

Prospect generator Evrim adds another JV

GOLD-SILVER | Junior teams up with major mining companies in Mexico and BC



Paddy Nicol, president and CEO of Evrim Resources, viewing core at the Ermitano gold-silver project in Sonora, Mexico. EVRIM RESOURCES



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In the last year and a half, **Evrim Resources** (TSXV: EVM) has signed up two new joint-venture partners on projects in Mexico and British Columbia — **Coeur Mining** (NYSE: CDE) and **Antofagasta** (LON: ANTO; US-OTC: ANFGF) — and struck an exploration alliance (its second) with **Newmont Mining** (NYSE: NEM) looking for gold in the Americas.

The two joint-venture agreements bring Evrim's total joint ventures to seven, including two with **First Majestic Silver** (TSX: FR; NYSE:AG) near the latter's Santa Elena silver-gold mine in Mexico.

"Having one or two joint ventures doesn't quite do it — you need a bunch of them," says Paddy Nicol, Evrim's president and CEO, in an interview. "We always view these partnerships as lottery tickets, at one point one of them is going to hit."

"We've got great joint-venture partners," he adds. "Not only do we utilize their exploration dollars to go and work these projects up, but we also get to tap into their geologic think tanks, and that's also where we get the benefits from these types of groups."

Evrim closed its most recent deal in February. Under the joint venture with Coeur Mining, the major can earn up to an 80% stake in Evrim's Sarape epithermal gold-silver project in Mexico's Sonora state. Evrim found the low-sulphidation epithermal target in early 2017 and has yet to test it with a drilling program.

The junior has defined two major veins: the Sarape vein, a northwest-trending vein measuring 6 km long and up to 12 metres wide; and the Chiltepin vein, a west-trending vein measuring 2.6 km long and up to 3 metres wide.

"The veins stick out of the ground," Nicol says, noting that Coeur will spend half a million dollars on exploration there this year.

Under the arrangement, Coeur can earn its 80% by funding US\$16.5 million on exploration, paying US\$2.4 million in cash and completing a National Instrument 43-101 compliant feasibility study over the next 10 years.

The Sarape project is 40 km north of Evrim's Ermitano project, another low-sulphidation epithermal project in Sonora, which is under option to First Majestic

Silver. Ermitano is next to First Majestic's Santa Elena mine, which started commercial production in August 2014. The discovery hole at the Ermitano West prospect, 3.5 km southeast of Santa Elena, returned an 18-metre intercept grading 11.4 grams gold per tonne and 86 grams silver per tonne, 200 metres below surface.

See **EVRIM / 44**

Prospect generator Evrim adds another JV

EVIRM From 43

In January, First Majestic released assay results for the other six holes of a 10-hole, 3,200-metre diamond drill program finished in early 2017. Highlights from four holes include 26 metres grading 4.2 grams gold and 52 grams silver; 33 metres grading 3.8 grams gold and 187 grams silver; 14 metres grading 3.3 grams gold and 72 grams silver; and 16 metres grading 2.2 grams gold and 35 grams silver.

"They're really starting to build on something there," Nicol says. "From what they've defined so far there is a mineralized zone that is 590 metres long, up to 210 metres deep and about 11 metres thick."

Mineralization is open at depth and to the west, and First Majestic plans to drill 20,000 metres this year to define a resource on the Ermitano West vein, expand the extent of known mineralization and explore for more veins in the area.

Under the partnership with First Majestic, Nicol says, the major can earn a 100% stake in the project by providing a production notice — supported by permits and an economic forecast by January 2019 — in exchange for a 2% net smelter return royalty (NSR).

"We're ten to eleven months out and I believe they will make a production decision," Nicol says. "We'll end up with a royalty, which is fantastic, so we'll see what will happen over the next little while."

Evrim also has a second joint-venture with First Majestic on its Cumobabi copper-moly-gold-silver project, in Sonora, 130 km north-east of Hermosillo. First Majestic is exploring Cumobabi's 240 sq. km land package for low-sulphidation targets, and the joint venture has similar terms as Ermitano, but if it moves into production, Evrim is entitled to a 1.5% NSR.

In south-central British Columbia's porphyry belt, Evrim has joint-ventured with Antofagasta on two projects, most recently in December 2017 on its Axe property. The 50 sq. km land package is 20 km north of Princeton.

Copper Mountain Mining's (TSX: CMMC) Copper Mountain mine is 35 km south, **Teck Resources'** (TSX: TECK.B; NYSE: TECK) Highland Valley mine is 100 km north and **New Gold's** (TSX: NGL; NYSE: NGL) New Gold mine is 100 km north.

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New Afton mine is 115 km north.

The early-stage Axe project has four known porphyry targets (West, Adit, Mid and South) within a 5 by 3.5 km hydrothermal footprint in B.C.'s Omineca belt. Drilling by previous operators next to the West and South targets returned historic intercepts, including 124.5 metres grading 0.35% copper and 0.22 gram gold.

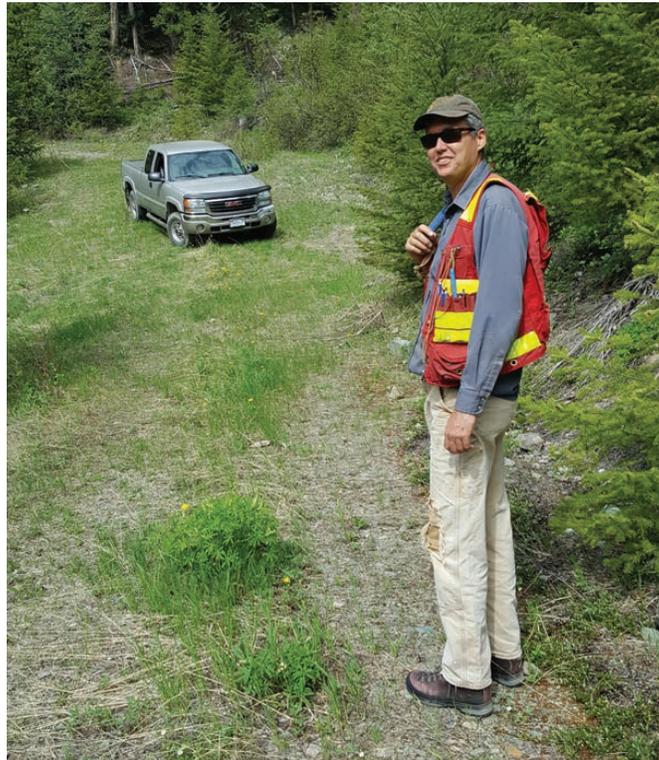
Evrim bought 100% of Axe from a mining company "that was transitioning into a marijuana company," Nicol says, but before that, the project had historic work done by Xstrata.

"Xstrata had spent about US\$1.5 million on it in a joint venture with a junior, so when Glencore came and took out Xstrata, all that data was left for us to work up," he says. "They had spent the money, done the work and didn't follow up on it, so we were the beneficiaries of all that data."

The project also has a National Instrument 43-101 compliant resource dating from 2006 that shows an indicated resource of 39 million tonnes grading 0.38% copper and another 32 million tonnes of 0.38% copper of inferred.

Antofagasta is earning a 70% stake in the project by spending US\$50 million on exploration, US\$800,000 in cash payments and completing a preliminary economic assessment over a decade.

Evrim's other joint venture with Antofagasta is B.C.'s Ball Creek project in the Golden Triangle. Evrim acquired the copper-gold-



David Caulfield, Evrim Resources director, at the Axe copper-gold project in south-central British Columbia. EVIRM RESOURCES

junior in 2015 and spent a couple of seasons working on field exploration data and investing a bit of its own cash working on targets.

It signed a definitive agreement with Antofagasta in May 2017. Under the deal, the major can earn a 70% interest by spending US\$31 million or completing a prefeasibility study over 13 years. Last year Antofagasta spent \$600,000 on Ball Creek, and Nicol says it will likely spend the same amount this year with a 1,500-metre drill program, as long as the results hold together.

Nicol notes that Evrim picked up

Axe project for \$30,000 — taking advantage of the downturn.

"If I tried to buy a project like Ball Creek today that \$150,000 payment would be just to get in the door, it would be a lot more expensive," he says. "The prices have gone through the roof so the kind of deals we did in 2015 — those types of deals aren't going to happen now, and won't for a long time."

"We're in the beginning of the uptick again, and it was why we did what we did in the downturn ... quite frankly, back then when we picked up these targets in 2015-

them. We spent our time picking up projects and spending money. We continued to go after projects, targets and ideas."

In mid-2017, Evrim signed a two-year exploration alliance with a subsidiary of Newmont to make greenfield exploration opportunities for gold. Evrim and Newmont will cofund the US\$1.84-million exploration program through a 30 to 70 funding allocation.

During the first phase of the program, Evrim will find projects and conduct sampling and reconnaissance mapping with technical input from Newmont. At the end of the two-year period, Newmont can designate one or more projects for option by making cash payments to Evrim, and solely fund exploration on the projects for up to 10 years, or until it has done a prefeasibility study on a minimum 2 million oz. gold resource, which will earn the major an 80% stake in the project.

Should the exploration partnership get that far, Evrim will have 20% and can keep its interest in the project, or elect to have Newmont fund a feasibility study and trim Evrim's equity interest to 15%. At any point, Evrim can switch its equity interest to a 2% NSR, of which 0.5% can be bought for up to US\$10 million.

"We can't say where the exploration partnership is looking. It is a generative alliance, and if you announce where you're going to look with Newmont, then everyone goes out and stakes ground," Nicol says. "This is repeat business. We did one with them back in 2012, as well. We were looking in the Trans-Mexican volcanic belt, a much smaller area. This one is much broader."

Nicol notes that while the 2012 exploration alliance was successful in terms of data collection, "generative exploration in 2012 wasn't



Evrim adds another JV

EVIRIM From 44

making the grade for any major company. So while the work that was done was good — and that's why you see the repeat business — it just wasn't the time to do generative exploration."

In addition to Evrim's alliances and joint ventures with the majors, it has joint ventured for the first time with junior **Harvest Gold** (TSXV: HVG) on its Cerro Cascaron project, a low-sulphidation, epithermal target in Mexico.

The project covers 69 sq. km in a historic, Colonial-era mining district in the Sierra Madre Occidental precious metals belt of western Chihuahua state, and Harvest Gold can earn up to 80% in the project by funding \$6 million in exploration, paying \$1.1 million in cash and giving 2 million Harvest shares to Evrim.

"We staked the ground and the first sample that came back was very anomalous, but it got us ex-

cited about the region," Nicol says. "It was a piece of vein that was exposed at surface that had fallen open and there was visible gold all over it. It was a rock sample that ran 1,670 grams gold per tonne. It was a whopper, it got us interested in the region, and that's why we picked it up."

While Evrim has never before done a joint-venture deal with a junior, Nicol says it has its advantages because smaller companies "are always very results-oriented, in terms of getting news out to the market.

"Harvest Gold was aggressive with what they wanted to do on the project in terms of drilling, and we agreed with the exploration mandate they have," Nicol says, adding that he expects to see 3,000 metres of drilling in 2018. "This year they have to fund \$1-million worth of exploration, so they're going to be hitting it very hard."

In addition to its joint ventures, Evrim has chosen to work alone

on one of its projects — the Cuale high-sulphidation project in Mexico's Jalisco state. The 147 sq. km, early-stage exploration property is 185 km west of Guadalajara in the Cordillera Madre del Sur. The project is subject to a 1.5% NSR for precious metals and a 1% NSR for base metals payable to **Altius Minerals** (TSX: ALS).

Cuale is situated within the Talpa de Allende area of Jalisco, near **Agnico Eagle Mines'** (TSX: AEM; NYSE: AEM) Barqueno project and **Endeavour Silver's** (TSX: EDR; NYSE: EXX) Terronera project.

"High-sulphidation deposits in the Sierra Madres are not common, they're pretty rare, in fact," Nicol says. "And when you do find them, they go on to be successful and become producing mines. Look at Goldcorp's El Sauzal mine, Alamos Gold's Mulatos mine and even Agnico Eagle's La India project. El Sauzal is a past producer — they shut down about a year ago — Mulatos is in production and La India is being developed."

Nicol points out that El Sauzal, Mulatos and La India are all in the northern part of the Sierra Madre and Cuale is in the southern part, but they all started off as prospective, high-sulphidation targets.

"Cuale is a brand-new project and could be a project that we might treat as something that we drill on our own," he says. "Typically we don't drill them ourselves. We put them in joint-venture hands, but at some point in every project generator's life they decide to drill something themselves."

The company did work there in December, including three trenches, one of which came back with a 9.4-metre intercept of 7.4 grams gold.

"That was very encouraging and the fact that it was the entire length of the trench makes it even more so," Nicol says. "It's a project that could be a stand-alone and Evrim has never done it before, so we're extremely excited."

Evrim Resources was founded in late 2010 and started trading on the TSX Venture Exchange in January 2011.

At press time Evrim's shares were trading at 42¢ apiece. The company has 66 million common shares outstanding for a \$28-million market capitalization. TNM