

# HALLGARTEN & COMPANY

## Initiation of Coverage

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Signature Resources (TSX-V: SGU, OTCQB:SGGTF)  
Strategy: Long

Key Metrics	
Price (CAD)	\$0.135
12-Month Target Price (CAD)	\$0.36
Upside to Target	167%
High-low (12 mth)	\$0.02 - \$0.135
Market Cap (CAD mn)	\$8.73
Shares Outstanding (millions)	64.70
Fully Diluted (mns)	96.4

# Signature Resources

## Prove it Up and They Will Come

- + With the recovery of interest in gold, there has been increased attention to known deposits in Canada rather than greenfield prospects in more exotic locations
- + Lingman Lake has been explored, and exploited, on and off since the 1930s
- + Extant drill core kickstarts the new exploration program providing a basis for more drilling to establish a resource estimate
- + Potential to become a project with greater than one million ozs and thus attractive to larger players
- + In the vicinity of Yamana's Monument Bay and promising to become a new "district" on the Manitoba/Ontario borderlands
- + Environmental remediation no longer an issue
- + Excellent relations with First Nations
- ✗ No resource estimate as yet
- ✗ Access is challenging due to isolated location and scant roads

### Pushing Into (Not So Uncharted) Territory

Let's not beat around the bush here. The forces mustering behind Signature are looking for the Lingman Lake project to be either Joint Ventured out to a large player or to trigger a takeover offer within the next two to three years.

With many of the historically productive gold zones of Ontario and Quebec being well-picked over, exhausted or totally staked, the natural course for up-and-coming explorers is to push the borders of exploration beyond the same old, same old. What looks however like striking out into the wilderness in the case of Signature is actually a return to proven territory that has come to grief in the past not through lacking geological potential but due to the swings and roundabouts of gold pricing and financing moods.

In this note we shall review the past and potential of the Lingman Lake property and the strategy being pursued to prove it up and make it an acquisition target.

### Lingman Lake

Signature Resources consolidated its acquisition of the property, which is located in the Kenora district of Ontario in the fall of 2013. At that time the company acquired its initial position in the Lingman Lake patents, a gold mineral property consisting of 4-patented claims encompassing 78.5-hectares. The acquisition of the patents was completed by the exercising of an option agreement that resulted in

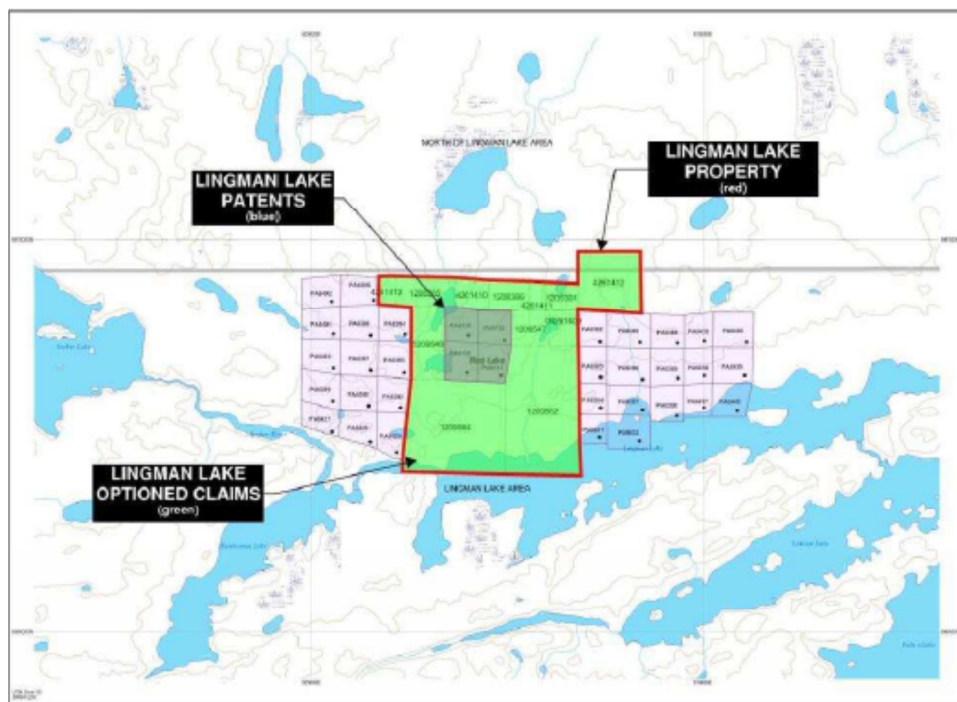
Signature Resources Ltd. acquiring 100% interest of Cool Minerals, through its wholly owned subsidiary, Eagle Feather Resources.

In a separate agreement in November 2013, between Signature and Mantis Mineral Corp., the company entered into an option with respect to Mantis' holding of a block of claims historically referred to as the Anaconda property. This property surrounds the patented claims and consists of 12-staked claims totalling 538.3-hectares. A significant portion of the historic resource that is contained in the North Zone, approximately 50%, resides on this property. The company fulfilled the terms of this option agreement is the 3<sup>rd</sup> quarter of 2016.

The property is a remote with no all-weather roads leading into it. Lingman Lake being 6,000-meters long and 500-meters wide accommodates safe aircraft landings and take-offs. Thus the site can be accessed by float- or ski-equipped aircraft, either from the Town of Red Lake 325 kms south or from the First Nations community of Red Sucker Lake located in Manitoba, 55 kms northwest, or from the First Nations community of Sachigo Lake Ontario 50-km east.

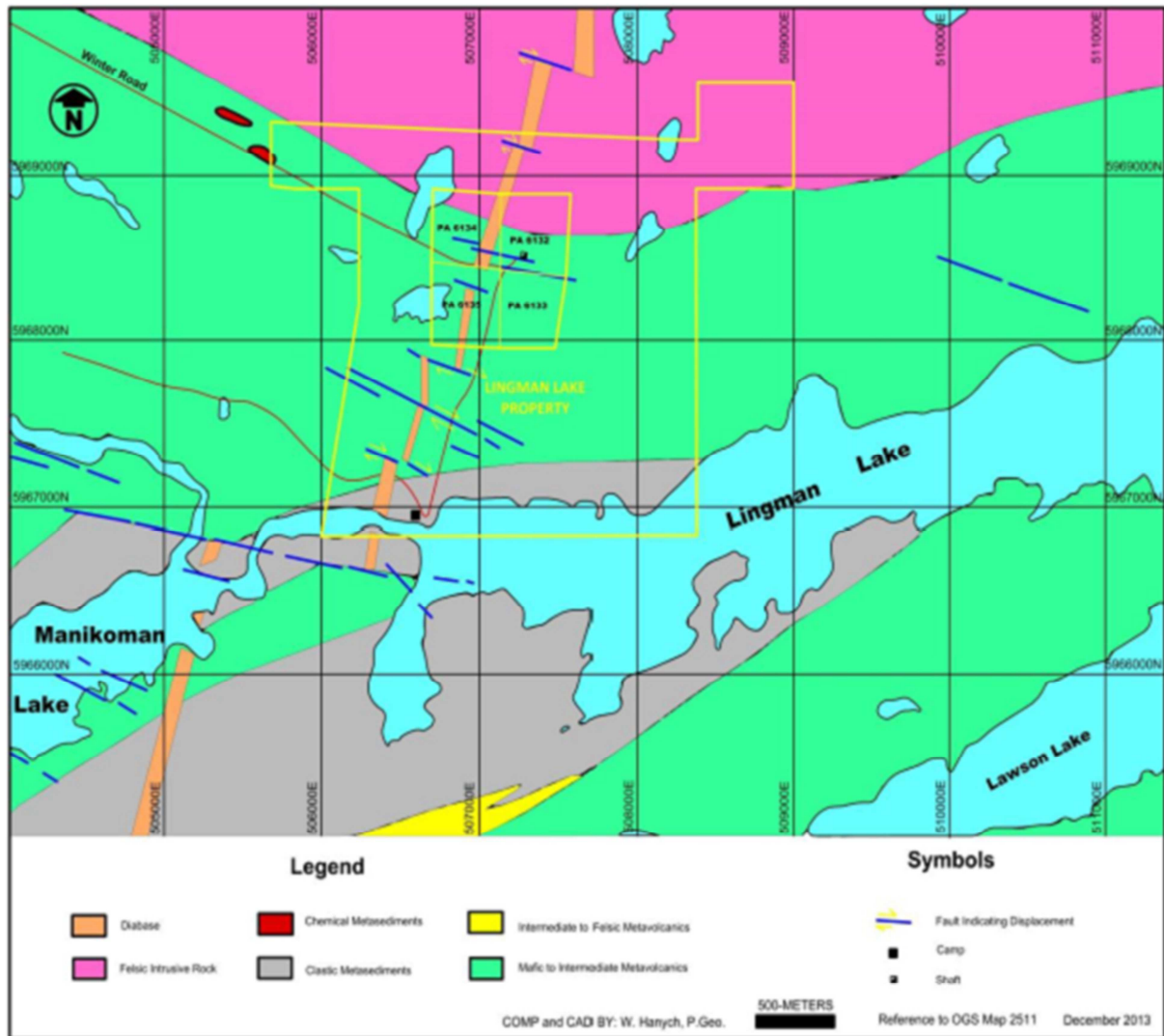
## History

Despite its relative remoteness the Lingman Lake greenstone belt has been prospected since the mid to late 1930s, and it was in this interval that gold mineralized veins were discovered in the area of what was to become the Lingman Lake Gold mine. Lingman Lake Gold Mines Limited was incorporated in 1945 and secured patent status to the claims the company was developing, which culminated in a 3-compartment 131-meter deep shaft which serviced 3-levels, on a resource base of 69,000oz of gold.



## Geology

The Lingman Lake property is situated in the Lingman Lake greenstone belt. The belt consists of complexly folded assemblage, of mafic metavolcanics, felsic metavolcanics and metasedimentary rocks. The assemblage is in intrusive contact with marginal granitic rocks and internally intruded by various intrusive rocks.

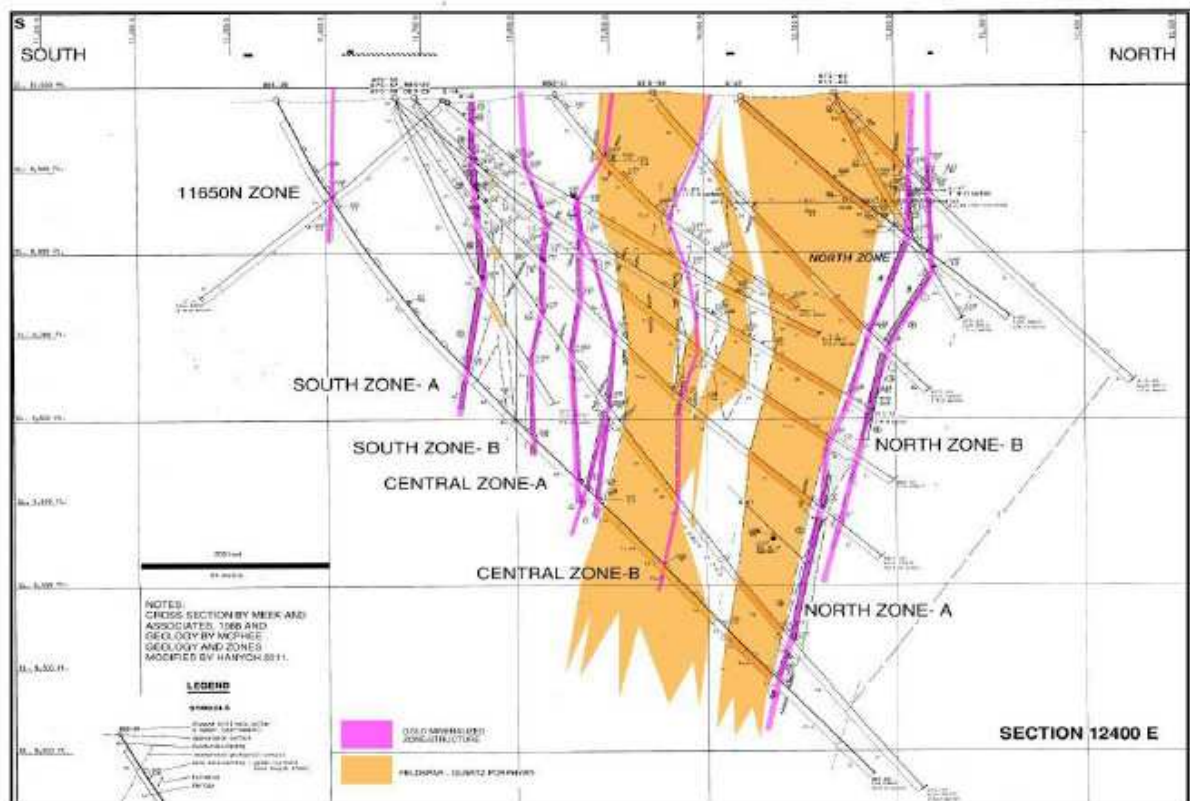


Gold mineralization at the Lingman Lake mine occurs in multiple zones; which are structurally controlled by sub parallel shears. Within these zones, the most favourable host rocks are mafic volcanics that have been silicified and carbonatized and occur in proximity to feldspar  $\pm$  quartz bodies that are up to 91-meters wide. Intrusive-volcanic contact domains display the best gold mineralized systems e.g. North zones 'A' and 'B', and Central zone 'A.' Inter-intrusive mineralized zones host the weakest gold

mineralization. Distal contact domains display variable gold mineralization but can form important systems, e.g. South zones 'A' and 'B'. Where these zones bifurcate or branch the alteration vein-envelopes attain their widest widths in some cases exceeding 17-meters-true width, especially in the North zone.

The Lingman Lake property includes the presence of a mineralized high angle shear zones and faults proximal to a large pluton. The pluton appears to have a late magmatic phase resulting in the formation of feldspar porphyry stocks and dikes that are intrusive to the volcanic-sedimentary succession. Gold mineralization at Lingman Lake is associated with shear hosted veins in the volcanic-sedimentary rocks, the contact zone of intrusive rocks with the volcanic-sedimentary succession and within the intrusive phases.

The cross-section below shows the various zones and the gold-bearing structure(s).



Simplified cross section 12400E, showing relationship of gold bearing structures to feldspar ± quartz porphyry intrusion(s)

### Past Exploration

Work began on the site in the 1930s and has seen burst of intense activity since interspersed with long fallow periods. In 1947, reports indicated that 5,919-meters of diamond drilling were

completed. East of a major north-south trending dike, 1,617-meters of drilling were performed on the North zone and 2,132-meters of drilling were conducted on the South zone. West of the dike; 1,480 metres were drilled on the North zone.

The North zone was estimated to be 152 metres long and averaged 2.44 metres in width, with a reported average grade of 46.32 g/t Au. Free gold was observed in core from this zone. The South zone was estimated to be 274 metres long and averaged 2.16 metres in width, with a reported average grade of 12.82 g/t Au. The West zone was estimated to be 244 metres long and averaged 1.92 metres in width, with a reported grade of 8.02 g/t gold. It was at this time that the shaft was sunk and a lot of above ground infrastructure was put in place (bunkhouses, assay lab etc.). Some more work was done in 1948/9 then financial difficulties resulted in the mining and exploration efforts being abandoned.

Agassiz Resources financed three diamond drill campaigns, 1987, 1988 and 1989, approximately 28,000 metres of diamond drilling were completed on the property and commissioned a “pre-feasibility” - scoping study, and three resource determinations.

The historical drilling on which information exists was mainly down to 180 metres with only a few holes exceeding that depth. One notable hole though went to 308 metres and struck a 1.5 metre intercept of 9 ozs per tonne Au.

The historic resource estimate (not NI43-101 compliant), dating from 1989, speaks of 234,647 oz Au.

It is an interesting chicken and egg question as to whether relogged core is “past” work or “current” exploration. We would regard it as the former. In recent weeks the company has been relogging 22 out of 177 holes previous holes where it was fortunate to discover the original material. In early December it released the results from 12 of 22-holes from its on-going historic core re-evaluation program.

In the company’s opinion the results to date, have demonstrated the validity of the historic data, and the high-grade nature of the Lingman Lake deposit.

Hole 87-54 returned a current assay of 140.14 g/t (4.09 o/t) along a core interval of 1.6-feet within a wider interval of 5.6-feet which includes 3.6-feet of 71.34 g/t (2.08 o/t) resulting in a calculated weighted average of 92.51 g/t (2.69 o/t). This assay of 140.14 g/t (4.09 o/t) essentially matches the historic value for this 1.6-foot sample of 146.40 g/t (4.27 o/t).

The historic core re-evaluation program consists of a subset of 22-holes from 177-drilled between 1987-89 and are representative of the deposit along a strike of 1,000-metres and a width of 225-metres. Zone categorization is pending as are the results for the remaining 10 holes.

Exclusive of standards, 566 samples were analyzed for gold and multi-element, of which 274 samples (48%) duplicated historic sample intervals. A correlation by regression analysis of gold values comparing historic assays to current assays was reported to have an excellent correlation. Only 2.6% of the samples are dissimilar which was due to the influence of nugget effect of gold on high grade values.



Hole No.	Interval feet	Length feet	W Avg gpt	W Avg opt
87-14	243.7-262.8	19.1	3.41	0.10
87-24	30.7-35.0	4.3	19.92	0.58
	162.0-183.5	21.5	4.44	0.13
87-25	162.0-178.5	16.5	8.38	0.24
87-34	157.0-168.0	11.0	10.46	0.31
87-38	140.0-150.0	10.0	4.10	0.12
87-54	17.7-21.6	3.9	11.85	0.35
	287.0-291.0	4.0	4.31	0.13
	553.6-558.8	5.2	92.51	2.70
87-55	21.5-31.3	9.8	10.98	0.32
	238.0-250.0	12.0	2.78	0.08
87-63	185.0-202.3	17.3	3.28	0.10
	238.8-247	8.2	11.01	0.32
87-68	310.0-320.6	10.6	5.08	0.15
87-73	229.0-259.0	30.0	13.98	0.41
88-06	546.0-556.0	10.0	6.86	0.20

### The Past Mining Effort

Despite its relative remoteness the Lingman Lake greenstone belt has been prospected since the mid to late 1930s. Gold showings were worked in the vicinity of the Lingman Lake mine and although the historical records are vague, there is reference to a stamp and grinding mill operating on the property in the late 1930s.

As mentioned earlier various shafts and underground works were done in the late 1940's. The company even dismantled a 250 ton per day mill located at God's Lake, Manitoba and transported it via winter road to the Lingman Lake mine site. A hydro transmission line right of way was surveyed from Lingman Lake to Kanuchuan Rapids, Manitoba, a distance of 140 kms. However, delays in shipment of building material by winter road prevented the erection of the mill and then during the year the company experienced significant difficulties in financing the project which ultimately forced the closure of the mine in 1949.

The property still hosts an underground sub-structure that includes a 126-metre shaft, 998 metres of drifts, and 235 metres of cross-cuts, and 278 metres of raises. A portion of the shaft collar has collapsed into the shaft. Below can be seen the mine dump and shaft (at left center of photo) of the old Twin Gold Mines, Lingman Lake.



The aforementioned Agassiz Resources acquired control of Twin Gold Mines and Massive Energy and commissioned a “pre-feasibility” - scoping study. This work generated sufficiently encouraging results prompting the companies to mobilize fuel, hoisting components, head frame architecture, electrical generators, and various other equipment necessary to de-water the mine. Unfortunately by 1991, weak equity markets and a prolonged economic down-turn, once again impacted the project to such an extent that all of the companies involved in the project were eventually delisted from their respective exchanges and became insolvent by 1993.

### **The Legacy Thereof**

With the abandonment of the property, various legal claims and proceedings were initiated; in time, environmental concerns surfaced regarding the integrity of the fuel storage tanks and the property was listed as an environmental liability and mine hazard site under the Abandoned Mines Inventory Survey. Between 1994 and 2010 these overriding issues effectively hindered exploration and development of the property. Resolution to these issues was achieved in late 2010 and early 2011 through various agreements.





Prior to Signature Resources acquiring the patented claims, the claims were subject to a Work Order dated February 13, 2012, directed at Cool Minerals Inc., to remove the overriding environmental concern of stored fuel at the Lingman Lake mine site and file a closure plan. In March 2012, the Ministry of Northern Development and Mines issued a request for proposal (MNDM-2012-AMRP-02) for fuel removal/destruction. The contract was awarded to Arctic Environmental Services Ltd. In May, the company mobilized its equipment to the site and utilizing a 'Jet Flare' incineration unit, burned-off 804,928 litres of fuel and decommissioned the tanks. The cost associated with the burn is \$884,325, which remains an obligation from Signature to the Crown.

The patented claims are subject to a Director's Order to file a closure plan for the site. The Lingman Lake mine site was never decommissioned by Massive Energy Limited in 1991 when the company abandoned the site. An inventory of derelict buildings and structures, an assortment of mining equipment, numerous mining components, fuel storage tanks and a mixture of scrap metal reside on site at various locations. These items will require reduction and corralling into compounds and securing of the shaft collar is essential.

## Planned Exploration

As already mentioned the company is relogging around 3,400 metres of old core on 22 holes of the 177 holes, with 12 announced, there remain ten to be reported. The goal is to revalidate the assays on the past drilling.

The broad drilling plan is to undertake 10,000 metres of diamond drilling in late Winter/early Spring with a goal of adding around 100,000 ozs to the resource. A small amount of this work will be twinning but the wider aim will be to narrow the spacings down from around 35 metres to closer to 15 metres, thus also improving the category of any resulting resource.

## Near Neighbour

As a result of Yamana Gold's takeover of Mega Precious in early 2015, it ended up as the owner of the 338km<sup>2</sup> Monument Bay project which is the closest development to Lingman Lake in proximity, but the two projects differ greatly in the fact that Signature's property is a high grade standalone resource and does not use any other resource to reach its grades. It is located some 80kms NNW of Lingman Lake over the provincial border in Manitoba and is also in the territory of the same First Nations group, the Red Sucker Lake community. Yamana picked this up for around \$17.5mn, but over \$50mn in work has gone into the project since 2011.

Monument Bay's mineral resource base has been expanded in recent times to 1.8 million ounces of Indicated resource and 1.8 million ounces of Inferred resource. It grades around 1.5 g/t and includes Tungsten credits.

## Board & Management

The President, CEO and an executive Director is **Walter Hanych**. He is a Geologist registered in Ontario and Saskatchewan has thirty three years of experience in the exploration industry from grass-roots projects to advanced mine feasibility projects including corporate structure and financing. He has a mineral exploration experience in gold, base metals, (particularly nickel), uranium, PGEs, and industrial mineral exploration throughout Canada and internationally. He has worked or consulted for major and junior companies, including INCO, Falconbridge Nickel, and Copper Fox Metals at their World Class 800+ Mt. Schaft Creek porphyry copper project (Teck Resources/Copper Fox Metals J.V.). He was involved with the team that initially recognized, the Cote Lake deposit (Iamgold Corporation) as a gold mineralized brecciated intrusive system. He holds an Honours Bachelor of Science Degree in geology from Laurentian University. He is a member of the Association of Professional Geoscientists of Ontario, Association of Professional Engineers and Geoscientists of Saskatchewan, Society of Economic Geologists.

**Jonathan Held** is both CFO and an executive Director. He is a chartered accountant with CFO level experience with both private and public companies. Mr. Held has worked with a number of international resource based businesses including those in North America, South America, Eastern Europe and Africa.

He has been involved in numerous successful public market transactions including Initial Public Offerings, Reverse Takeovers and financings. He also has experience in a variety of audit, review and advisory engagements, including reporting services for reporting issuers, corporate tax and foreign structure assessments. He holds a Bachelor of Mathematics and Masters of Accounting from the University of Waterloo.

**Keith McDowell** is a non-executive Director. He has had a 31- year career as real-estate agent and then broker. He established his own real-estate development firm that concentrated on residential developments in Calgary, but also included the acquisition of the Calgary Olympic village site. Since his retirement in 2001, he has financed numerous junior exploration companies and holds interests in many exploration properties.

**Stephen Timms** is a non-executive Director. He is currently an IBM Canada executive and has 26-years of expertise in operations, business transformation, change management and finance. He holds a 4-year Bachelor of Commerce degree from the University of Toronto.

## **Risks**

Amongst the risks at the current time are:

- Gold price downside
- Historic remediation issues
- Relations with First Nations taking a negative turn

The gold price is somewhat in the lap of the gods. We have been relative bears on gold (with a no-change stance) and ironically now that the Trump election presages inflation, the gold bugs have gone into retreat fearing higher interest rates more than they fear inflation. This is rather paradoxical. If inflation stirs on the back of loose fiscal policy then the gold price could be a beneficiary.

The remediation issue here seems somewhat overdone and as we have noted elsewhere, development is sometimes the best remediation. This is certainly something that companies like Alexco have proved to be the case.

There are excellent relations with the local First Nations and the project has the potential to provide major economic impetus to a hitherto largely becalmed zone of the Ontario wilderness. The Red Sucker Lake First Nation community, located 55kms northwest of the mine site (in Manitoba) has a population of 814, and an economic base sustained on a narrow focus of only trapping, commercial fishing and most recently air charter service. Sachigo Lake First Nation (in Ontario) has a population of about 850, and an economic base which includes air charter service, hunting and fishing outfitting. We would not expect any change from the current harmonious situation.

## **Conclusion**

It first needs noting that Signature's management see themselves as explorers and not developers. Thus they see a timeline of 24-36 months of intensive exploration before "turning this over" to a major (or

mid-tier) developer to carry through to the production phase.

Looking at the history of this site one can only attribute its obvious attractions having been overlooked for so long (particularly during the last boom) as being due to its access issues. Ironically though the operators in the 1940s shipped in a sizeable mill over a long distance and were planning a high tension electricity connection, so 70 years ago, it was not that daunting. Frankly if this project had been 100kms closer to traditional mining areas it would have been swarming with prospectors in the go-go years from 2003-2011. With Yamana's Monument Bay project showing the attractiveness of the area, this border region between Ontario and Manitoba promises to be the "next frontier" in Canadian gold exploration AND production.

Past operators have seen the worth of going off the beaten track to try and exploit the Lingman Lake potential. They suffered in their day from either the low gold price and/or difficult financing conditions. Clearly with grades at depth of the order of 9ozs per tonne over decent lengths the potential exists for a concerted and intense exploration campaign to significantly boost Lingman Lake up the rankings of takeover targets in the Ontario gold space.

We have instituted a **Long** call on Signature Resources with a twelve-month target price of \$0.36.



## Important disclosures

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