

Kozak on Xtra-Gold and making the Kibi gold belt a world class gold deposit

If you're like most people, the past four month's health-driven lockdown saw you going through the five stages of grief, supplemented by the potential for day-drinking! (Stage Six – finding meaning). Once you processed the craziness in the world, you realized that there was some free time that you may not have had and time to get into those projects that had been neglected – in my case, my brokerage account. Looking over my portfolio, I came across an old purchase confirmation slip...from late 2009! Apparently I still own the stock, so I decided to dig in and review it with gold prices 'soaring to the moon'.

Xtra-Gold Resources Corp. (TSX: XTG | OTCQB: XTGRF) has been producing alluvial gold and "pioneering the discovery of a new gold belt in Ghana, West Africa". According to the Xtra-Gold website, Ghana is home to some of the world's largest gold mines including Anglo-Ashanti's Obuasi Mine (estimated at 64 million ounces) and Goldfields' Tarkwa Mine (estimated at 37 million ounces) and to date, more than 150 million ounces of gold has been discovered in Ghana. This includes more than 20 million ounces of gold that has been discovered by Newmont Mining Corporation since 2002 at its Akyem and Ahafo deposits. Ghana ranked 1st in African gold production in 2019 (4.5 million plus ounces produced).

Okay – it looks like gold production in Ghana has generally been going in the right direction – what about Xtra-Gold? Xtra-Gold was US OTC (XTGRF) listed when the shares were sold to me and became TSX listed in late 2010. The chart below shows the relative performance of spot gold and XTGRF since late 2009. It looks like I missed the early double and the

long-term hold hasn't been such a great strategy, so time to dig in.

Figure 1: Gold vs. XTGRF Price Movement



There are four main gold belts in southern Ghana, three of which are well explored and host some of the world's top gold mining companies. Xtra-Gold is alone in the fourth, the Kibi gold belt, which is said to be geologically analogous to other gold belts, including the nearby Ashanti gold belt.

Figure 2: Southern Ghana Gold Belts



Xtra-Gold has a total of five mining leases (Muoso, Banso, Kwabeng, Pameng and Apapam), encompassing 55,905 acres. The company has been conducting contract alluvial (placer) mining for the past 7 years (mostly on Kwabeng), which has generated annual cash flow (more than US\$4.0 million in bullion sales in 2019) and prevented the typical massive shareholder dilution seen in other gold exploration companies who issue new equity to fund exploration programs. There's a plus.

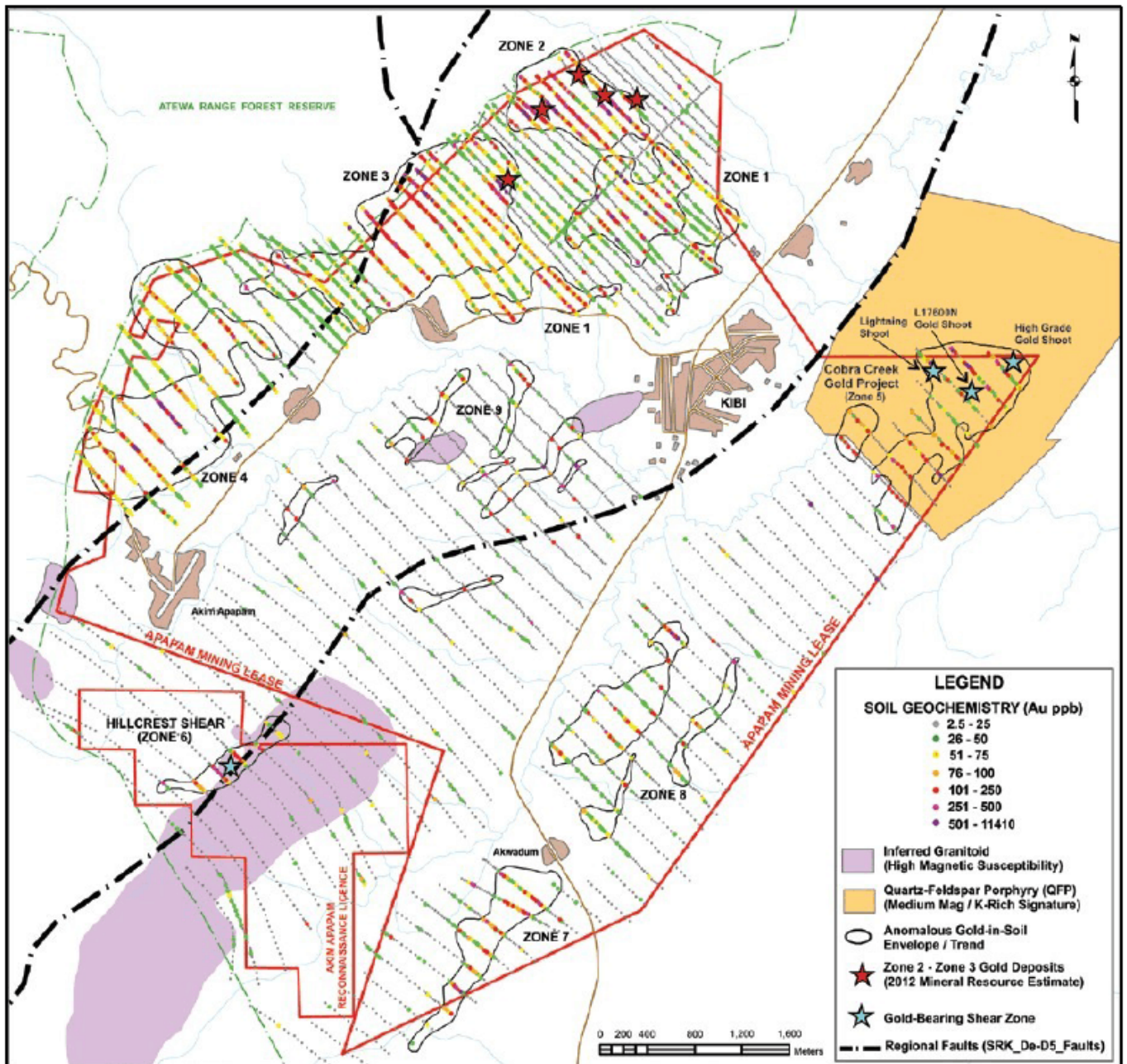
Early exploration resulted in a discovery of five gold deposits (Zone 2-Zone 3 on the Apapam Mining Lease) with an NI 43-101 prepared report (October 2012) estimated to contain an Indicated mineral resource of 278,000 ounces at an average grade of 2.56 g/t gold and an additional Inferred mineral resource of 147,000 ounces at an average grade of 1.94 g/t gold (@ base case 0.5 g/t cut-off). No mineral reserves have been established on the Kibi project.

Since 2012, the company has maintained a relatively consistent level of activity in Ghana, including geophysical, geochemical

and structural geology analysis plus drilling on Zone 2-Zone 3 plus modest drilling on other leases as well as mapping, analysis and placer/alluvial mining. Negative – how come so long?

Of note is the additional prospectivity of the Apapam Mining Lease. The Zone 2-Zone 3 targets have not been fully defined as yet, meaning there is potential for more gold resources to be defined through future drilling of the existing discoveries. To the southeast of Zone 2-Zone 3 is the Cobra Creek Gold Project (Zone 5) and southwest of Zone 2-Zone 3 is the Hillcrest Gold Target (Zone 6). There's a potential positive.

Figure 3: Apapam Mining Lease Prospects



Recent drilling results on Zone 2-Zone 3 were released earlier in 2020 and point to an expansion of the potential of the gold discovery in this area. In March 2020, the company announced the purchase of a second diamond drilling rig for increasing activity in Ghana. The rig purchase was fully funded by the exercise of the last remaining warrants in the company. That's also a positive – still no dilution (yet).

As of the March 31, 2020 financial statements, the company has approximately US\$3.8 million of cash plus approximately US\$2.0 million of investments and receivables and believes that with this cash plus continued placer gold sales, the company's 2020

and 2021 exploration programs are fully funded. Neutral to negative – what happens after 2021?

The company's immediate goal is to define 1 million ounces of gold with an ultimate objective to define a multi-million ounce resource. This would make the Kibi gold belt a world class deposit and Xtra-Gold a valuable company. Since I do share the market's view – Xtra-Gold looks to be attractive given the upside potential, but the share price is lagging the increasing gold price. I know, exploration takes time and Xtra-Gold has great potential, but...hopefully, it doesn't take another 10 years.

[Publisher's Note: The contributing editor Frederick Kozak is not a licensed investment advisor and is not making any recommendations. He has communicated a position in this stock which he acquired a decade ago and is sharing his process on how he makes his own portfolio decisions. Frederick does have 25 years experience in the capital markets, and in addition to his bio below, his professional experience may be reviewed on LinkedIn.]