



HALLGARTEN & COMPANY

Coverage Update

Christopher Ecclestone
ceccestone@hallgartenco.com

Signature Resources

(TSX-V: SGU, OTCQB:SGGTF)

Strategy: Long

Key Metrics

Price (CAD)	\$0.075
12-Month Target Price (CAD)	\$0.38
Upside to Target	407%
High-low (12 mth)	\$0.05 - \$0.13
Market Cap (CAD mn)	\$7.43
Shares Outstanding (millions)	99.09
Fully Diluted (mns)	122.3

Signature Resources

Seeking out a Road to Production

- + With gold flirting around the US\$1,300 level, there has been increased attention to known deposits in Canada rather than greenfield prospects in more exotic locations
- + Lingman Lake has been explored, and developed, on and off since the 1930s
- + Extant archival drill core kickstarted 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
- + Excellent relations with First Nations
- × No resource estimate as yet, but historical resource estimate defined 234,648 oz of gold
- × Market for junior explorers in Canada is battered by the recent Weedmania
- × Access is challenging but management very experienced in remote location projects

Fresh Meat for When Exploration is Fashionable Again

With gold coming back into focus again the big question is how the demand for new projects can be serviced with so little exploration having taken place since 2011.

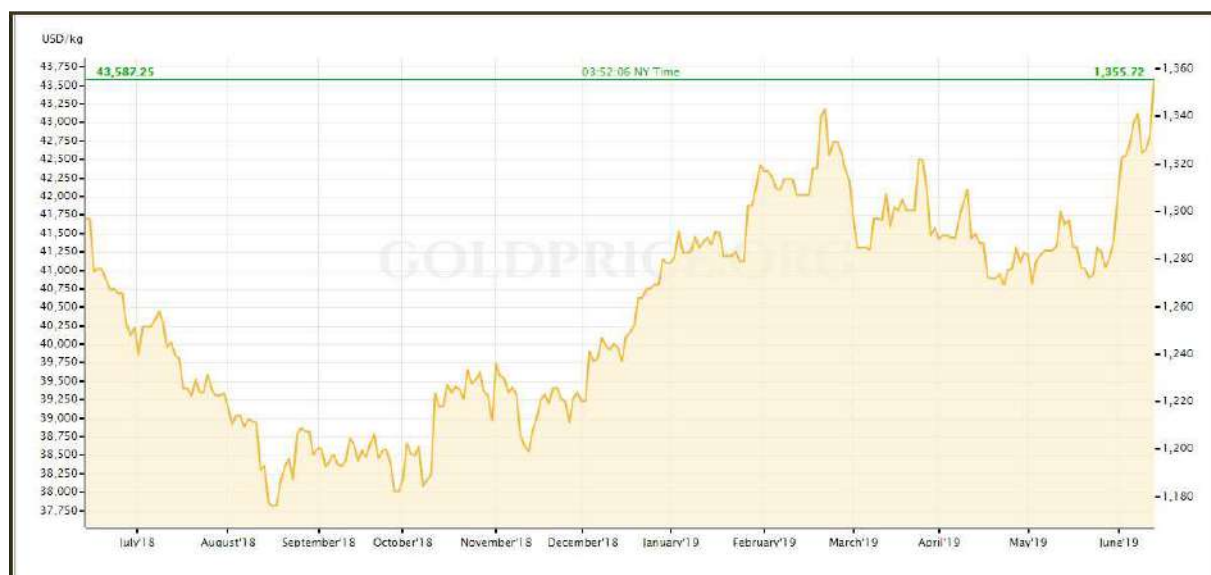
Many of the historically productive gold zones of Ontario and Quebec are well-picked over, exhausted or totally staked, so the natural course for up-and-coming explorers is to push the borders of exploration beyond the same old, same old. What looks however like striking out into the wilderness in the 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.

Gold – Rebound Poses a Challenge

The gold price malaise since late in 2018 has been a source of dismay for many in the mining industry and its investment followers. Just when things looked good gold fell back into a swoon from which it has only recently rebounded. While some may claim the latest rebound was due to inevitability, others credited the rise to the tensions from the US-China trade “war”. The upmove was swift and widely welcomed with \$1,300 being easily breached. However the price then petered out halfway to the next major milestone and retreated on talk of peace potentially breaking out with China. That the latter was so flimsy shows just how enervated the market is at the current moment.

Then the gold price got a second wind and charged higher and in recent days has breached the previous 2018 high and started into territory it has not seen in a long time.



One thing that is apparent is the lack of preparedness for any serious gold rebound. The pipeline for new projects is somewhat like it was 20 years ago when gold was coming out of a very long price slump.

Majors and even mid-tiers have done scant exploration and so have no pipeline. Juniors must, however, have an offering that is attractive to the larger groups. By this we do not mean PFS in hand but resource estimates that merit the larger companies going to the effort of making a bid. **However, for the larger companies, the days of making spit-bid JV and earn-in proposals must be drawing to a close as ounces in the ground start to be given something more like the values they deserve.**

Lingman Lake

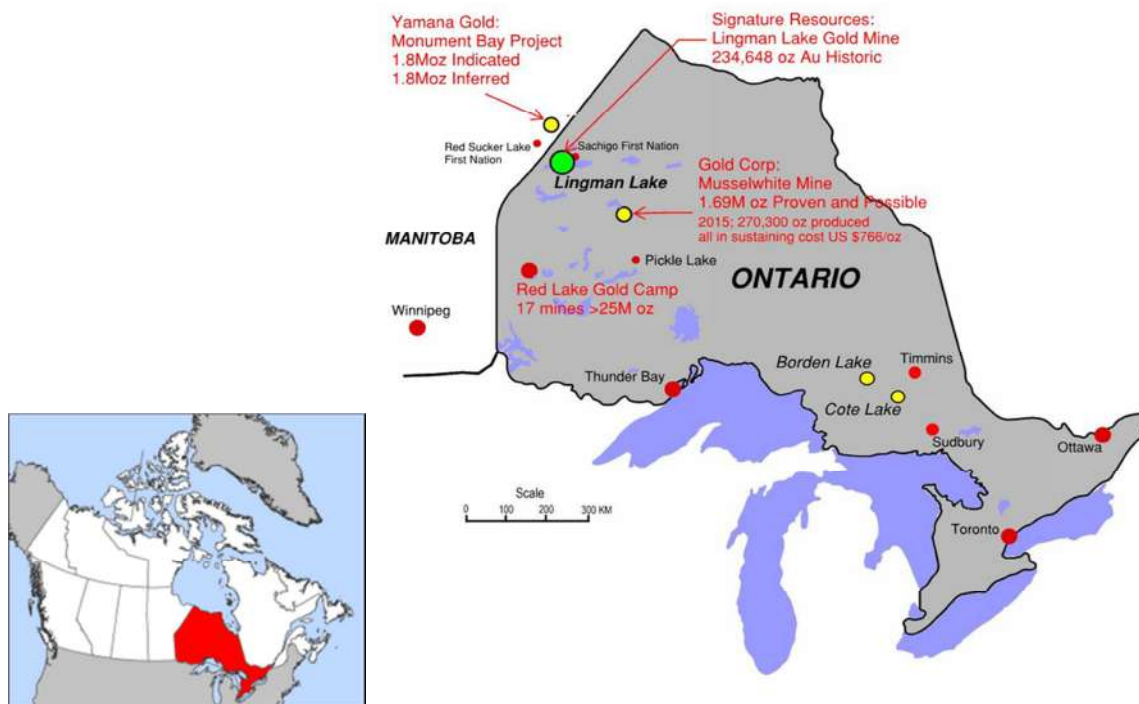
Signature Resources consolidated its acquisition of the property, which is located in the Kenora district of Ontario in the fall of 2013. At that time the company acquired its initial position in the Lingman Lake patents, a gold mineral property consisting of 4-patented claims encompassing 78.5-hectares. 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 consisted of 12-staked legacy claims totalling 538 hectares. A significant portion of the historic resource that is contained in the North Zone, approximately 40%, resides on this property. The company fulfilled the terms of this option agreement in the 3rd quarter of 2016.

The property is 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-kms east.

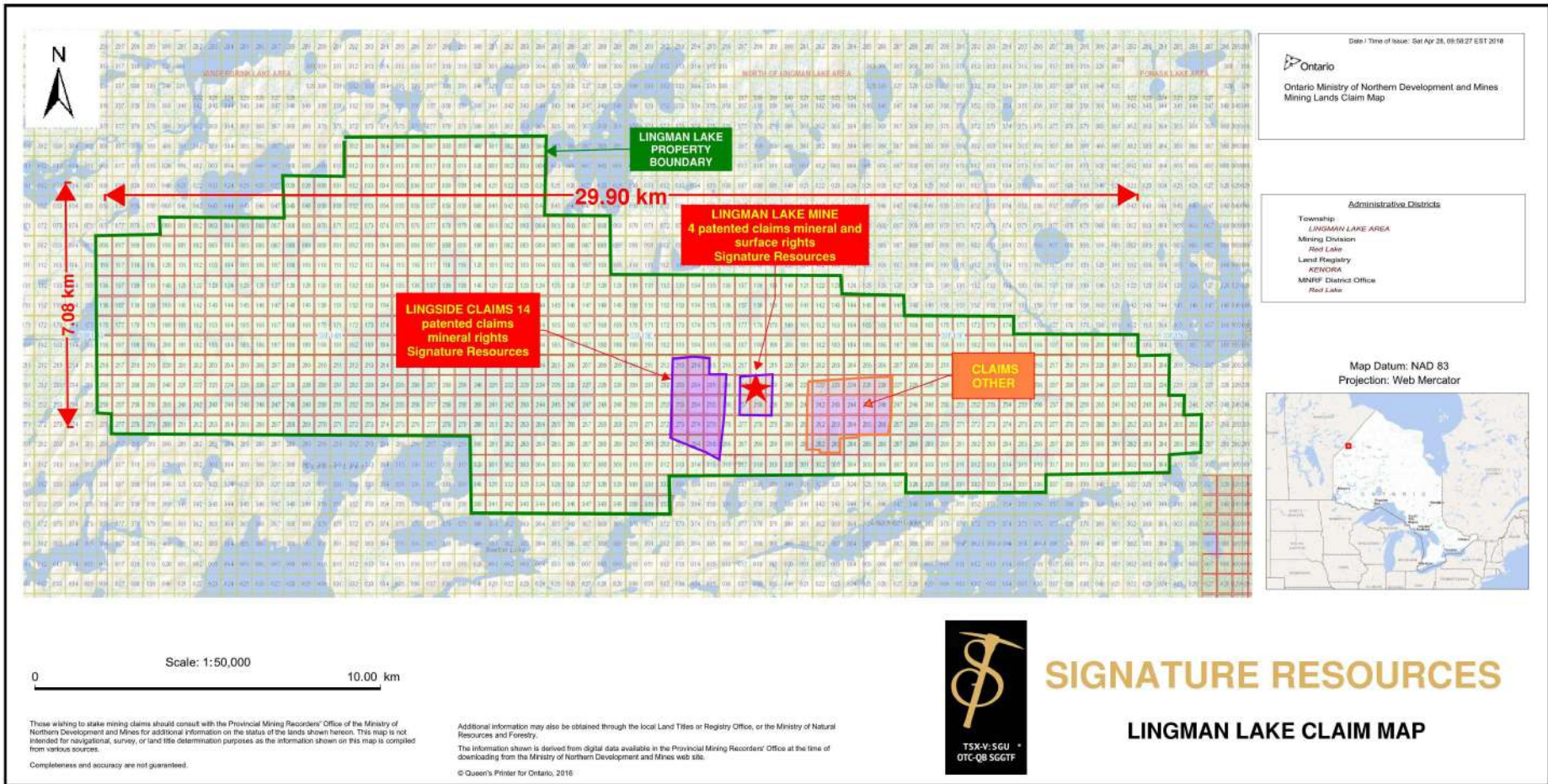
History

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

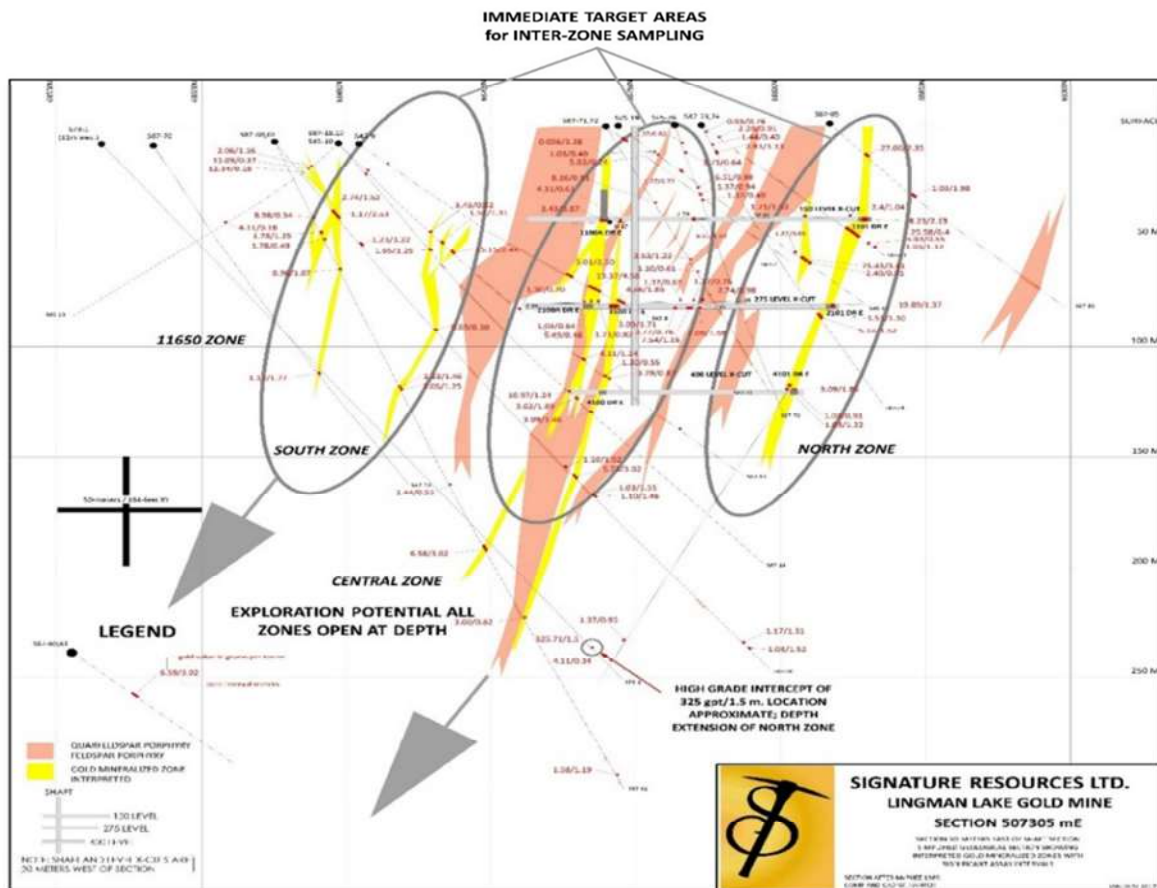
The Lingman Lake property is situated in the Lingman Lake greenstone belt. The belt consists of complexly folded assemblage, of mafic metavolcanics, felsic metavolcanics and metasedimentary rocks. The assemblage is in intrusive contact with marginal granitic rocks and internally intruded by various intrusive 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 ± quartz bodies that are up to 91-meters wide. Intrusive-volcanic contact domains display the best gold mineralized systems. 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. 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).



Past Exploration and Development

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, at this time, 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.)

Beyond the drilling campaign, underground development work further added to gold potential of the zones. A raise driven from the 275L to the 150L averaged 28.51 g/t gold along its 30.5 metre vertical extent. In 1948, four 227 kg bulk samples (two from the 150L, one from the 275L and the fourth being a composite sample of the three) were shipped to Ottawa to the Department of Mines and Resources for metallurgical testing. Gold grades from these samples came back at; 18.7 g/t, 22.1 g/t, 9.5 g/t and 19.0 g/t for the composite sample. Interestingly, composite face samples derived from the bulk sample headings essentially matched the bulk sample results being, 15.1 g/t, 18.5 g/t, and 9.6 g/t gold.

By 1949, financial challenges along with a change in exploration focus to base metals resulted in the mining and exploration efforts being abandoned.

More recently, Agassiz Resources with Massive Energy 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. Earlier reports quote the resource as high as 400,000 oz Au

The Legacy of Past Work

In 2016 the company relogged 22 out of 177 holes. By February 2017 the company had released all of the results of the program of 450 core duplicate samples, reporting a 94% correlation. The archived core re-evaluation program consisted of a subset of 22-holes from 177-drilled between 1987-89 and were representative of the deposit along a strike of 1,000-metres and a width of 225-metres. The program

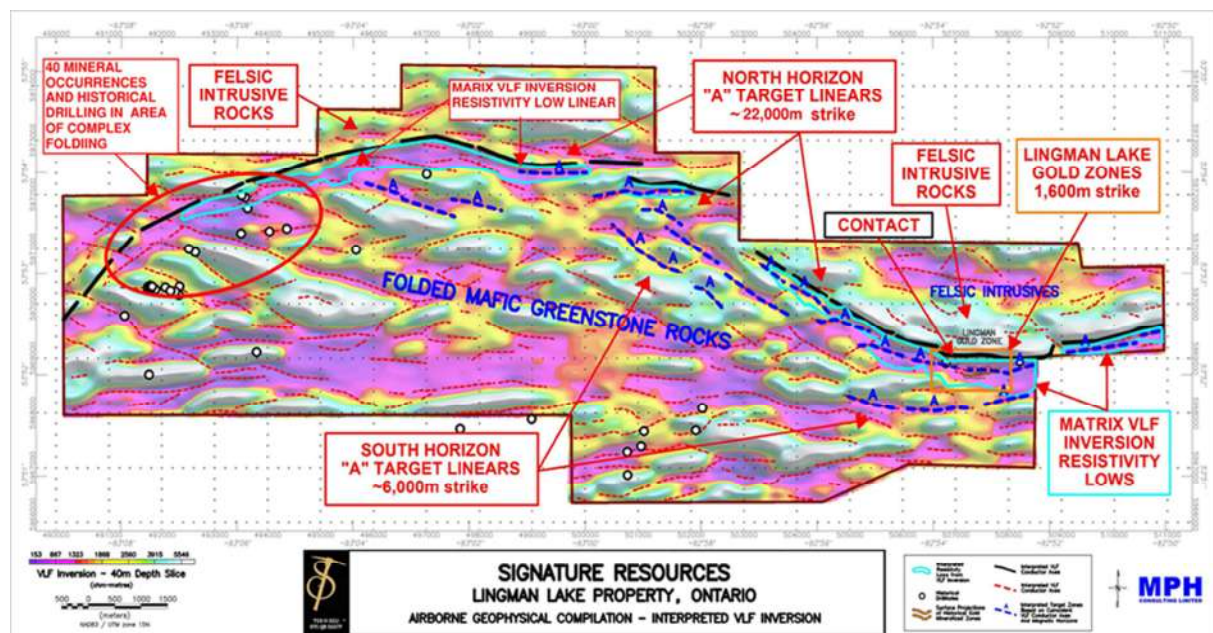
was so successful that the independent quality assurance-quality control consultant declared “The assay data is adequate for the purpose of verification of historic drill core assays for future resource estimation calculation”.

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.

As an example, 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).

By 2017, Signature increased its land holdings in the Lingman Lake greenstone belt to 9,897 ha. Covering favourable geology and known gold occurrences along a 22-kilometer trend.

With the increased land holding Signature commissioned the flying of a high-definition Magnetometer and VLF EM survey of its entire property which was completed in the late winter of 2018. The results of the survey were encouraging, so the company staked additional land to the east of the Lingman Lake mine totalling 3,099 ha. Interpretation of the results by MPH Consulting Ltd determined that the Lingman Lake gold zones responded to both the magnetic and VLF-EM components of the survey. Now not only were the gold zones at the mine geophysically characterized but also numerous targets displaying similar characteristics were identified along a 22-km trend west of the Lingman Lake mine.



The company’s consulting geologist, J. Brett, noted: “The boundary between mafic greenstone rocks and felsic intrusives is clearly defined on the property over a 22km strike. Discrete 150m to 500m wide

Resistivity lows are prominent along this contact zone, over ~16.5km of combined strike length, and are interpreted to represent possible faulting, fracturing and alteration that could be related to gold mineralizing systems. Several "A" Ranked Targets interpreted previously from the VLF conductor axes lie within these Resistivity Lows along the Contact Zone, including the historical Lingman Mine. These have a combined strike length of ~9.7km, and represent the highest priority targets, at this time”.

With this information in hand, the company acquired the only gap along the 22km trend by acquiring the mineral rights to 14 patented claims. The Lingman Lake property now totals 15,720 hectares.

In the fall of 2018 the company advanced the project further by completing a 12-hole 1,500 meter diamond drill program of all of the zones. Drill holes included in the program were designed to test the grade and continuity of the mineralization encountered in the underground workings and historical diamond drilling carried out on the property by past operators. Precious metal mineralization was found to be predominantly associated with silicified and pyritic zones within altered mafic volcanic rocks. Gold tenors of up to 58.08 g/t Au were intersected in the drilling program.

The drill results from this campaign are presented below.

2018 Diamond Drill Results Summary					
DDH	Zone	From meters	To meters	Length meters	Au g/t
18-01	West ¹	35.50	36.00	0.50	2.98
		36.00	36.50	0.50	18.55
		37.00	37.50	0.50	1.17
		37.50	38.00	0.50	13.13
		38.00	39.32	1.32	10.49
		39.32	40.00	0.68	15.12
		40.00	40.50	0.50	5.12
		40.50	41.00	0.50	39.09
		41.00	41.50	0.50	26.16
		41.50	42.00	0.50	27.22
		42.00	42.50	0.50	13.98
		43.50	44.00	0.50	10.59
		44.00	44.50	0.50	10.05
		44.50	45.00	0.50	13.30
		35.50	45.00	9.50	12.15
18-02	West ¹	100.00	100.50	0.50	7.81
		100.50	101.00	0.50	36.89
		101.00	101.50	0.50	1.15
		102.00	102.50	0.50	1.58
		102.50	103.00	0.50	7.20
		103.00	103.50	0.50	47.25
		103.50	104.00	0.50	23.18
		104.00	104.50	0.50	11.28
		100.00	105.00	5.00	13.65

2018 Diamond Drill Results Summary						
DDH	Zone	From meters	To meters	Length meters	Aug/t	
18-03	North ¹	82.00	83.00	1.00	4.00	
		83.00	84.00	1.00	6.94	
		84.00	85.00	1.00	15.63	
		85.00	86.00	1.00	0.79	
		82.00	86.00	4.00	6.84	
18-04	North ¹	45.00	46.00	1.00	2.62	
		46.00	47.00	1.00	1.59	
		48.00	49.00	1.00	4.37	
		49.00	50.00	1.00	4.13	
		45.00	51.00	6.00	2.33	
18-05	North ¹	95.00	96.00	1.00	3.15	
		96.00	97.00	1.00	3.52	
		97.00	98.00	1.00	15.67	
		98.00	99.00	1.00	2.81	
		99.00	100.00	1.00	12.99	
		100.00	101.00	1.00	44.71	
		101.00	102.00	1.00	58.08	
		102.00	103.00	1.00	2.06	
		95.00	103.00	8.00	17.87	
18-09	SOUTH ²	56.00	57.00	1.00	11.11	
		57.00	58.00	1.00	25.34	
		55.00	58.00	3.00	12.20	
	CENTRAL A ²	66.00	67.00	1.00	17.93	
		67.00	68.00	1.00	8.20	
		68.00	69.00	1.00	3.59	
		71.00	72.00	1.00	25.13	
		72.00	73.00	1.00	5.51	
		73.00	74.00	1.00	3.45	
		65.50	74.00	9.00	6.55	
	CENTRAL B ²	82.00	83.00	1.00	15.50	
		81.00	85.00	4.00	4.27	
	18-10	SOUTH ²	22.00	23.00	1.00	4.15
			23.00	24.00	1.00	12.21
			26.00	27.00	1.00	4.94
27.00			28.00	1.00	1.18	
28.00			29.00	1.00	7.03	
29.00			30.00	1.00	6.48	
30.00			31.00	1.00	11.86	
31.00			32.00	1.00	37.27	
33.00			34.00	1.00	10.25	
34.00			35.00	1.00	23.42	
22.00			36.00	14.00	8.56	

Past Mining Efforts

Despite its relative remoteness the Lingman Lake greenstone belt has been prospected since the mid to late 1930s.

As mentioned earlier various shafts and underground works were done in the late 1940's. The owners at the time 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 as exploration shifted to base-metals and uranium as result of post war demands, 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 (years before Signature was founded) 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. The fuel was removed in 2012 and there are no overriding environmental concerns.

Planned Exploration

The broad drilling plan is to undertake a minimum of 10,000 – 15,000 metres of diamond drilling with a goal of increasing the resource significantly. A small amount of this work will be twinning but the wider aim is to establish depth continuity of all of the zones and strike extension of the West zone. Some of the drilling will be directed to infill drilling to tighten zone definition and possible grade improvement 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 338km² Monument Bay project which is the closest development to Lingman Lake in proximity. 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 36.58mn tonnes @ 1.52g/t Au (Indicated) and 41.97mn tonnes @ 1.32g/t Au (Inferred) and it also has Tungsten credits.

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 looking good for once and while bulls will say it has seen levels below \$1,200 per oz for the last time, which has proven to be famous last words in the past. Gold can go down as well as up.

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

Originally we looked at Signature's management as explorers and not developers. However, production is still king. Getting Lingman Lake back into production would not appear to be too difficult with the project's main challenge being road access. However, the Manitoba government has commissioned year round roads to be built to the First Nations communities of northeastern Manitoba within 5 years. The community of Red Sucker Lake being one of them, is located 55 kilometers northwest of the Lingman Lake mine.

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 legal woes and to some degree 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 and with the impressive airborne survey results and data interpretation being of such high quality this project may shape up to become a multi-million ounce camp.

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 a **Long** call on Signature Resources with a twelve-month target price range of \$0.35-0.45.



Important disclosures

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60 Madison Ave, 6th Floor, New York, NY, 10010