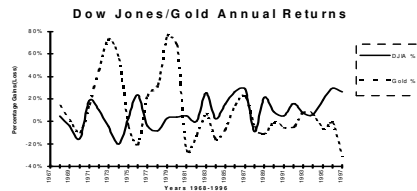




# Gold



## Energy & Tech Stocks

Weekly Hotline Message

(Now in our 35th Year)

July 8, 2016

### Starcore Starts Mining Ore at 31-79 Hole at San Martin

### Starcore International Mines Ltd.



(Traded Toronto-SAM / USOTC-SHVLF; 49.1 million shares @ US\$0.69 = US\$35 million market cap) – This company has been producing gold and silver from the San Martin Mine in the state of Queretaro, Mexico, for a number of years. It has been a small mine with considerable exploration potential, and the news that came out over the past month has sparked some excitement because Hole 31-79 encountered a zone that is of much higher grade than the average grade of 2.22 g/t gold and 35 g/t silver. In fact in May, some 536 tons of this

high-grade material was mined with an average grade of 11.47 grams per tonne gold and 76 g/t silver. In June, the east (upper) block was explored by drifting and raising, and through June 20, a total of 986 tons has been produced at 8.92 g/t Au and 67 g/t Ag. Geologists estimate that 1,500 tons remain to be extracted from this zone at similar grades. Drifting along the drill hole defined a two-metre-thick segment of manto mineralization bounded by steep faults on the north and south and a horizontal fault above. Subsequent exploration in the area has defined a three-meter-thick piece of mineralization above the flat fault displaced roughly 15 meters to the east.

And more recently, drill hole 31-92 was recently completed to test the small remaining segment between these blocks and the previously mined stope to the north. This hole has returned a 9.1-metre interval grading 50.7 g/t gold and 115 g/t silver. This hole appears to have located another of these fault-bounded

ore segments. Management noted that while this area is small it may help the company to discover the kind of high-grade material that was mined in the past, as exploration is ongoing to the north of the current operations.

Classification	Tonnes (000's)	Gold (g/t)	Silver (g/t)	Gold (000's of Oz)	Silver (000's of Oz)	Gold Equivalent (000's of Oz)
<b>Reserve:</b>						
<b>San Martin Mine</b>						
Proven	180	2.31	19	13.4	110	15.1
Probable	307	2.31	18	22.8	177.7	25.5
<b>Total Reserve</b>	<b>487</b>	<b>2.31</b>	<b>19</b>	<b>36.2</b>	<b>287.7</b>	<b>40.6</b>
<b>Inferred Resources*</b>						
	898	2.15	24	62.1	693	72.8

With production in the 18,000 to 24,000 ounces of gold per year, the San

Martin Mine is certainly a small operation. But it has been profitable despite its relatively low grade and small size thanks to soft rock and rapid blast cycles, access to mining talent, and a transit corridor for supply chain management. Certainly the size has put some people off, but President Robert Eadie has a philosophy not a lot different from that of Dynacor Gold Mines or Quinton Hennigh of Novo Resources or of the management of SilverCrest, and that is to start out with small profitable operations and use cash flow generated to grow organically, which is more than half of its current share price.

But beyond the San Martin Prospect, which I believe has exciting exploration potential, especially if the company can start to discover more high-grade zones like that noted in this recent press release, Starcore has a lot more going for it than that.

- ***The Altiplano Plant*** – The company has just started its concentrate purchasing business at its Altiplano plant located in Matehuala, Mexico, on the road to an international smelter in an area that is home to numerous medium-sized mining operations. The plant is a newly designed facility that has the best equipment and operations team to offer an accessible leaching process for miners and concentrate producers that are too small to make their own milling operations viable. Starcore states that it has tested concentrates received from 14 different suppliers and that it is currently negotiating concentrate purchase agreements for the best-quality concentrate that will bring a consistent supply. And management sees this operation as being a steady cash cow that can fund exploration, development, and growth overall.
- ***The El Creston Moly Copper Deposit*** – President Eadie picked this up for the company for a song and a prayer during the depth of the recent metals downturn, not because Starcore expects to advance it but simply because it is a valuable asset that could be had for a very low price. Management views this as another means of building shareholder wealth. The project has some 335 million pounds of molybdenum and 281 million pounds of copper within a 5.5-km trend of mineralization. A total of 48,000 meters was drilled in 215 holes and a PEA was completed. Management expects to sell this project outright or joint venture it with a major when market conditions improve. The project is located about 175 km south of the Arizona border and 145 km north of Hermosillo.

***Other assets*** – The company has an option to acquire the ***Toiyabe Gold Property*** in Ladner County, Nevada, where an estimated resource of 4,975,000 tons grading 0.0349 oz. per ton gold with a 0.01 oz/ton cutoff grade has been outlined. That amounts to around 174,000 ounces of gold at or near surface. That is hardly enough of a deposit to consider production but there is considerable near-surface potential as well as the potential for discovering a Carlin-type high-grade deposit at depth. In a stronger market like this, management could potentially farm this out. A deep 1,500-ft. angle hole has been recommended to test for favorable host rocks adjacent to one of the more favorable north-northwest feeder faults. Also in its portfolio is the ***Ajax Project in B.C.***, which is one of the largest undeveloped molybdenum deposits occupying a surface area of approximately 600 by 650 meters. It is a world-class moly property in the advanced stage of exploration.

As of the last quarterly report, the company had around \$10 million in cash and had signed a binding agreement to sell a non-core asset in Mexico for approximately \$7 million. With only 49.1 million shares outstanding and positive cash flows continuing, that means the company's share price is backed by something like C\$0.35 in cash. The knock against this company is that its operations are too small. But the offset against that argument is that management is operating the company for the shareholders, as opposed to the investment bankers who use their financing ability to obtain cheap stock with warrants and then

blow their shares out in the market after they have made a quick buck at the expense of long-term shareholders.

Starcore has a strong balance sheet and good cash flows that should improve further from several factors, including: (1) higher gold and silver prices; (2) the potential to improve average grades from higher-grade discoveries as noted above; (3) cash flow from Altiplano; and (4) the potential to realize value from other non-core assets. While there may be some other stocks on my list that may seem to offer bigger exploration potential right now, Starcore also has considerable upside exploration potential, which it will test without blowing out the company's share structure.

**J Taylor's Gold, Energy & Tech Stocks (JTGETS)**, is published monthly as a copyright publication of **Taylor Hard Money Advisors, Inc. (THMA)**, Tel.: (718) 457-1426. Website: [www.miningstocks.com](http://www.miningstocks.com). THMA provides investment ideas solely on a paid subscription basis. Companies are selected for presentation in JTGETS strictly on their merits as perceived by THMA. No fee is charged to the company for inclusion. The currency used in this publication is the U.S. dollar unless otherwise noted. The material contained herein is solely for information purposes. Readers are encouraged to conduct their own research and due diligence, and/or obtain professional advice. The information contained herein is based on sources, which the publisher believes to be reliable, but is not guaranteed to be accurate, and does not purport to be a complete statement or summary of the available information. Any opinions expressed are subject to change without notice. The editor, his family and associates and THMA are not responsible for errors or omissions. They may from time to time have a position in the securities of the companies mentioned herein. No statement or expression of any opinions contained in this report constitutes an offer to buy or sell the shares of the company mentioned above. Under copyright law, and upon their request companies mentioned in JTGETS, from time to time pay THMA a fee of \$250 to \$500 per page for the right to reprint articles that are otherwise restricted solely for the benefit of paid subscribers to JTGETS.

**To Subscribe to J Taylor's Gold, Energy & Tech Stocks Visit: <https://www.miningstocks.com/select/gold>**

Receive J Taylor's Gold, Energy & Tech Stocks monthly newsletter and weekly email messages for the period of your choice (U.S. and Canada). For foreign postal delivery contact us at email below. **Return to:** PO Box 778555, Maspeth, NY 11378, USA. Phone or Fax: 718-457-1426, E-mail: [questions4rtaylor@gmail.com](mailto:questions4rtaylor@gmail.com) (Make check payable in US\$ to Taylor Hard Money Advisors, Inc.)

**Please Select Subscription:**

**Email delivery only** (Monthly and Weekly Email Message):

One-year US \$198.00  three-months US \$69.00

**U. S. Mail Delivery of monthly newsletter only** (Weekly message by email only):

One-year US \$240.00  three-months US \$84.00

Name .....

Address .....

City .....

State/Prov. ....

Zip/Postal Code .....

Telephone .....

Fax .....

Primary E-mail: .....

Secondary E-Mail: .....

Check

Visa

MasterCard

Discover

Card Number .....

Exp. ....

Signature .....

3-digit Code .....

(Last 3 digits of the number found on the back of your credit card, below your signature)