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Alexandria Minerals (V.AZX) building resource value at Cadillac Break

METALS & MINING - GOLD

The price of gold has languished since 2014 after its precipitous drop from just under $1800/ounce back at the end of 2012. Junior miners scrambled as a dearth of available financing and adverse economics put the kibosh on many early-stage exploration projects. Companies either had to adapt to the increased heat or they were forced out of the kitchen. This 'grand capitulation' winnowed the field of exploration players, but, for the most part, left the strongest behind to capitalize on the low-cost opportunity provided by the growing elimination of the 'me-too' element.

An example of the one of these survivors using the current market downturn to build shareholder value is **Alexandria Minerals** (TSX: V.AZX, Forum). Alexandria Minerals, led by President, CEO and Director, Eric Owens, is a gold exploration company operating in the prolific and storied Val d'Or gold mining district located in Quebec, Canada.

Alexandria was able to significantly build on its value last year when the company closed its acquisition of Murgor Resources. The transaction not only added strategic gold and copper property assets in recognized gold-mining camps but it also enlarged the company's presence in Matachewan, Ontario and Chibougamau, Quebec. As a result of the thrifty all-share deal, Alexandria upped its resource numbers to 2.6 million ounces of gold/gold equivalent at a cost of about $3.50 per ounce of gold. However, economically adding resources through acquisition is just one part of Alexandria's story.

The company's flagship Cadillac Break Property Group is one of the largest land packages in Val d'Or, stretching some 35 kilometres along the Cadillac Break, a gold-bearing structure that has produced over 100 million ounces of gold. This collection of 20 wholly-owned properties contains four historic gold deposits: Orenada, Mid-Canada, Akasaba and Sleepy, two of which, Mid-Canada and Akasaba, were former producing mines. As whole, Alexandria's Cadillac Break Property Group contains 1.6 million ounces of gold resources (combined measured, indicated and inferred).

Since Alexandria's discovery of Quebec's next producing gold mine at the Akasaba West Zone in 2012, the company has focused its exploration on the western portion of the Cadillac properties, looking for bulk tonnage porphyry-type gold and copper targets. Last year it completed a 2,500 metre winter drill program intersecting multiple high-grade gold veins at Orenada and over the past few months it has conducted geophysical work while interpreting various historical data sets in order to determine new targets for a modest drill campaign it expects to commence in mid-February.

Beyond Cadillac, the company is actively maintaining several other interesting locations, including Fancamp, adjacent to IAMGold's Monster Lake Project in the Chibougamau region of Quebec. This 1,895 hectare package, comprised of 37 claims, was picked up in last year's acquisition of Murgor. Even though Fancamp hasn't been effectively explored for 15 years by its previous operators, there

is very encouraging historical data including trenching results of 10.6 g/t gold over 12.2 metres. Alexandria feels there is great depth potential at Fancamp and intends to build on the property's established geophysical work with IP (Induced Polarization) surveys later this year.

Wydee is another project drawing Alexandria's immediate attention. Located approximately six kilometres west-northwest of Matachewan, Ontario, Wydee is in close proximity to the famed Young Davidson Mine, operated by Alamos Gold, which produced 156,753 ounces of gold in 2014. The Wydee property hosts numerous gold occurrences at potentially economic grades and many of those occurrences have similar geology to the Young Davidson gold mineralization. Alexandria intends to carry out a combined airborne magnetic and EM survey to delineate targets which indicate the potential for additional syenitic intrusions similar to the Young Davidson-Type.

Gullrock, approximately 10 kilometres southeast of Red Lake in the Red Lake Gold Mining District of Ontario, is a 2,161 hectare property consisting of 12 claims. It runs contiguous to Goldcorp's Campbell-Red Lake Property and is on strike with the Campbell-Red Lake Gold Mine which produced 414,400 ounces of gold in 2014. Again, Gullrock bears similar geology to Campbell-Red Lake Gold Mine and covers a strike extending over seven kilometres known as the "Mine Trend" which hosts Campbell-Red Lake, Cochenour-Willans and MacKenzie Gold Mines where more than 20 million ounces of gold have been mined to date. Alexandria plans to conduct a ground induced polarization survey this year to plan the next round of exploration on the relatively untested "Mine Trend".

As you well know, exploration isn't cheap and all of this is going to cost money. How is Alexandria's bottom line? Owens responded, "We completed a $1.9 million combined non-brokered private placement and royalty package sale back in October and November at a 70% premium to the market. So today, the company has about $1 million in the till, plus another six or seven hundred thousand in near-term credit and Quebec mining refund. On top of that, we have some other credits as well, so we're doing really well –especially compared to other explorers."

It should also be mentioned that the company also did a hard cash $500K financing in January 2015 at 100% premium to the market. Despite the challenging market conditions, confidence in the investment community seems to be strong with this one.

Now, juniors will always need money to carry out their exploration and development activities, that's an unavoidable fact and shouldn't surprise anyone when they invariably end up going to market for operating cash, that is, if they're actually 'operating'. Alexandria definitely is and has managed to put itself in a comfortable position for at least the ensuing year. Owens added, “We could even stretch that further if we had to.”

This fiscal responsibility further evidenced itself with Alexandria’s recently announced Normal Course Issuer Bid (“NCIB”) as Owens explained, “The NCIB was a message to the public that the company wanted to keep things going and had the shareholders’ interests at heart. Now, we’ve been getting some feedback from some investors that our shares have been trading in a price range which does not adequately reflect their value, especially in relation to our asset position and future business prospects. Given our successes and growth rate of gold resources over the past few years, Alexandria does represent an attractive investment.The NCIB is an option, so even though we have a year to purchase up to 5% of the shares, we don’t have to buy any. In the end, we’ll see how the markets go; we’ll see how we’re doing and make our decisions from there.”

The current state of the junior market is a bit ironic as the investment community sits tight-fisted waiting for share prices to jump and realistically, the only way those shares will significantly gain value is in the case of a major discovery and that discovery won’t necessarily happen without the injection of money. This self-fulfilling bottleneck has carved a swath through the sector and as such, Alexandria is examining acquisition opportunities at both Red Lake and the company’s Manitoba properties.

Owens explained the reasoning behind this ‘bullish’ approach, “Back in 2012, there was an offer to buy for $8 million one of the two copper-gold-zinc properties we acquired last year in Northern Manitoba. Now with everything that’s happened to the sector, we own both of those properties and several other exploration properties, for which we paid $2.7 million in an all-share transaction. So when the next upturn comes, the question becomes, what can we sell some of those properties for? In short, we have optionality, where many other juniors handcuffed to their portfolios do not.”

So what does 2016 hold for the sector? Gold is probably going to stabilize with some modest gains, which should present more opportunity for those companies who have been able to stick with it. However, it may take until the end of 2017 before the junior market sees significant and sustained positive movement. That said, it seems we may have reached the trough and even though a lot of juniors are sitting on their hands in an effort to keep the lights on, good stories with activity are still attracting financing.

Alexandria, with its thoughtful and methodical approach to exploration, its value-building optionality and its devotion to shareholder welfare, tells a pretty good story with action. Therefore as other juniors are flailing to catch up, Alexandria will be prepped and ready to capitalize on the opportunity presented when this market-wide financial storm abates. As investors, there is no better time to economically grab a block of Alexandria Minerals. This is of course, my opinion. As always, do your own due diligence before making any investment decision.

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