

Ecclestone on Homestake Resource Corp: Following in the Footsteps?

The name of this company is freighted with history and it's a good thing to see a great name from the past revived and pressed back into service. In this piece of analysis we shall examine current progress to see if the "new" Homestake's mining properties have the scope to do that.

In the way of background we might mention that the original Homestake Mining Company was one of the largest gold mining businesses in the United States from the 19th century through the beginning of the 21st. Homestake's first and most famous operation was the Homestake Mine in Lead, South Dakota. It was merged into the now-faded Barrick Gold Corporation in 2002. Until that point Homestake held the impressive record as the longest-listed stock in the history of the New York Stock Exchange, with its stock first being marketed to investors in 1879.

Projects – All in the Same Neck of the B.C. Woods

The main play for Homestake Resource Corporation (TSXV: HSR) is the Homestake Ridge Project (shown as the red zone in the map below). This is located within the Iskut-Stewart-Kitsault Belt approximately 32km north-northwest of the tidewater communities of Alice Arm and Kitsault, BC, with road access within six kilometres. The Stewart Complex, is host to both base and precious metal deposits, including the prolific Eskay Creek Mine. Over 220 mn oz Ag and over 7 mn oz Au has been produced by the Hazelton Group Arc Assemblage. High sulphidation VMS occurs in the youngest Hazelton group rocks.

The Homestake Ridge property comprises 26 mineral claims containing 200 units and seven crown grants for a total area

of 3,617 ha in the Skeena Mining Division with specific claims subject to a 2% NSR.



Exploration on the property has identified three major accumulations of gold and silver mineralization of potential economic significance, known as the Main Homestake, Homestake Silver and South Reef deposits. High grade silver mineralization was intersected in 2013 drilling by Agnico Eagle Mine and the company feels this may be the beginning of a fourth discovery on the property.

Mineralization is hosted within a complex sequence of lower to middle Jurassic sedimentary, volcanic and intrusive rocks of the aforementioned Hazelton Group.

The Homestake Ridge project contains an estimated Inferred Resource of 911,000oz gold and 20,366,000oz silver (1,225,785oz AuEq @ 5.6g/t AuEq grade) and an estimated Indicated Resource of 124,000oz gold and 939,000oz silver (141,000oz AuEq @ 7.3g/t AuEq grade) .



The much larger property holding is the Kinskuch prospects (shown in yellow on the map). This is almost a district-sized holding as it surrounds the Dolly Varden properties and the Kitsault Moly mine owned by Avanti Minerals (AVT.v). The Kinskuch property is riddled with old mines, always a good sign, and even directly abuts the tidewater access. This strategic acquisition contains not only most of the access road to Homestake Ridge, but also contains over 58 historical BC minefile occurrences in areas that have been explored since the early 1900s. Parts of the Kinskuch property are being explored for copper, where it is felt a "copper-belt" runs through the concessions whereas in other parts the focus is on Au-Ag potential.

As is now being well-known, the thing that really gets us excited is zinc occurrences. High-grade precious and base metal assays on the Illiance River Trend, extending south of the 2011 drilling included:

- Massive sulphide float assaying 3,321g/t Ag, 1.9g/t Au, 0.8% Cu, 40.1% Pb and 22.4% Zn (4,341g/t AgEq)
- 989g/t Ag, 1.1% Cu, 0.4% Pb and 20.3% Zn (1,621g/t AgEq) assay from chip sampling of an outcrop located 750 metres south

The Agnico-Eagle Relationship

In recent weeks the company announced that its earn-in agreement with the major had lapsed. As we wrote recently in our study on current mining M&A trends, Agnico-Eagle Mines (TSX:AEM)(NYSE:AEM) is one of the most pro-active of the larger names at the moment with the white-knight bid for Osisko having been followed up by the acquisition of Cayden Resources. Agnico-Eagle too has an option with Homestake to earn 65% of the Homestake Ridge project staged expenditures of at least \$25.3 million over 5 years. The deal with Homestake had been originally announced in September 2012.

Agnico-Eagle was required to spend \$10.3 million by December 31, 2014 to earn a 51% interest in the project, including \$1.8 million of expenditures as a firm commitment to be spent by December 31, 2012. Agnico-Eagle could then elect to earn an additional 14% by expending a further \$15 million or producing a Feasibility Study by December 31, 2016 resulting in transfer of a 65% ownership in the project. At the time of the original deal Agnico-Eagle purchased two million common shares of Homestake at \$0.35 per common share for proceeds of \$700,000.

Results had been very encouraging, but Agnico-Eagle clearly had bigger fish to fry. It will be interesting to see whether some of the extensive drill data inherited from the arrangement can go towards further boosting the resource.

Up Close with Dolly Varden

Closer examination of the maps of Homestake's properties shows that they are in fairly close proximity to the historic Dolly Varden mine, which we know from its latest reincarnation under the ownership of Dolly Varden Silver Corp (TSXV: DV). The mines have historic production of 20 mn oz Ag. This has added relevance because much of that production took place in an era when the area was much more isolated and yet this did not prove to be an obstacle, indeed there was even a railway connecting the mine to the tidewater at Alice Arm. It should be remembered that the partner of Dolly Varden on this territory is Hecla. The silver major also has a strategic stake, dating from 2012, in DV. The current owners of that property are doing work with a view to informing their production decision. The more development that there is in the area the better for Homestake.

Infrastructure

The company sustains that the Homestake properties are in the same system as the Eskay Creek project of Barrick, Galore Creek of Novagold, the KSM project of Seabridge and Pretium's Snowfield and Brucejack prospects. We have long had a downer on development projects in that neck of the woods due to gargantuan capex projections and the generally poor infrastructure. However there is a world of difference for Homestake's properties because they are much closer to water and have hydro-electric power in situ (and/or planned in very close proximity). The Homestake Ridge concession is 32km from tidewater at Alice Arm by a historic roadway and there is road access to within 6km of property.

Conclusion

The market took unfavorably to Agnico-Eagle decision to desist with regard to Homestake Ridge. In some ways the major's precipitate action is understandable in the light of the

transactions it is currently undertaking which are altogether on another level. With consolidation of districts being a theme around the world, one sensible outcome here would be a grand alliance of some sort between Homestake, Dolly Varden and Hecla. This would be a marriage of brains, beauty and cash!