

Can Eclipse Gold grow to become America's next mid-tier gold growth story?

Eclipse Gold Mining Corporation (TSXV: EGLD) ('Eclipse Gold') recently announced a proposed merger with Northern Vertex **to create a new western U.S. gold producer and explorer**, retaining the name Eclipse Gold Mining Corporation. Along with the proposed merger was a C\$20 million financing (since upsized for another \$4 million, to close on the closing of the merger), which will leave the company well funded after some initial expenses (Maverix Metals net proceeds of warrant shares), for exploration and future expansion. The proposed merger deal is yet to close and is subject to Eclipse Gold shareholder approval (shareholder meeting set for Feb 4/21).

Shareholders of the combined company gain exposure to ~50,000 oz pa gold mining production (Moss Mine) and also leverage to resource growth (at the Moss Property and also at the Hercules Gold Property) with accelerated drilling planned for both properties. Both properties are in excellent mining areas of the USA and sit on the Walker Lane Trend. As a result of the proposed merger Eclipse Gold now will have a team with both strong operational experience as well as capital markets experience. This should make for a strong combination in future years.

Regarding the proposed merger, Eclipse President, CEO and Director, Michael G. Allen stated: "This combination gives Eclipse (Gold) shareholders exposure to creating value on a larger scale, supported by positive cash-flow. Shareholders of the new combined company will now own a platform including **two Walker Lane gold projects with multi-million-ounce potential, a producing mine with untapped production and cash-flow growth opportunities, and an executive team with demonstrated success**

building multi-asset companies organically and through M&A. This combination aligns all the key elements required toward building America's next mid-tier gold growth story."

Note: Bold emphasis by the author.

The new combined company, Eclipse Gold, will have two gold properties in the USA, both are strategically situated along the Walker Lane Trend:

- 1. The Moss Mine & Property (NW Arizona)** – An open pit producing gold mine at a current run rate of ~50,000 Au oz pa (last quarter produced 13,083 oz at a cash cost of US\$954/oz). The Property currently has a M&I Resource of 360,000 oz contained Au @ 0.6 g/t plus Inferred 129,000 oz contained Au @ 0.37 g/t; as well as silver by-product. A recent drill result at the Moss Mine was 15.25 meters @ 3.35 g/t gold and 23.09 g/t silver. The Resource is spread over 1.5km but there are additional outcrops at surface spread over 5kms. The Company believes that there is nearby exploration upside and potential for a hub and spoke development.
- 2. The Hercules Gold Property (Nevada)** – A 100 km² district scale property with exploration potential. Located only a one hour drive from Reno it appears to have all the characteristics of a large, low-sulphidation epithermal gold system. The Property has a non-compliant 300+ drill hole history as well as surface samples averaging 1g Au. Drilling is ongoing and the latest 28 drill hole assay results are pending and due out soon. A known past drill result (H20010) was **89.92 m @ 0.65 g/t Au**, 12.51 g/t Ag. Note that all of these results pre-date NI43-101 so the usual cautions apply.

Eclipse Gold's two gold properties – Moss Mine & Property and Hercules Gold Property (assumes the proposed merger completes)

Strategically Located On The Walker Lane Trend



HERCULES – An Exceptional Exploration Project

- District-scale land package (100 km²)
- Low sulphidation epithermal gold-silver system
- 350 Historic drill holes
- 3,271 meters in 12 holes drilled by Eclipse in 2020 Phase I program
- 7,330 meters in 28 holes drilled by Eclipse in 2020 Phase II program complete, pending assays

MOSS MINE – Production and Cash Flow

- Open pit, heap leach operation in NW Arizona
- Excellent exploration upside adjacent to open pit and regionally for hub and spoke potential
- Most recent quarter (FY Q1 2021):
 - Record gold production of 13,083 oz
 - Cash cost of US\$954/oz

Source: Company presentation

Eclipse Gold has a strong board and management team with an excellent track record of success as shown in the chart below.

Delivering Wealth Generating Liquidity

Newmarket Gold \$1B TAKE OUT	International Royalty Corporation \$700M TAKE OUT	Northern Empire \$117M TAKE OUT	Peru Copper \$869M TAKE OUT	Underworld Resources \$138M TAKE OUT	Esperanza Gold \$69.4M TAKE OUT
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Board of Directors with Established Track Record of Value Creation



Source: Company presentation

Assuming a successful merger, Eclipse Gold should be cash flow positive in 2021 thanks to the producing Moss Mine which brought in an operating cash flow of US\$10.7 million last quarter. Positive cash flow and company cash reserves (C29.5 million includes the pending financing) can help fund significant exploration at both the Moss and the Hercules properties in 2021.

Closing remarks

A recipe for success in the gold mining business is to be self-sustaining, producing gold and at the same time doing exploration to grow the resource and expand production. Subject to the proposed merger deal closing successfully, Eclipse Gold will then have a very strong foundation to build upon in 2021. Eclipse Gold guides for a pro-forma market cap of about C\$225 million once the proposed merger is complete, hopefully in February 2021.

Is Eclipse Gold America's next mid-tier gold growth story? The new combined company certainly looks appealing but we will first need to see how it goes in 2021 with the proposed merger approval, assay results and exploration and production growth strategy; before we can call Eclipse a mid-tier growth stock.

Note of caution if buying Eclipse Gold before the proposed merger completes

Please read the transaction summary, in particular that the "combined company will be comprised of 71% Northern Vertex shareholders, 18% Eclipse shareholders and 11% new shareholders." Also, here is an interview that Peter Clausi did with Douglas Hurst on Eclipse Gold's merger with Northern Vertex, or [click here to access](#).