Cartier Resources: Buy Low, Explore, Sell

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Cartier Resources Inc.Cartier Resources Inc's Chimo mine in the Abitibi District after closure

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In the long lull for junior resource companies beginning in 2008 a lot of potential mines came on the market in highly prospective areas. For a company like Cartier Resources (V.ECR), with cash in the bank, it was a matter of waiting for the right distressed property.
Philippe Cloutier, President and CEO of Cartier explained the strategy, “It’s not very exotic. The best place to find a mine is under a mine.”

In the Abitibi district in Quebec this is especially true. During the peak of mining activity in the Abitibi greenstone belt most of the over 100 mines in the district were relatively shallow, less than 1000 meters deep. But as the district revived in the early 2000’s, exploration and mining went deeper. Much deeper. Productive rock was found at 2000, even 3000 meters down.

For Cartier, the Abitibi offered projects which were inexpensive to buy and which had significant exploration potential. “We acquired the Chimo mine when its owner, Blue Note, went bankrupt. We paid $261,000 for it.”

For a little over a quarter of a million dollars Cartier got a mine which had been a gold producer in the 1960s, again in the 80’s before ceasing production in 1997 after having delivered just under 400,000 ounces of gold. “It didn’t stop producing because it ran out of ore.” said Cloutier, “It stopped because gold was $275 an ounce.”

“When we bought the mine the first thing we did was invest two years digitalizing all of the historic drilling results. That let us build a digital model of the deposit. We were looking for gold around the main shaft.” said Cloutier. “Adjacent to mined out zones the previous owners had outlined potential new ore zones with drill intersections reporting 10.2 meters at 9.6 grams per ton, 6.8 gpt over 11.6 meters and 6.6 gpt over 11 meters. These are the types of targets we want to chase.”

In an [October 11, 2016 press] release Cartier announced it will commence drilling two of these targets.
Finding gold around that shaft is part of the key to the economics of the Chimo mine. At the moment, the 960 meter shaft is full of water but dewatering it and recommissioning it is massively cheaper than sinking a new shaft to that depth. Plus, once the shaft is recommissioned it will allow deep drilling on the property.

In 1995, one of the predecessor companies, Cambior, drilled a dozen holes to the East of the main shaft and discovered two new vein sets that returned intervals grading 3.3 g/t Au over 12.8 m and 6.1 g/t Au over 3.4 m.

“The upcoming drill program will follow up the Cambior discoveries.” said Cloutier, “ discovering new zones that extend at depth in this area would add significant potential to the current value of the project.”

“Our drilling from surface should unlock more potential at depth. Chimo has produced 400,000 ounces of gold historically. We believe that with the right amount of drilling we could potentially reach a million ounces.”

For Cartier the advantages of the Chimo mine are obvious, “First off, it’s a 30-minute drive from downtown.” said Cloutier referring to the mines location in the Abitibi district. “It is near local infrastructure, has local hydropower source and a local well-qualified workforce.”

Even at the exploration stage location is important. “We can drill for $50 a meter. Our drill crew can sleep at home and if we need a part for a rig it is just down the road.” said Cloutier comparing the Chimo property to more remote locations. “And, within a few kilometres there are three mills operating and one decommissioned mill to process the ore.”

For all of that Cartier is not looking to put the mine into production. “We have no production intention. We’re not going to take the property to Pre-Feasibility.” said Cloutier.

“For the last few years, Cartier has been under the radar. Now we are going to drill the property and we’re going to release the results. This will be a press release producer.” said Cloutier, “Right now the money we raise will go into producing diamond drill results.”

Cloutier makes no bones about the Cartier strategy of acquiring good assets at low prices, exploring and then selling them on to more senior producers. “We paid a low price for a good asset. We have signed non-disclosure agreements with a number of companies who have looked at our digital model. Selling the asset at a good price will build value for our shareholders.”

As Cloutier points out: there is nothing exotic about Cartier’s business strategy. It is a formula which has worked for years for junior mining explorers. Cartier’s insight was that in the vicious downturn after 2008, there were good, prospective, past producing mines available for next to nothing. Adding ounces to an already established mine and then selling it to the highest bidder in a more buoyant market is a low risk, high reward strategy. Now investors can watch as Cartier drills out the Chimo mine and lines up potential purchasers.

At time of writing Cartier traded at $0.14 with 87.39 million shares outstanding for a market cap of $12.23 million.