticipating. First is the Little Jarvis area. This showing is immediately NW of the resource area and is a large alteration zone with recent exposures of massive sulphide being exposed by the receding glaciers. I am not sure of the grades, thickness or continuity of massive sulphide in this area but one thing I do know is that at least some of it contains greater than 10% chalcopyrite (i.e. >3.3% Cu). This area is also important because it is so close to the current resource it could easily be included in any potential mining plan. The other area I am anxiously anticipating result on is the Mount Henry Clay area where a receding glacier has been exposing massive sulphide boulders that contain up to 1.8m at 2.5% Cu and 33% Zn. There is no doubt that there is another large massive sulphide source somewhere in this area, CEM just has to tag into it by drilling through the ice. Of course there is a lot of luck involved in doing this. In any case we suspect that the resource will be easily expanded on the Palmer project and that other potential massive sulphide discoveries will be made at place like Mount Henry Clay and Little Jarvis.

Figure 1: Long section through the South Wall zone



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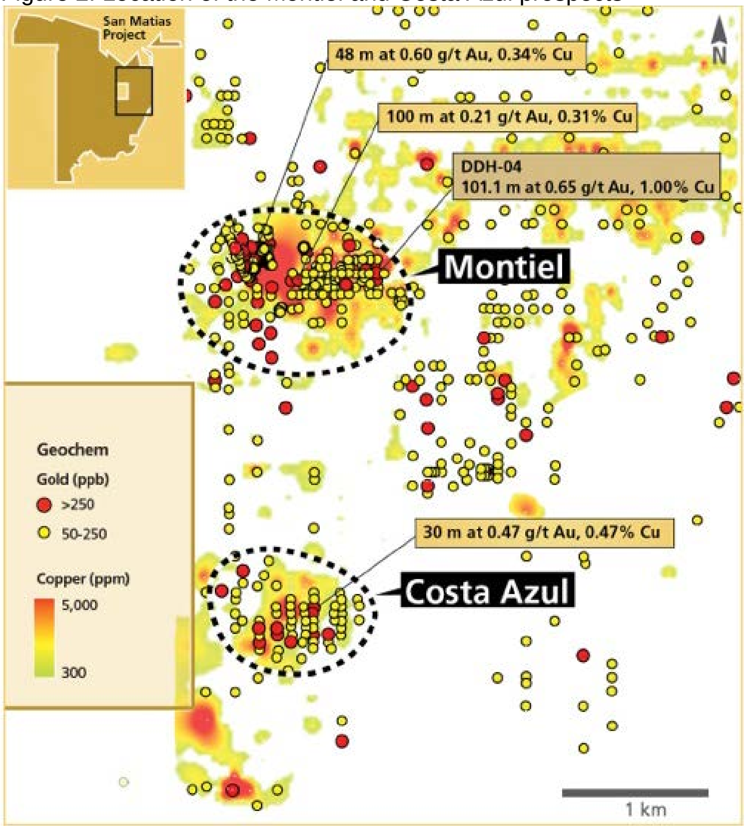
Cordoba Minerals Corp CDB-V $ 0.49

Cordoba Minerals released further results of their initial RAB drill program at their San Matias project in Colombia. In summary, the results of these RAB holes discovered porphyry style mineralization at the Costa Azul showing and better defined mineralization at the Montiel West and Pirita showings. Copper-gold mineralization at Costa Azul is quartz-magnetite stockwork and sheeted veining within diorite porphyry intrusions. Currently the RAB drill is on the Iguana target located approximately 800 meters north of the Montiel West prospect. The rig will then move on to test the large copper and gold in soil anomaly between the Montiel west and east showings. The results of this area are of particular importance to the project as they could demonstrate a clear spatial link of the Montiel west and east zones. If these zones are indeed continuously linked, it could represent a single large porphyry center which would be a much more desirable scenario to the currently established small but spatially distinct clusters at Montiel, Costa Azul, etc. We will update you as the results of the RAB drilling from the Montiel area become available; we then should be able to make some statement about the potential size of the system prior to diamond drilling. With all of that being said, this project stands a fair chance at making a real copper-gold porphyry discovery.

Figure 2: Location of the Montiel and Costa Azul prospects



Fission Uranium FCU-V $ 1.20

FCU continues to report assay values from their previously completed winter drill program in addition to scintillometer counts from their ongoing summer drill program. On August 7th, Fission reported assays from seven additional drill holes. Highlights from this release include PLS14-201 27.00m @ 12.12% U_3O_8 (line 855E), PLS14-205 7.50m @ 1.54% U_3O_8 (line 900E) and PLS14-213 34.00m @ 4.05% U_3O_8 (line 810E). The remaining four holes did not return significant results, but do provide spatial constraints to the mineralized system at PLS.

On August 13th the company reported assays from an additional five drill holes. Highlights from this release included PLS14-209 57.00m @ 5.19% U_3O_8 (line 510E), PLS14-214 94.50m @ 2.28% U_3O_8 (line 870E) and PLS14-201 48.50m @ 6.29% U_3O_8 (line 660E). The remaining two holes did not return significant results but provided spatial constraints to the mineralized system at PLS.

In our updated model, which includes the previous two news releases, we now have the PLS deposit up to 1,562,904 tonnes at 2.75% U_3O_8 for a total of 86,462,227 lbs U_3O_8. As of August 13th, only 12 exploration holes from the winter program remain outstanding and the updated model has now exceeded our upper limit to the expectations of the winter drill program.

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Scintillometer counts from the summer program have also started to come in. As a refresher, the summer drill program includes 43 holes at the PLS area and an additional 20 drill holes spread over six showings outside of the main PLS area. On August 1st, scintillometer counts from 12 holes were reported in the PLS area, including seven holes which were angled holes. Seven of the 12 holes reported contained significant intervals of off-scale mineralization. FCU claims that the angled holes have widened the 780E zone both north and south. While this may be true, it is an unclear statement. What these holes provided is a clearer picture on the north-south extent of mineralization along an east-west striking graphite-bearing horizon, while not necessarily widening the zone. These claims will be substantiated one way or another over the summer as more angled holes are drilled. The most likely scenario is that some areas will turn out wider than previously anticipated while others will be narrower.

On August 11th the company released scintillometer counts from a showing approximately 17km SE of the PLS discovery. Drill hole PLS14-255 intersected variable chlorite-clay alteration in gneissic rocks some of which contain graphite along north-north-east trending conductors. The best scintillometer counts include 0.95m at 942 cps with a peak of 2,532 cps. The significance of this release is that another uranium bearing conductor has been located and follow-up drilling will likely be required, but do not expect big things from this specific drill hole.

On August 18th Fission released scintillometer counts from an additional 9 angled drill holes in the PLS area, they also announced that they would be expanding the summer program by 10 drill holes. All nine holes contained wide mineralized areas with six of these returning substantial intervals of off-scale mineralization. Of particular note was drill hole PLS14-259 (line 840E), which returned 98.5m of total composite mineralization, including 11m of total composite off-scale.

On August 26th FCU reported scintillometer counts from an additional 7 angled drill holes. All seven returned wide intervals of mineralization with five returning at least some off-scale mineralization. The best hole was PLS14-271 (line 510E) which yielded 103m of composite mineralization including 10.45m of composite off-scale mineralization. Of particular importance in this news release was the ability to demonstrate continuity from the 80E zone to the 1155E zone. Additionally, the 780E zone of high grade uranium was extended to the west by another 15m to line 270E. Clearly this is a great start to the summer drill program and we suspect that additional pounds of U_3O_8 will be found by infilling areas not already drilled and expanding the extents of currently known mineralization. With some luck and a couple of big drill holes, FCU should be able to exit the summer drill program somewhere between 100-110 million pounds U_3O_8.

On August 18th the company also announced a $12.5 million bought deal private placement on a flow through basis at a price of $1.50 per flow-through share. While the PLS project is probably the world's premier uranium asset not held in a major mining company and will undoubtedly be purchased someday, the biggest risk to the stock remains management's diluting of the share base with unnecessary financings limiting shareholder return in the future. The management of FCU should understand that they are in the driver's seat as they are in control of an asset with which everybody wants to play, but one never knows in this business if they truly do understand this. We remain holders of the stock and intend to hold in the future, but with every additional unnecessarily dilutive financing completed we have to evaluate whether the upside is still there. At this time we feel as though it is, but we will keep you informed as to when/if this opinion changes.

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