

# Transatlantic Mining, Gold-Silver Producer in USA, M cap < US \$6 M

by [Peter Epstein, CFA, MBA](#) | posted in: [Bernie Sostak](#), [Copper](#), [Gold](#), [Silver](#), [Transatlantic Mining Corp.](#) | 0

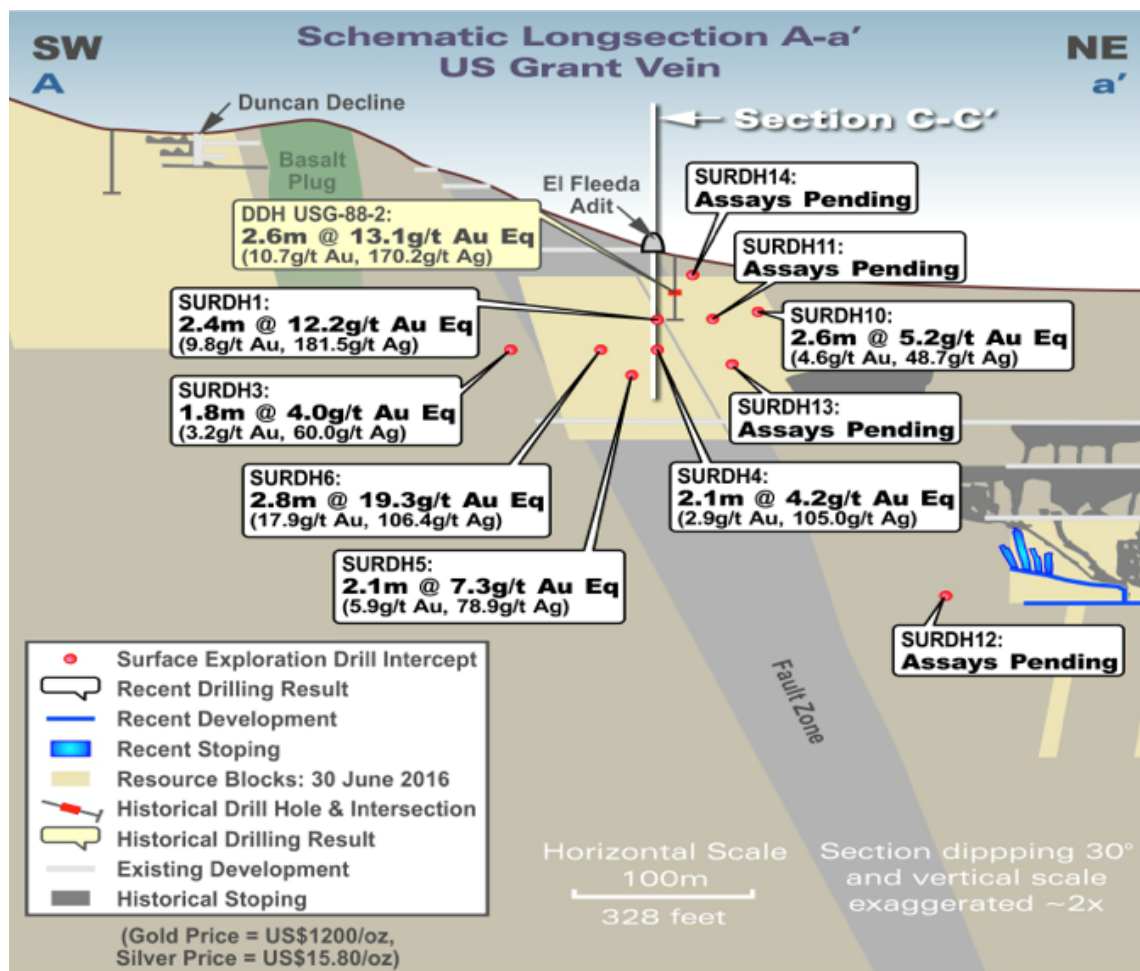
Transatlantic Mining Corp. {TSX-V: TCO} {"TMC"} is a precious metal exploration & development company that has achieved initial Gold {"Au"} & Silver {"Ag"} concentrate production. TMC controls/owns two crown-jewel assets; a fully-permitted Mine & Mill and an 80% Interest in the [Monitor Copper-Gold-Silver](#) project in the famous Coeur D'Alene Mining District in Idaho. A year ago, Transatlantic leased the Alder Mountain project in southern Montana, which includes the [US Grant Gold-Silver Mine & Mill](#) {"US Grant"}. Led by a skilled and experienced team (*see below*), management's focus is driving US Grant to positive cash flow. A maiden NI 43-101 mineral resource estimate & Preliminary Economic Assessment (PEA), plus good surface drill results, is attracting lenders and other interested parties to conduct due diligence with an aim to potentially fund robust growth initiatives. Expanding US Grant into a district play is the ultimate goal. [NOTE: NI 43-101 [Technical Report](#) filed on Sedar contains both maiden mineral resource estimate & PEA]

Highlighted Intervals Include: {[full drill results](#)} NOTE: [Yellow box is a historic drill interval]

SURDH #6: 8.9 ft. {2.8 m} true width at 0.564 ounces per ton [opt] / {19.3 g/t} gold equivalent [Au Eq.]  
Includes 2.8 ft. {0.85 m} at 1.07 opt / {36.8 g/t} Au Eq.

SURDH #1: 5.9 ft. {1.8 m} true width at 0.357 opt / {12.2 g/t} Au Eq.

SURDH#5: 6.9 ft. {2.1 m} true width at 0.203 opt / {7.3 g/t} Au Eq.  
Includes 2.1 ft. {0.65 m} at 0.493 opt / {16.9 g/t} Au Eq.



While thickness varies, historical data on the Alder Mountain project, and greater Alder Gulch district, reference vein widths of 3 to 6 feet (0.9 to 1.8 m). Yet, in the Company's drill program in 4q 2016, 6 assays shown above {4 pending in February}, and historical drill hole DDH USG-88-2, have an average width of 6.6 ft. (2.0 m). This is encouraging and provides crucial information for upcoming drill programs and possible mining scenarios. Management is investigating the potential to mine the US Grant and parallel El Fleeda veins concurrently, which would be highly efficient and cost effective. {See new [corporate presentation](#)}

## TMC following proven / highly successful Northern Star Resources model

Like Australia's Northern Star Resources (ASX: NST) has achieved, management's goal is to build TMC into a robust portfolio of top quality assets. From 2010-2014, Bernie Sostak and Ray Parry {see bios below} were key executives in that successful Australian-listed company. Shares traded for nickels when Bernie joined, up to ~A\$1.50 when he departed to join TMC full-time. Bernie sourced targets, evaluated and integrated acquired assets. Both Ray and Bernie played important roles in structuring the transactions. They were part of a team that helped grow production from ~50,000 ounces/yr to ~600,000, during which time the market cap soared from under A\$ 100 M to over A\$ 1 billion (now A\$ 2.4 billion). Bernie and Ray are deploying the same strategy at TMC, acquiring high-grade, high-margin projects, with relatively modest capital requirements and strong expansion potential in safe and proven mining jurisdictions.

The indicative mine plan calls for an annual run-rate of 5,000 ounces, growing to 10,000 ounces {all references to production are gold equivalent ounces}. A 10,000 ounce/yr run-rate assumes TMC's onsite Mill is running at 150 tons per day ("tpd"). Subject to grade and mining capacity, an upgrade to 300 tpd is being contemplated. Doubling Mill throughput could deliver 20,000 – 30,000 ounces/yr. M&A, farm-ins, lease-to-own options and the like, could enable production to exceed 30,000 ounces/yr. Management is in multiple discussions to that end, with no material news to report at this time.

*If the Company reaches 20,000 ounces/yr, it could be generating US\$ 24 M {at today's spot price} in gross revenue. At a PEA derived AISC estimate of US\$ 905/Au Eq. ounce, that would be an operating margin of ~US\$ 300/oz, equal to US\$ 6 M in operating cash flow. Compare that to TMC's market cap of C\$7.5 M = US\$ 5.6 M. Meaningful upside potential from i) lower AISC due to economies of scale ii) mining higher-grade ore than shown in PEA iii) higher Au-Ag prices iv) if higher grade, then more ounces produced and v) if lower AISC, higher grade & higher Au-Ag prices, then higher operating margin.*

### Near-Term Catalysts

- Phase 1 surface drill results {delivered January 19th}
- Restoration of continuous Mill capacity of 150 tpd
- Update on US Grant Mine & Mill metrics {drilling / recoveries / grades}
- Increasing production to an annual run-rate of 5,000 Au Eq. ounces
- Commence underground drilling from 3 Level {to test vertical extent of US Grant vein}
- Update on corporate initiatives including possible M&A, leasing, JVs, farm-ins, debt and gold stream funding

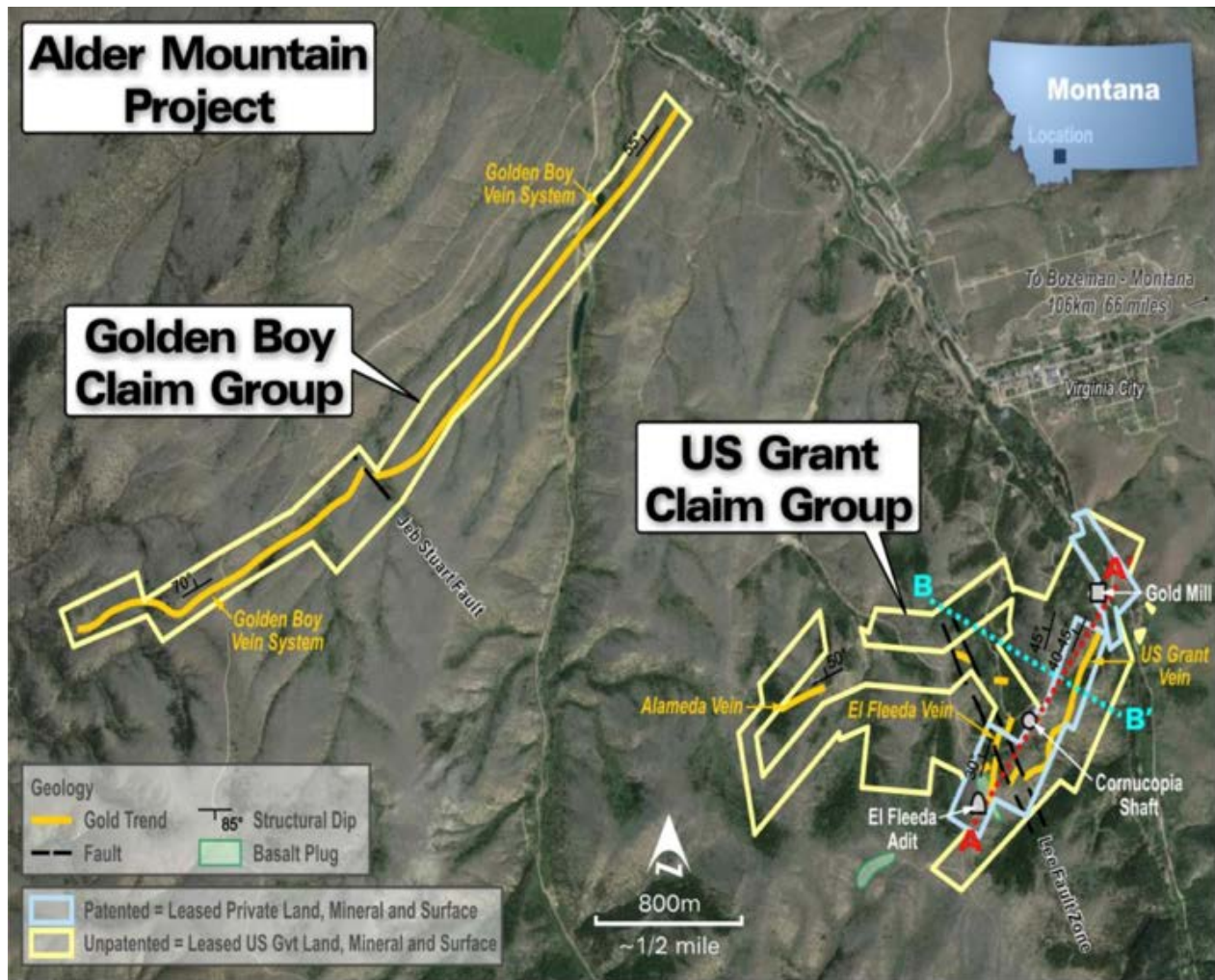
### Exploration Target ~500k Ounces, Plus District-Scale Growth Opportunities

Growth is a strategic imperative. Management hopes to consolidate the Alder Gulch district by executing transactions involving minimal upfront cash or shares. TMC is actively pursuing non-equity capital sources to boost production to 30,000+ ounces/yr within a few years. {See [corporate presentation](#)}

A maiden mineral resource estimate shows 7,000 Measured & Indicated ounces, plus 46,800 Inferred, 53,800 ounces in all. The NPV(10%) was US\$ 5.1 M, with an AISC of US\$ 905/oz. and IRR of 278%. Importantly, the PEA did not include recent drill results. In fact, the PEA only included a portion of the known US Grant vein. A key takeaway from the maiden resource report; a conceptual exploration target of 517,250 ounces. Notice the top 2 exploration blocks contain a total of 197,650 prospective {non NI 43-101 compliant} target ounces with an average grade of 0.335 opt Au Eq. This table can be found on page 3 of the NI 43-101 [Technical Report](#).

Exploration Area	Tons	Au opt	Ag opt	Au Eq. opt	Au Eq. ounces	Drill footage
Us Grant Vein - Underground drilling	295,000	0.18	8.4	0.29	85,550	37,500
US Grant Vein- Surface USG-88-2 block	295,000	0.32	5.0	0.38	112,100	31,000
US Grant Vein- Surface USG-88-6 block	285,000	0.10	7.9	0.20	57,000	18,000
El Fleeda Vein- Surface drilling	565,000	0.15	4.0	0.20	113,000	32,000
Golden Boy Claims group	348,000	0.15	4.0	0.20	69,600	6,500
Lee Fault zone	400,000	0.15	4.0	0.20	80,000	7,500
	2,188,000				517,250	132,500

As can be seen, targeted resources will also come from areas other than the US Grant vein. The El Fleeda vein and Golden Boy claim group (*among others*) have meaningful exploration potential. Historical production supports this thesis. For instance, reported smelter return averages for the period 1946 to 1952 from the Cornucopia claim were 0.34 opt Au & 14.2 opt Ag {~0.527 opt Au Eq.}



### **US Grant Complex, Strong Growth Potential**

TMC's leased property hosts multiple high-grade veins, the most prominent being US Grant and sub-parallel El Fleeda. The US Grant vein is known for a minimum strike length of 3,940 feet (1,200 m), of which only a portion has been developed or mined. Notably, there has been no deep drilling on the property. The Company is targeting new drill holes by using last year's sampling on #3 Level, this year's surface drill results and historical data including the following drill hole intervals.

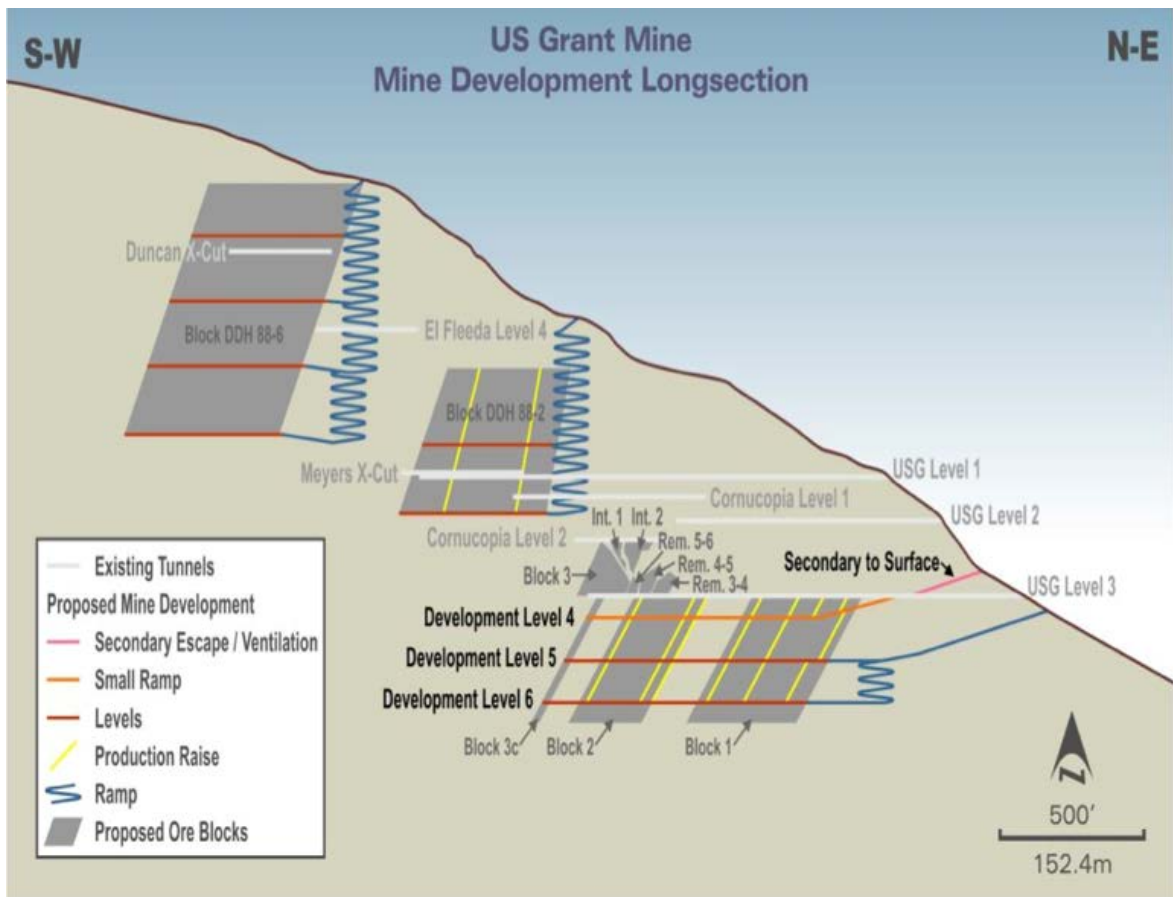
NOTE: {\$1,200/oz Au & \$15.80/oz Ag used for gold equivalent calculations}

Hole 1125-13: 5.2 feet (1.6 m) at 22.1 g/t Au & 515 g/t Ag = 28.8 gold equivalent g/t

Hole USG 88-6: 2.0 feet (0.6 m) at 3.5g/t Au & 269.1 g/t Ag = 7.2 gold equivalent g/t

Hole USG 88-2: 8.5 feet (2.6) m at 10.7 g/t Au & 170g/t Ag = 13.1 gold equivalent g/t

See US Grant mine schematic. It's important to recognize that the US Grant vein (*primary target, one of several known veins*) was only partially developed, with extensions planned past the current #3 Level development of ~800 m (2,625 ft.), #2 Level ~500 m (1,640 ft.), and #1 Level 160 m (525 ft.). Surface drill holes described above come from the proposed ore block (*in dark grey*) H 88-6.



Management believes there's a significant number of exploitable ounces remaining on past-producing levels

*If sufficiently high-grade mineralization extends below 3 Level, there would be a good chance to develop #4, #5 and #6 Levels. Subject to funding and grade, development of these levels could be relatively quick and efficient, and the Mill is less than a mile from these areas.*

## Key Team Members

**Executive Director & CEO, Bernie Sostak** is a highly seasoned geologist with over 25 years' experience in the gold mining industry. His most recent role was General Manager of Business Development & Technical Services for **Northern Star Resources (ASX:NST)**. Bernie played a crucial role at NST during its highest growth phase, from 2010-14.

He was one of the leaders in a team responsible for identifying, evaluating, structuring & integrating the acquisition of four mines. Production grew from roughly 50k ounces to 600k ounces/yr during that period. Prior, he was Director of Resource & Reserve Strategy for **Barrick Gold**. His experience includes the management of mineral resources & reserves, resource estimation, sourcing and evaluating mining assets, mine planning & operations, technical risk analysis, project portfolio management and deal structuring. Bernie is rightfully proud of the safety record in the operations that he's been actively involved in.

**Non-Executive Chairman, Ray Parry** holds degrees in accounting & finance and an MBA in international business. He is a Fellow member of the Certified Practicing Accountants of Australia, and has over 30 years' experience in sectors including Mining, Manufacturing, Banking, Oil & Gas. Currently, Ray is the CFO/Company Secretary of Hanking Gold Mining, and prior, he was **CFO at Northern Star Resources**. Other roles include senior management positions at St. Barbara, Kerr McGee (USA) / Tronox and Bankwest.

**Non-Executive Director, Michael Hulmes** is a well known and respected mining engineer with over 30 years' experience in mining operations and projects in Australia, Papua New Guinea, Portugal, Spain, Saudi Arabia & Tanzania. As former MD of **Somincor**, Michael was responsible for the Neves-Corvo & Aguablanca Mines in Portugal & Spain respectively. Prior roles include, General Manager Operations at the **Ok Tedi Mine** in Papua New Guinea, COO for **Citadel Resources** General Manager – Australian Operations for **Barrick Australia** with responsibility for 5 mines, and General Manager of **Plutonic Gold Mine** in Western Australia.

**VP Operations, Ron Krusemark** is a highly experienced and skilled Mine Engineer and Project specialist, with a BS in Mine Engineering from the **Montana School of Mines**. He has extensive engineering, operations and project experience in both open pit and underground environments. Ron has a proven record of safely delivering projects on time and on budget. Mr. Krusemark has successfully increased production rates and extended mine lives, in a cost effective and operationally efficient manner.

## CONCLUSION

For junior mining companies, crossing the threshold into production is incredibly hard. Dozens of things, perhaps a combination of minor mishaps, can drive a project to the brink. Ramping up US Grant towards continuous production has been slow and steady, management has not cut corners. Once the mine and Mill are performing as desired, plans to expand US Grant to a district-scale play will be hatched. Several JV, lease-to-own, farm-in and M&A transactions are under careful consideration. With a PEA and NI 43-101 mineral resource estimate in hand, multiple parties are thinking about extending TMC debt funding. Management believes US Grant is the tip of the Iceberg of a platform that will follow the path of Northern Star Resources.

[Transatlantic Mining Corp.](#) Ticker {TSX-V: TCO} advanced US Grant from due diligence to exploration to development to initial production, for less than US\$ 5 M, in under 12 months. That's a true testament to the strength of the team and project. How many gold-silver juniors with market caps below US\$ 6 M are in production of high-grade gold-silver concentrate, through an onsite Mill, located in one of the best jurisdictions in the world? I see tremendous blue-sky potential here (*and commensurate high risk*) especially if precious metal prices continue to improve.

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