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Cartier Resources “ECR”

It was significant news recently when Cartier Resources announced that Agnico Eagle Mines, a major mining corporation had purchased 22.5 million shares of Cartier at .20 cents per share for $4.5-million. Agnico is listed on both the Toronto Stock Exchange and the New York Stock Exchange. Agnico’s investment in Cartier supports our view that Cartier Resources merited investor attention on the basis of its exploration projects and management. As a result of the investment, Agnico now owns 19.97 percent of the issued and outstanding common shares of Cartier.

We first mentioned Cartier Resources five years ago on our other site as we thought that it merited attention. Since then, we have updated our analysis on Cartier several times as we were convinced that in the difficult endeavor of gold exploration, Cartier was a company that could be successful. I first met Cartier’s CEO Philippe Cloutier seven years ago in Val D’or, Quebec while visiting a mining operation. I met him a year later in New York where he informed me that he had established a new Quebec based exploration company, Cartier Resources. I was impressed with Cartier’s exploration projects and its long term strategy. Over the past six years, I have spoken to Philippe regularly and he has graciously responded to my questions about Cartier’s news releases and exploration progress.

We start with the management of any company and find Cartier management is of high quality, experienced in exploration and focused. Cartier has no debt and currently has over $8,600,000 in cash. We are very satisfied by its fundamental progress in what has been a “challenging” market for exploration juniors to say the least. The fact that Agnico Eagle has purchased approximately 20% of Cartier confirms to us that our interest in Cartier may be justified. In a previous report, we reported that Cartier’s CEO was buying Cartier shares. He bought 796,899 shares in 2015 and an additional 320,000 in 2016. In total the CEO owns 2,913,500 shares. Other officers own large positions of Cartier as well.

OVERVIEW & BACKGROUND

Cartier Resources is a Val D'or, Quebec based mineral exploration company founded in 2007 that trades on the Toronto Stock Venture Exchange. Its four main projects are located in the mineral-rich Abitibi Greenstone Belt in Quebec which has more than a century long history of productive gold mining. The Abitibi district has produced over 200 million ounces of gold since 1901. Cartier's strategy is to focus their exploration in areas where gold has been found before and where the required infrastructure to bring a mine into production efficiently and cost effectively is already there. Management's primary focus has been to enhance the value of Cartier Resources. By the way, Cartier's management are large shareholders of Cartier (yes, they bought the shares); thus it is in their own "primary" focus as well. Overall, it is a strategy that is a perfect fit in this market.

Cartier Resources has been engaged in active exploration during this lethargic gold bullion period and has put together first class projects that demonstrate knowledge of the area and money well spent. I also note that Cartier has a low salary scale demonstrating a conservative financial approach

Our research emphasis has always been to determine the value of the assets an exploration company has in resources and reserves. Later, we try to determine if a company's exploration results are sufficient to justify continued exploration and investment. Note well that exploration and mining are expensive. Questions include among many issues; determining how much a mining operation would cost and obtaining a joint venture partner(s)…the list of questions goes on and on. We prefer companies that already have resources as they often carry a lower risk over companies that have only have undrilled claims or grassroots exploration.

Today our research indicates that the valuations given to the majority of exploration and producing mining companies' shares based upon their resources and reserves are exceptionally low. The fact is that most are deeply undervalued. The majority sell at prices that reflect some of the cheapest valuation levels we have seen in thirty years. However, severe undervaluation can offer opportunities to accumulate shares while they are selling at prices that can be described as extremely undervalued. Cartier may be presenting such an opportunity as well. Judging by their recent investment in Cartier, Agnico thought so.

WHY A JUNIOR EXPLORATION COMPANY

When gold recommences a bullish cycle (above $1350-$1400 US) major mining companies will gain and continue to have further large moves up in price. Yet, successful junior exploration mining companies can sometimes offer much larger returns on a percentage basis. The challenge today is that we face an "inefficient stock market" for many mining stocks that fails to recognize exploration success for prolonged periods and it overlooks asset values. This “new” market fails to recognize exploration success for prolonged periods and it overlooks asset values. It is our opinion that this is due to change soon.

At the same time, the larger mining companies are closely monitoring the Juniors’ exploration projects with significant interest and cash. Note well that recently several gold mining majors have acquired large positions in exploration juniors’ shares; this is what happened to Cartier Resources in December 2016. However, there are over 900 juniors, so attracting investor attention and research coverage can be difficult. Thus, the question is which exploration companies can attract investors’ attention. Recognize that exceptionally positive exploration results and significant news are often overlooked for extended periods by institutions and private investors.

CARTIER PROJECTS

Cartier Resources presently has four primary gold projects; the Chimo Mine, Wilson, Benoist and Fenton. For this report we are focusing on the “Chimo Mine” project. We will provide a more detailed analysis of their other projects in future reports as they do merit close attention.

CHIMO MINE

The company has been focused on acquiring resources in what was recently (but is no longer) a “buyers’ market;” In 2013, Cartier acquired the Chimo mine which had a successful history of gold production. Cartier management believes that Chimo still offers exceptional potential for further gold production. Cartier paid $261,000 for the Chimo mine in 2013. In view of the strong possibility to restart Chimo successfully, it could be the “dark horse” of Cartier’s projects-it could prove to be a steal. Key point for Chimo? It did not run out of gold reserves and production could have continued, it was gold’s price averaging $340 in 1997 that caused the Chimo mine’s closing. That is a most important fact.

Cartier acquired the Chimo Mine in a bankruptcy sale in July 2013. The mine had produced 379,000 ounces between 1964 and 1997 and was closed when the price of gold fell below $300 an ounce-not because they ran out of reserves! The low price of gold made production commercially prohibitive. The mine has a 920 meter shaft and Cartier’s management believes there is exceptional potential laterally and at depth. Cartier paid $261,000 for Chimo in 2013. In view of the strong possibility to restart Chimo successfully, it could prove to be the “dark horse” of Cartier’s projects.

DRILLING STRATEGY-GOING DEEPER

Cartier’s approach is to acquire surface deposits and drill at depth. Their already owned projects host small deposits at surface which have been identified or mined in the past.

However, they are not the size that Cartier's management wants so their exploration is focusing on expanding those deposits at depth and laterally. At depth, the Abitibi area has provided large deposits.
The geology of the Abitibi has shown that one can find a mine underneath a mine and there exist substantial resources at great depth. Cartier's plan is to continue drilling at depth.

CARTIER RESOURCES SHARES-OWNERSHIP

Cartier Resources has 130,978,819 shares outstanding. Quebec investment institutions own 32%, Agnico Eagle owns 19.7%, Canadian and American private investors approximately 39% to 41%; with Cartier management owning 6.8%. Note well that these percentages can and do change at any time. Of interest to us is when we study insider transactions we find that the Cartier officers were buying shares at the .40 cents to .60 cents level as well. The officers have not merely been "bottom fishers" in their own companies' shares but continuously buying as value is offered.

CONCLUSION

Our conclusion is that Cartier, particularly at the present low price of less than .25 cents provides an opportunity for risk oriented investors to participate in what our analysis forecasts as an approaching 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 many exploration stocks often provide excellent buying opportunities that few take advantage of. We will be adding a second half to this report in the upcoming weeks.