

Resource Maven

Independent Analysis of
the Resource Markets

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From the Maven Letter: January 19, 2022

Maven Buys: Thesis Gold (TSXV: TAU)

The short form of the Thesis Gold argument is that it's Benchmark Metals (TSXV: BNCH) before its big move in 2020.

The parallels are many.

- **Same technical team as Benchmark.** Metals Group chief geologist Ewan Webster left his position as senior geologist at BNCH to head Thesis Gold
- **Same project vendor and area.** Identified by same prospector, who along with some friends picked up both projects in the early 1990s. Never had the technical or capital markets expertise to advance them, though did consolidate ground and keep in good standing
- **Easy access to and around project.** Cost effective exploration
- **Large potential:** Benchmark is outlining a large low-sulphidation epithermal system at Lawyers. Thesis has drilled into two good high-sulphidation epithermal (HSE) zones at Ranch, has 20 similar targets (a few with results pending, multiple will be tested in 2022), and has a large causative porphyry target that will also be drilled in 2022
- **Similar shareholders:** many who did well with BNCH bought into TAU early, which suggests some dedication in the shareholder registry
- **Plans to move ahead quickly:** BNCH had good access to capital, which enabled large drill programs to demonstrate scale quickly. Thesis has \$15 million on hand and should get another \$5 million or more in over the coming months from warrant exercises, enough to fund a major drill program with the potential to demonstrate a gold opportunity of scale at Ranch

I am not early on Thesis, not by any means. The company debuted about a year ago at roughly \$1. It's trading just above \$2 today and carries a \$93 million market cap. I already missed a double.

But I think **there is real potential that the Ranch project in central BC turns into much more than the market is currently seeing.**

2021 was Thesis' first season at Ranch. They drilled 106 holes, so it wasn't a small program, but it also was not an aggressive program.



Of the 16,000 metres drilled, almost 4,000 were confirmation holes. Those were necessary for two reasons. First, the project had seen 35,000 metres of historic drilling but that core no longer exists, so the only way to use results from that old work was to drill known zones again for validation. Second, focusing on the somewhat-understood Bonanza, BV, Thesis II, and Thesis III zones gave the team a chance to calibrate themselves on the project: they could compare what they saw in the core with records from old drilling to ensure ideas were conveyed accurately, they could develop their own system for describing rock type and alteration while within a known system, and they could work towards resources in a few areas.

But those are only four of 21 targets at Ranch. In 2021 Thesis only did 7,133 metres of drilling into new targets. And it's the number of additional targets, and the sizes of the associated alteration footprints, that gets me excited.

Before I get to that, let me explain Bonanza and the known zones near it better, as they demonstrate the kind of mineralization Thesis seeks at Ranch.

This is HSE mineralization. It's structurally hosted (in faults and fractures) and the fluids that deposited the gold caused widespread alteration of the host rocks. The result: gold hosted by silica-sulphate and silica-sulphide bodies, flanked by strong argillic alteration.

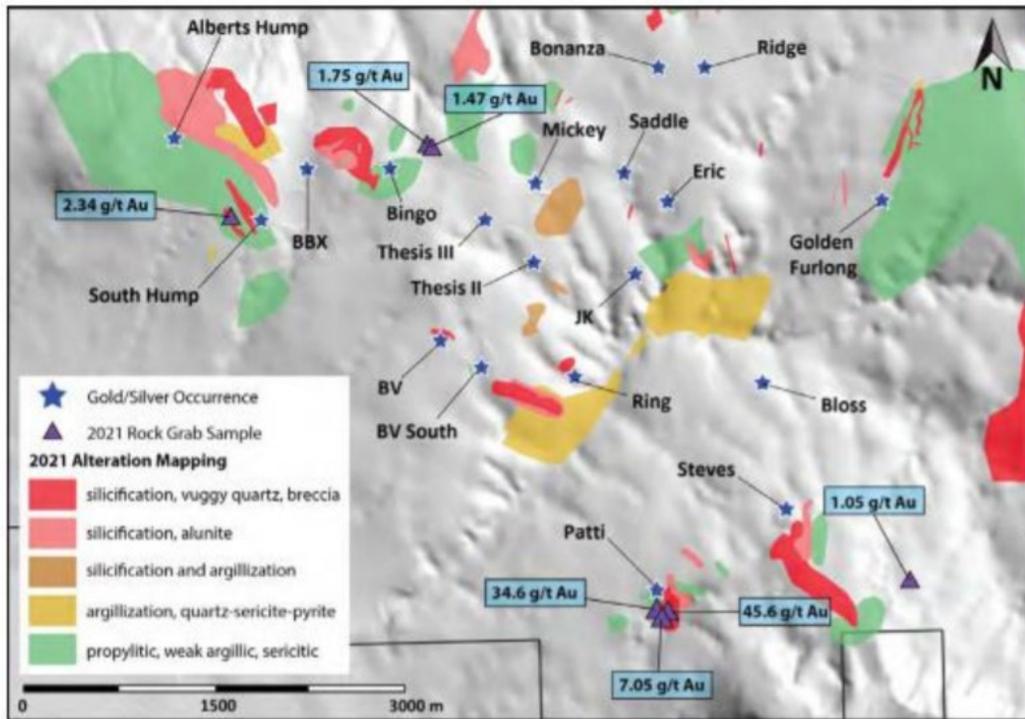
It's a setup that makes for some important character traits:

- **Potential for wide zones:** faults and fractures can be narrow, but they can also be wide and some of the mineralized structures at Ranch are the latter. Some of the best results from Bonanza at this point include 34 metres of 19.6 g/t gold, 24.9 metres of 9.5 g/t gold, and 13.7 metres of 11.2 g/t gold. These are core widths but Thesis estimates that true widths are 70 to 90% of core widths
- **Potential for grade:** Thesis has pulled several multi-ounce intercepts from Bonanza already
- **Reliable strong geophysical responses:** strong chargeability from the sulphides and strong resistivity from the silica
- **Alteration zoning:** silica transitions from leached to vuggy as you approach the gold zone. Helpful exploration guide

The first two points are why the known zones are already so interesting. The second two points are why I'm so interested in what Thesis finds in 2022.

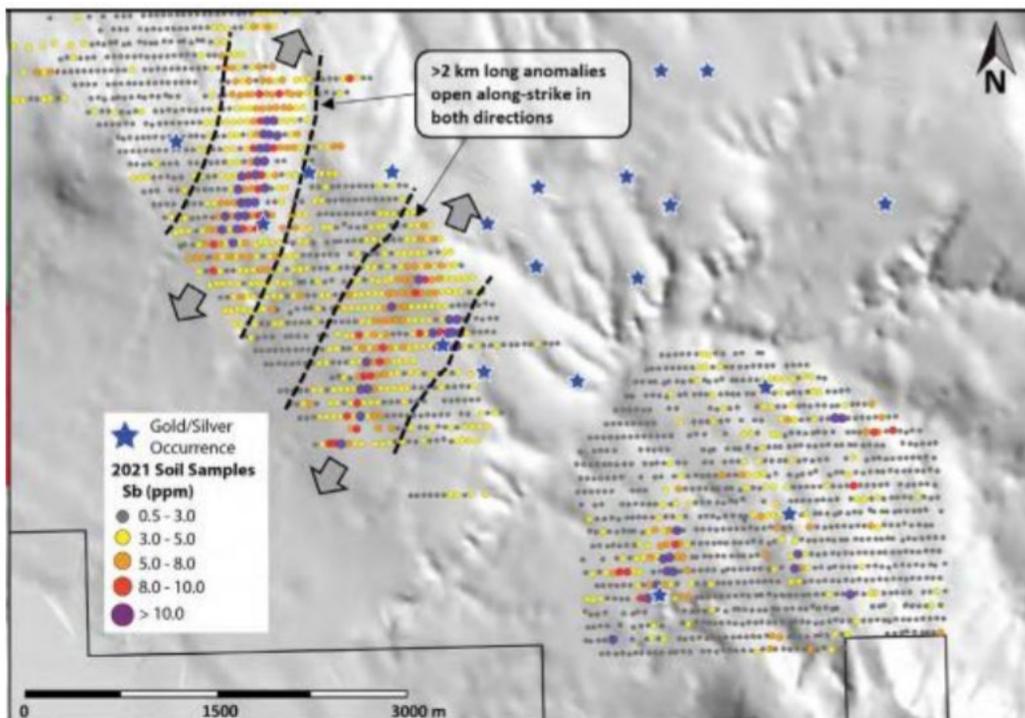
Thesis collected 7,400 soil samples at Ranch last summer. A huge number of those results are still pending but those that have come in are tantalizing.

The map below shows the targets (blue stars) on top of alteration mapping. Alteration can only be mapped where rocks outcrop; across much of the trend that's been the focus historically, from Thesis II and III over to Bonanza, outcrop is limited so there's little mapped alteration. But in a few other places the alteration indicators are very interesting.



The pink and red blobs demand a closer look, because they mark intense silicification and even vuggy silica. I like the looks of the area in the top left (Albert's Hump over to Bingo) and in the bottom right (Patti and Steves).

Here are soil results received to date over the same area.



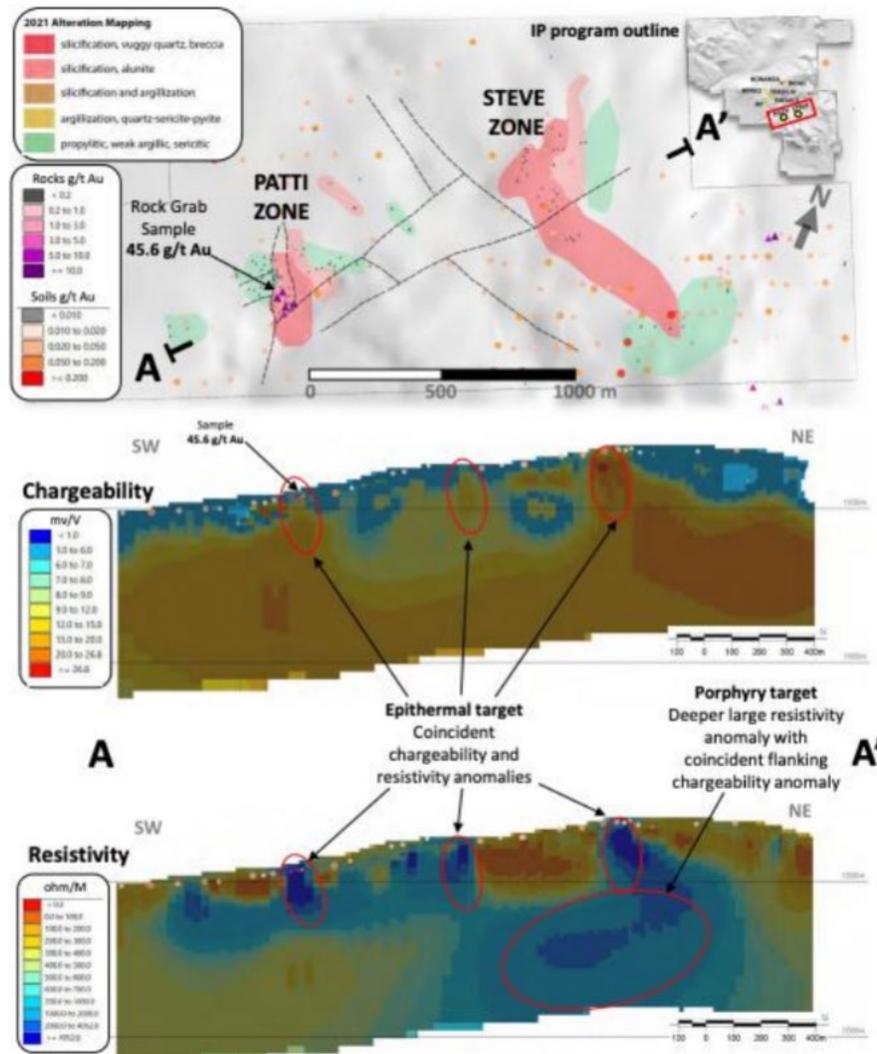
Lots of areas have yet to report but results in hand outline three clear gold-in-soil trends, each of which aligns with alteration indications. (The alignments aren't perfect but remember that alteration can only be mapped where rocks outcrop, so areas on grey on the alteration map could be anything.)

Bottom line: **there are multiple large areas at Ranch where strong alteration (where it can be seen), soils, and geophysics suggest good potential for additional gold zones. Multiple.** And while they haven't settled on the details yet (partly because they are awaiting so many results), Thesis plans a big exploration program in 2022 that will certainly test the Alberts Hump and Patti-Steve areas, among others, for new discoveries, while expanding BonanzaRidge and the other known zones.

Stepping back: HSE gold mineralization must come from a porphyry. And here we come to the other big possibility with Thesis Gold.

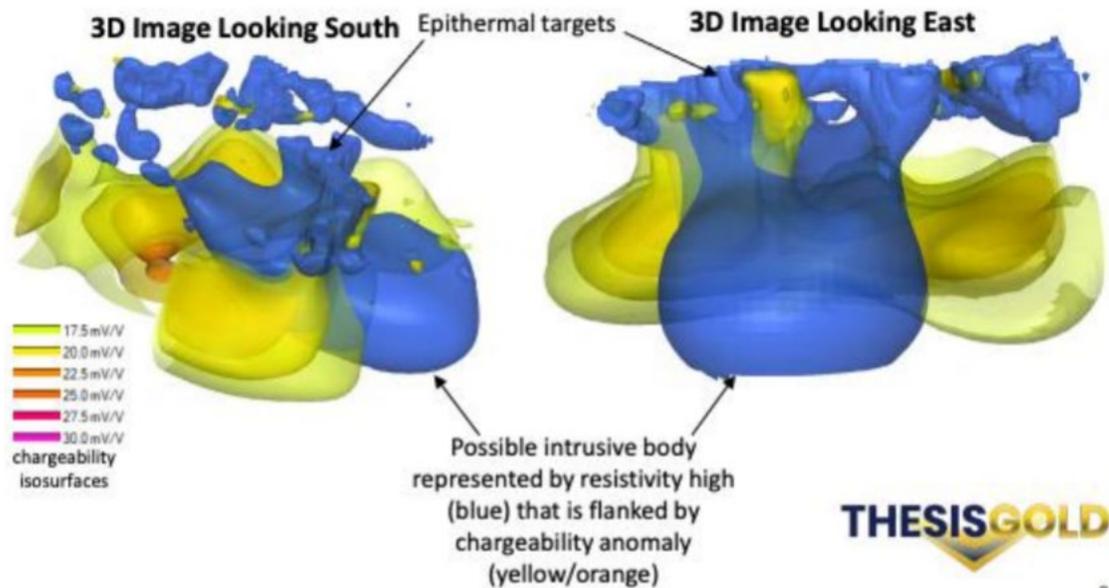
The geophysics Thesis ran at Ranch to guide its search for HSE gold also outlined a nice porphyry target. It sits under the Steve zone, in the bottom right of the maps above, and the anomaly starts at only 300 metres depth. (All HSE gold systems stems from a porphyry, but the porphyry can be very deep, so it's promising to see a good target that is not at all deep.)

The images below show the alteration signatures at Patti and Steve with cross sections from the chargeability and resistivity responses lined up below.



To geophysicists, porphyries look like large resistive bodies (the porphyry itself) flanked by elevated chargeability (from alteration of the surrounding rock). That's how this one looks. No guarantees but certainly

worth a drill test, especially because the Todoggone (as this part of BC is known) is known for its economic porphyries.



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Structure, Value, Near Term vs Rest of Year, and Strategy

Thesis is still a new company with a tight share structure: just 45.4 million shares out, which at today's close of \$2.14, gives the company a market cap of \$93 million.

Not cheap, I know. But the gamble here is that Thesis will find several more Bonanza zones (in the Albert's Hump area and at Patti and Steve) over 2022. There's also a chance they discover an economic porphyry, something they will also attempt in 2022.

And should gold go, I think Thesis stands a good chance of being a standout stock for its highgrade project, capital markets support, positive share price chart, and scale of work program.

A bit more on that. Over the next three months, Thesis will release the rest of the results (like, another 70 holes) from its 2021 program. Given that more than half of those holes tested within or just outside of known gold zones (at Thesis II and III, for example), odds are good the holes will return gold, including some high grade.

What I want everyone to keep in mind is that the bar here is already pretty high so it's hard to know what new numbers from known zones will make the market do.

TAU jumped from \$1.45 to \$1.90 in mid-December when they released holes from Bonanza that included 13 metres of 27 g/t gold (from just 12 metres downhole), 49 metres of 2.07 g/t gold from 10 metres depth, and 11.5 metres of 22.7 g/t gold from 34 metres depth.

Oddly, two months earlier Thesis had released arguably better results from Bonanza – 34 metres of 19.6 g/t gold and 25 metres of 9/5 g/t gold – and the market had not responded.

A few weeks after the mid-December gain TAU announced results from Ridge, a step-out target just northeast of Bonanza (that's likely a fault-offset extension), including 27 metres of 6.8 g/t gold and 162 g/t silver alongside some lower-grade hits. The share price dropped a few percent...but then gained for several days to end up 9% from the pre-news level.

And just yesterday TAU gained put out another set of Bonanza results including 7.4 metres of 49 g/t gold, 40 metres of 3.8 g/t gold, and 14 metres of 11 g/t gold and the price didn't move.

That's all to say – I can't say what numbers will make the market move.

I would guess that strong results from zones from which Thesis has not yet reported results, like Thesis II and III, have a better chance of generating positive reaction.

Just as importantly, in terms of my rationale for entering now, I think Thesis could leverage gold nicely over the next year. Results thus far have built anticipation that Ranch will become a notable gold asset. If results continue in that manner, then Thesis will offer a rare thing: a gold stock chart with positive momentum.

Since I can't know what numbers Thesis will report over the next few months, let alone how the market will react to them, it's hard to know when to enter. I also don't know if today's golden day will persist or whether the pending rate hike will keep gold in its holding pattern for a few more months.

Oh, the uncertainty of investing!

With that backdrop, I've decided to enter Thesis in tranches. I want to buy some now, in case gold does gain from here and/or Thesis puts out results that attract attention. But I don't want to buy my entire position, in case gold steps back or the market finds pending results wanting.

So, I will buy a third of my desired share position tomorrow. I will enter a stink bid for another third at TAU's previous support of \$1.90. And I'll wait to decide on the final third until we see more from gold and Thesis over the next few weeks.

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