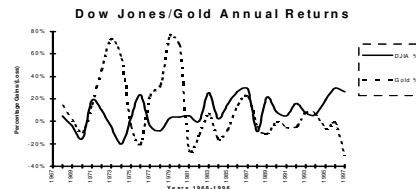




Gold

Energy & Tech Stocks



Weekly Hotline Message (Now in our 39th Year) April 24, 2020

Return Coverage

Precipitate Gold Corp.

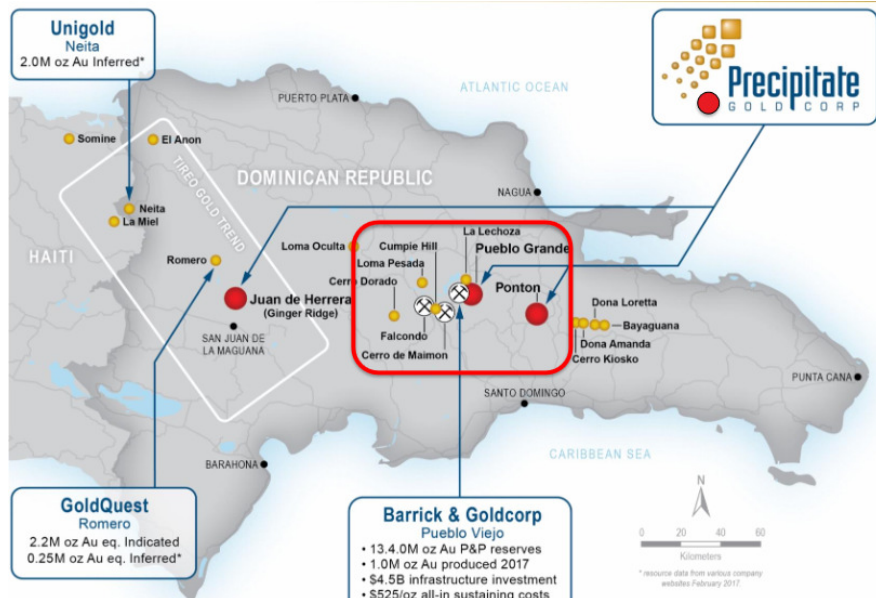


Business: Exploration and development of gold projects in the Dominican Republic

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| Trades Toronto: | PRG |
| USOTC: | PREIF |
| Shares Outstanding: | 105.7 million |
| Price 4/24/20: | US\$0.12 |
| Market Cap: | US\$12.7 million |
| Fully Diluted Shares: | 115.9 million |
| Working Capital: | ~\$2.3 million |
| Major Shareholders: Barrick Gold Corp. | 12% |
| Strategic Metals | 20% |
| Progress Rating: | A4 |
| Telephone: | 604-558-0335 |
| Website: | www.PrecipitateGold.com |

Precipitate Gold Corp. (Precipitate) is a company that had been covered in these pages in the past. It was dropped as the market began to take a dim view of mining in the *Dominican Republic* and as *Gold Quest Mining* was having difficulties in getting its 2.2-million-ounce *Romero Gold Deposit* put into production. So the “lights went out” on

Precipitate’s very promising *Juan de Herrera Project* located next door. At that stage Precipitate could have picked up and gone home but it chose to stay in the Dominican Republic, believing that the political climate might change for the better and to look for other opportunities there that might allow for progress in spite of the anti-mining sentiment of the country’s president.



The company’s Juan de Herrera Project is being maintained in good standing as the cost of holding on has not been overly onerous. But the first development that suggested times might be heading in a more positive direction came on January 15, 2019, when Precipitate acquired two projects from Everton Resources for \$25,000 in cash and 7 million shares of legend stock that could be

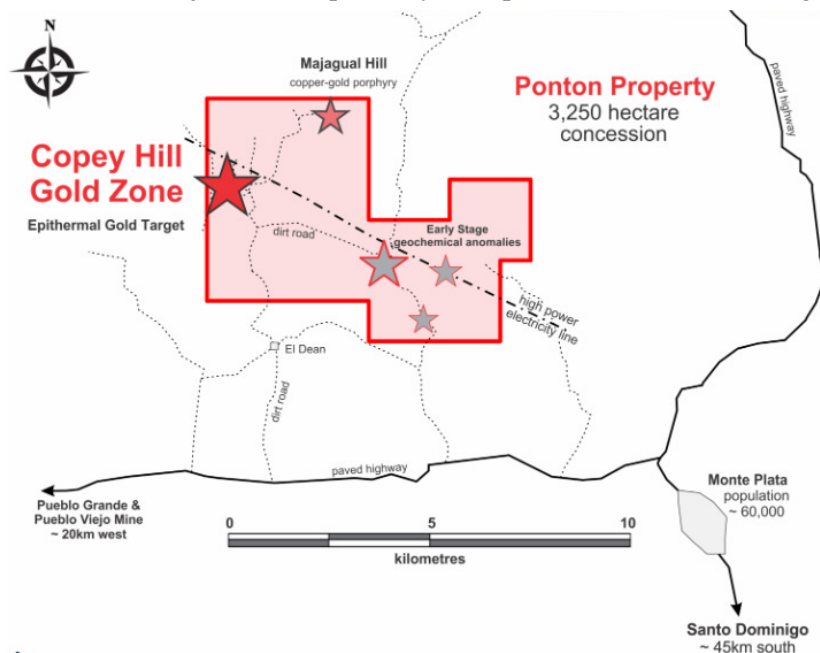
sold in controlled amounts over three years. Those two properties were the **Pueblo Grande** located next door to the very rich Pueblo Viejo Gold Mine operated by **Barrick Gold**, and the **Ponton Prospect**. The combination of a not-so-pro-mining Dominican Republic president, Everton's opportunity to profit from the marijuana trade, and a gold price \$400 below the current gold price accounts for the availability of these highly prospective properties for \$25,000 and some shares.

Precipitate had begun to carry out preliminary geological work on the Pueblo Grande Project before they were approached by Barrick, who was obviously interested in the geological potential to grow that gold mining operation beyond its production of between 600,000 and 1 million ounces per year. With a \$4.58-billion infrastructure in place, obviously additional ounces of gold located next door, especially if they graded higher than the 7 million ounces of lower-grade stockpile reportedly at Pueblo Viejo, would be very valuable to Barrick.

Jeffrey Wilson and his team wound up with what I think is a very good joint venture deal with Barrick. The deal has Barrick earning a 70% joint venture interest in the Pueblo Grande over six years by spending a minimum of US\$10 million and completing a pre-feasibility study. Unless Barrick takes the project to a pre-feasibility study, it earns no interest in the project. So whatever it costs for Barrick to complete a pre-feasibility study, it will need to spend or it will come up empty. Given the uncertainty of COVID-19, Barrick needs to spend only \$2 million over the first two years. Assuming COVID-19 is brought under control over the next few months, we may see Barrick start its works soon. Besides the "all or nothing" aspect of this agreement for Barrick, the agreement also gives Precipitate the right to have Barrick fund Precipitate's 30% share of capital costs if/when the project is put into production.

The Ponton Project

The Ponton Project was acquired by Precipitate from Everton, along with the Pueblo Grande. It is my understanding that



at some point along the joint venture discussion with Barrick, they let it be known they would also like to have the Ponton Project thrown into the deal.

Thankfully Precipitate said "no" to Barrick's request, because Management believes the Ponton Project offers the best opportunity for exploration success in outlining a gold deposit with potential scale. The Ponton Project, which is an epithermal gold target, is located approximately 20 km due east of the Pueblo Grande. It has all basic requisite infrastructure in place, including a high-power electricity line running through the middle of the property.

While Everton did some work on this target it was more interested in exploring for a copper porphyry target shown near the northern boundary of the 3,250-hectare Ponton Concession. However, recent data compilation and interpretation of the Ponton Property's historical surface geochemical sampling (soil, rock and stream sediment) highlighted the project's Copey Hill Zone as the region's strongest multielement geochemical anomaly (gold, silver, arsenic, mercury, antimony), which Management concludes is likely reflective of a near-surface epithermal gold system. The zone has never been drill tested and will be the focus of the company's near-term drill targeting plans.

While there are some early-stage geochemical targets toward the southeastern portion of the property, the immediate focus will be on the **Copey Hill Gold Zone**, the location of which is shown in the illustration above. Here are some of the major attributes of this epithermal gold zone that has Management eager to get moving forward.

- Coincident surface soil-rock geochemical anomalies, including gold, silver, arsenic, mercury, antimony and thallium, over an area measuring about 1,200 by 1,000 meters and open to the east;
- Early-stage rock sampling with gold values up to 4.1 grams per tonne (g/t), associated with fine grain silica (plus or minus pyrite) veins, often with boxwork and cockscomb textures;
- Large distinctive areas of white clay argillic alteration;
- Proximal to the Majagual copper-gold porphyry system 2.5 kilometers to the northeast;
- Hosted in Los Ranchos formation volcanics, similar to the host rocks at the Pueblo Viejo gold mine located about 35 kilometers to the west;
- Excellent logistics and road access, with a high-power electrical line bisecting the property.

Having carried out a considerable amount of surface work on this project, the company had set in motion drill permit requests. Permits will no doubt be delayed somewhat due to COVID-19 government office closures, but assuming that problem is soon overcome there is reason to hope sometime before the end of this year drilling will take place on the Copey Hill Gold Zone where surface soil and rock values for indicator metals like arsenic, mercury, antimony, and thallium were measured over an area of 1,200 meters by 1,000 meters and open to the east. When drill permits are granted, you can expect the company to hit the road running, having its own drill rigs and drill crew lined up. Management is promising further comprehensive details of the Copey Hill Gold Zone, and the company's near-term plans will be provided in the coming weeks.

Since you all know that I'm a big Quanton Hennigh fan, his involvement on the board and as an advisor to the project has played a role in my decision to add Precipitate back into this letter. In the company's April 23 press release announcing plans to start exploring the Ponton, Dr. Hennigh was quoted as follows:

"The Ponton Project hosts a robust, 1.2-kilometer-diameter epithermal gold anomaly, the Copey Hill Target, with no history of drilling. Given its close proximity to the world-class Pueblo Viejo Mine operated by Barrick, it is astonishing such a target has not yet been tested, especially given the fact this system is hosted by the same prospective host rocks, the Los Ranchos formation. Based on the existing available data, the company's initial assessment suggests the Copey Hill anomaly possesses the geochemical characteristics to host a significant untested epithermal target and warrants accelerated advancement toward a first phase of drill testing. Precipitate aims to soon fully develop this drill target in preparation for drilling using the company's recently acquired drill equipment. Having now closed the Pueblo Grande transaction with Barrick, Precipitate is well cashed up with approximately \$2.3-million to aggressively pursue this high-value target."

Management

Adrian Fleming, Chairman of the Board - Mr. Fleming has served as a director of numerous companies including ASX listed Goldminex Resources, TSX listed Strikepoint Gold Inc., and Osprey Gold Development. Mr. Fleming has over 40 years' experience in exploration, project development and mine operations. He has been a member of teams that made gold discoveries at Porgera, PNG; Big Bell, WA; Gross Rosebel, Suriname; Hope Bay, Canada; and more recently, White Gold, Yukon, Canada. He founded Underworld Resources in 2006 which was subsequently acquired by Kinross Gold Corp for CAD\$130M. Mr. Fleming was also a founding Director of Northern Empire Resources which has been acquired by Coeur Mining for CAD\$117M. Mr. Fleming holds a Bachelor of Science with Honours in Geology from University of Newcastle. He is a Member of the Australian Institute of Mining and Metallurgy.

Jeffrey R. Wilson, President & CEO, Director - Jeffrey R. Wilson has 20 years of experience in the mineral exploration and mining investment industry. Mr. Wilson brings to Precipitate a wealth of contacts throughout the investment community including institutional investors, retail brokers, investment bankers, mining analysts and private investors. During his career, Mr. Wilson has been involved in numerous equity financings, ranging from IPOs to private placements and syndicated brokered financings. Mr. Wilson began his career in the early 1990's as an Investor Relations Manager and eventual Director of two public companies, namely Welcome Opportunities Ltd. (which was bought out by

Endeavour Mining Capital in 2002) and Aquiline Resources Ltd. (which was bought out by Pan American Silver in 2009). In 2005, Mr. Wilson was involved in the formation of Silver Quest Resources Ltd., which was bought out in 2012 by New Gold Inc. Most recently, Mr. Wilson was VP Corporate Communications at Geologix Explorations Inc.

Quinton Hennigh, PhD, Director - Mr. Hennigh is an economic geologist with 25 years of exploration experience, mainly gold related. Early in his career, he explored for major mining firms including Homestake Mining Company, Newcrest Mining Ltd and Newmont Mining Corporation. Dr. Hennigh joined the junior mining sector in 2007 and has been involved with a number of Canadian listed gold companies including Gold Canyon Resources where he led exploration at the Springpole alkaline gold project near Red Lake Ontario, a 5 million ounce gold asset that was recently sold. In 2010, Dr. Hennigh helped start Novo Resources and began assembling its Australian exploration portfolio. Dr. Hennigh obtained a Ph.D. in Geology/Geochemistry from the Colorado School of Mines.

Alistair Waddell, Director - Mr. Waddell is a geologist with over twenty years of diverse resource industry experience. His experience bridges both junior and major mining companies providing a broad vision of many aspects of the resource industry. Mr. Waddell was a founder and former President & CEO of GoldQuest Mining Corp. focused on early stage exploration in the Dominican Republic. GoldQuest's ground-breaking regional exploration laid the foundation for the more recent discovery of the Romero deposit and the heightened interest in the Tiroo Gold Belt, where Precipitate is currently active with its Juan de Herrera project. Mr. Waddell's knowledge and experience in the region bring invaluable guidance to Precipitate. His most recent role was Vice President Greenfields Exploration for Kinross Gold Corp. Mr. Waddell has lived and worked as an expatriate in Australia, Bolivia, Venezuela, Peru, Ecuador, Chile and the Dominican Republic.

Lon Shaver, B.Comm., Director - Mr. Shaver is a CFA charterholder with over 25 years of capital markets and corporate finance experience, mostly focused on the Canadian mining sector. Mr. Shaver is currently Vice President at Silvercorp Metals Inc., which operates multiple mines in China. Previously, he spent a combined 13 years in investment banking roles with Merrill Lynch and Raymond James guiding corporate clients through hundreds of closed financing and M&A transactions. Previously, Mr. Shaver was a research associate and mining analyst with an institutional sell-side firm. His corporate experience includes CFO roles with a publicly-listed mining company and a private technology company. Prior to his current role at Silvercorp he acted as a consultant providing corporate development and capital markets support to companies in the resource sector, and is on the boards of several public companies.

Michael Moore, P.Geo, VP Exploration - Mr. Moore is a British Columbia registered professional geologist with a B.Sc. geology degree (1989) from Carleton University (Ottawa ON). He is a third generation miner with +25 years of national and international field work and project management experience. Mr. Moore's diverse exploration skill sets include base, precious and industrial metal projects; ranging from grassroots to advanced stage exploration levels. A brief snapshot of his + twenty five year career evidences experience with (i) a wide range of gold-copper deposit types in Greenland, Mexico, Peru, Cuba, Ghana, Canada and the USA, (ii) Achaean nickel-PGM deposits in Nunavut, (iii) manto-type carbonate replacement base metals, (iv) low sulphidation epithermal gold systems in Mexico, (v) uranium and tungsten mineralization in various Canadian provinces and (vi) intrusion-related gold and copper-gold systems in northwest Canada.

Mejico Angeles-Lithgow, Advisor - Mr. Angeles-Lithgow is a Dominican national who, until March 2018 held the position of President and Executive Director of the Barrick-Pueblo Viejo mining operation in the Dominican Republic, which is the single largest investment in the country's economic history. Mr. Angeles-Lithgow worked at Barrick-Pueblo Viejo for nearly 11 years, having held the position of Director of Government Affairs before being promoted to President and Executive Director. As President and Executive Director of Barrick-Pueblo Viejo, Mr. Angeles-Lithgow was responsible for co-managing one of the largest gold mining operations in the world and one of the Dominican Republic's most important economic drivers, with an initial infrastructure investment of approximately US\$4.3 billion and a recent 2017 production rate of approximately 1.0 million ounces gold per year at an all-in-sustaining cost per ounce of US\$525*. Prior to working at Barrick, Mr. Angeles-Lithgow was the Director of Commercial and Regulatory Affairs at Empresa Generadora de Electricidad Haina, S.A. (E.G.E. Haina), one of the two power generation companies formed as a result of the capitalization of the former state-owned power utility in the Dominican Republic and the reform of the

power sector. He worked in the power sector for over 8 years. (*March 2018, NI 43-101 report). Mr. Angeles-Lithgow offers critical local and in-country expertise to augment the geological and business acumen of the Company's management team and Board of Directors. Mr. Angeles-Lithgow's track record for establishing mutually beneficial relationships between the mining sector and local communities, business leaders and government officials at all levels, provides invaluable insight to Precipitate as it commences activities at its Pueblo Grande Project.

The Bottom Line

Exploration is always a high risk/high reward proposition but Precipitate appears to offer a tradeoff in favor of speculative investors better than most, for several reasons. First, if a deposit of any size and merit at all is outlined at Pueblo Grande, given Barrick has all the infrastructure in place already, it seems unlikely that it would walk away from that project as it could simply feed ore into its mill located next door. But even if exploration there is a complete dud and Barrick walks, the project is returned to Precipitate without its shareholders being diluted down to fund disappointing results. Secondly, the Ponton Project is the more exciting project geologically, and don't forget that Barrick tried unsuccessfully to make that part of their deal with Precipitate. Also, Precipitate's Juan de Herrera northeast of Pueblo Grande has had a lot of work carried out there with promising early results. The anti-mining president of the Dominican Republic will soon be leaving office and there is a sense among natives that with COVID-19 sapping the country of revenues from tourism, out of necessity a more pro-mining president may well emerge. The feeling is that whoever the new president is, he/she will not be more anti mining than the current president is. In other words, there is hope that the \$2.2-million Romero Project owned by Gold Quest, and Precipitate's adjoining Juan de Herrera may be back in business again.

While it is believed there are reasons to be optimistic that a more favorable attitude toward mining will likely evolve, there is no assurance of that or that COVID-19 will die down or that exploration will be successful. But the market is factoring all those negatives into the current share price, which, at US\$0.12, I consider quite favorable. And most important of all is the presence of a strong board and management team. I especially am pleased not only that Quanton Hennigh is on the board and an advisor, but also that he is held in high esteem by the existing Management. And of course, with the stock selling at US\$0.12, the price of entry is right. Risks of course are always there.

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