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Cartier Resources "ECR"

There are many junior mining stocks that we follow on our valuation screens. For those stocks, the bottom line was, is and will always be the amount of assets a company has in the ground and how much will it cost to take the assets out. We have been researching several companies that are down precipitously in price but in our view are exceptionally undervalued. Most investors know that the primary reason that the mining stocks are down sharply in price is due to the low bullion price which makes gold mining unprofitable for many companies.

With the average all in cost to produce an ounce of gold often at $1200 to $1500, the current price of $1200 is insufficient for most mining companies. It sharply cuts the profitability of mining companies that are profitable. In many cases, the prices of the stocks have dropped to levels that reflect the price of gold under $1200 an ounce which our analysis does not agree with. Our cyclical and fundamental research suggests a positive market for gold and many of the mining stocks recommencing in 2015. We should note that many gold mining stocks have bottomed since July 2013 as accumulation has been continuing. Few investors have noticed that!

When gold recommences a bullish cycle which our analysis suggests will occur soon, a junior mining stock can offer an opportunity for significant capital gains. One must recognize that for the small cap junior market today, we are in an "inefficient market" that often fails to recognize exploration success by juniors for prolonged periods and fails to recognize asset values. As well, there are over 1200 junior mining companies. Which companies get the attention? Worse yet, exceptionally positive drill results and important news are often overlooked for long periods.

Cartier Resources, symbol "ECR" at .14 cents, has six active gold projects, two copper projects and heavy insider (officers and directors) ownership. We know the management well and can say with confidence that it is of high quality, experienced and focused. The company has no debt and currently has over $1,400,000 in cash. We have followed Cartier for six years and are very satisfied by its fundamental progress in a very difficult gold market. The Cartier management has an excellent strategy.

There are several key ingredients in a mining company that we examine such as its projects' potential, cash levels and experienced management among many factors. We also note Cartier's officers and directors have large positions in Cartier shares. Most investors know that the Abitibi region has an eighty year history of gold production (over 45,000,000 ounces of gold production through 2013) and is one of the most productive gold mining areas in North America.

Activity

Cartier Resources has been quite active during this bear market period and put together a portfolio of excellent potential projects. It also traded assets off for shares in other companies and commenced joint ventures. The company is concentrating on exploration on their Cadillac Extension, Beniost, MacCormack, Dollier and Chimo mine. The 2014 drilling totaled 7,512 meters on three properties, Benoist, MacCormack and Dollier. A weak bullion market did not constrain Cartier's drilling program. Simply stated, management's focus is to conserve cash and create value but to continue exploration.

Good projects

The company has been acquiring resources in the present “buyers’ market.” Cartier recently acquired the Chimo mine which had a history of gold production as Cartier believes it offers exceptional potential for further production. Cartier paid $261,000 for Chimo in 2013. In view of the strong possibility to restart Chimo successfully, it could be the “dark horse” of Cartier’s projects. CEO Philippe Cloutier emphasizes that his priority is acquiring high grade assets at low prices. He has an approach that we find sensible and practical in today’s markets. With the weakness in the gold and commodities markets, management sees quality assets available at very low price levels. The management recognizes the difficulty for juniors to obtain financing so it is taking a very conservative approach to capital expenditures. The plan is to enhance asset the value of the company at low cost. It is a strategy that is a perfect fit for this market.

Drilling strategy

Cartier’s approach is to acquire surface deposits and drill at depth. Their owned projects host small deposits at surface which have been identified or even mined in the past. But they are not of the size that management wants, they are focusing on large deposits. At depth, the Abitibi area has provided large deposits. The geology of the Abitibi has shown that you can find a mine underneath a mine. Cartier’s plan is to keep drilling at depth.

For example, the Benoist property has a historic resource of 100,000 ounces within 200 meters of the surface. The new holes are not in the historic resource. They are drilling to 650 meters. They have earlier holes which prove that the (gold) system existed at depth. As Cartier gains more information about the structure of a deposit it can determine the feasibility of a mining operation.

The Chimo Mine

Cartier acquired the Chimo Mine in a bankruptcy sale in August 2013. The mine produced 379,000 ounces between 1964 and 1997 and was closed when the price of gold fell below $300 an ounce. It has an 860 meter shaft and Cartier believes it contains un-mined, high grade, gold zones near the historic workings. The Cartier strategy is to look for gold where gold has been found before and where there is the infrastructure to bring a mine into production efficiently and cost effectively.

The Cartier shares, who owns them?

Cartier Resources has 71,825,795 shares outstanding. Quebec institutions own 36%, Retail 48%; US investors 9% with Cartier management owning 6%. As you know, these percentages can change at any time. Of interest to us is that insider buying of shares occurred at the .40 cents level as well. The management are not merely “bottom fishers” in their own stock.

Conclusion

Our conclusion is that Cartier, particularly at the present low price, provides an opportunity for risk oriented investors to participate in what our analysis forecasts as a looming bull market in mining shares. The price range for the last three years has been a high of .41 cents with a low of .06 cents. Periods of price weakness in most stocks often provide excellent buying opportunities that few take advantage of.