



Mercenary Alert: Integra Resources Corp: I is for Idaho

A Special Alert Musing from Mickey the Mercenary Geologist

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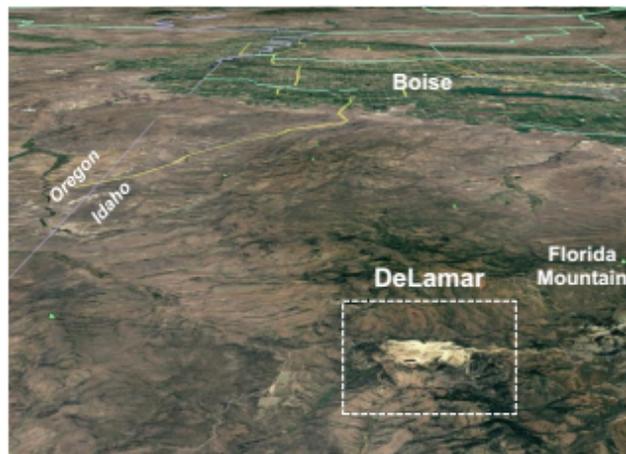
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January 2, 2018

I wrote a brief alert on [Integra Resources Corp \(ITR.V\)](#) a day before it began trading in early November ([Mercenary Alert, November 6, 2017](#)). As subscribers are aware, Integra Resources is a new junior resource company that was spawned by former management of Integra Gold after its takeover by a major gold miner in mid-summer. I now offer an in-depth report on this new venture.

Integra Resources announced its 100% acquisition of the past-producing DeLamar gold-silver mine from Kinross Gold Corp in mid-September for \$7.5 million in cash and a 9.9% stake in the new company. The 9400 acre (3760 ha) property is subject to variable royalties payable to Kinross. Integra also has binding letters of intent to acquire 47 patented claims at the adjoining Florida Mountain mine from two private interests.

The DeLamar underground and open-pit mines were intermittently active for over 100 years and produced a cumulative 1.6 million ounces of gold and 100 million ounces of silver. The project is located about 130 km south of Boise in Owyhee County, Idaho. The nearest town is Jordan Valley, Oregon and the project is accessed by 17 km of all-weather dirt roads with grid power, water treatment facilities, workshop, heavy equipment, a network of haul roads, and mine office on site.



Subsequent to announcement of the deal, Integra tabled an inferred resource estimate of 117.9 million tonnes grading 0.41 g/t Au and 24.3 g/t Ag at 0.3g/t Au-eq cut-off for a total of 1.59 million ounces gold and 91.9 million ounces silver.

From late October to early November, the company completed an oversubscribed private placement of 32.1 million shares at 85 cents for a raise of \$27.3 million, finalized the DeLamar acquisition with an initial payment to Kinross of \$3.0 million and 5.5 million shares, and commenced trading on the Toronto Venture Exchange.

Integra Resources has 56.0 million shares outstanding. There are 4.2 million options at \$1.00 expiring in November 2022 and 1.8 million broker warrants at 85 cents expiring in May 2019 for a fully diluted total of 62.0 million shares. The company has \$18 million in cash.

Insiders control 14%, retail shareholders own 18%, Kinross holds 9.9%, and recent high net worth places comprise 57%.

ITR opened at \$1.15 and has traded about 1.4 million shares over the past eight weeks. Its high is \$1.25, low is 96 cents, and it closed 2017 at \$1.10. Its current market capitalization is less than \$62 million.

The 8.0 million shares controlled by insiders are pooled and escrowed with 10% released on the initial day of trading and 15% in six-month intervals over three years. Kinross' shares have a 12-month hold. Therefore, I expect this stock to remain illiquid at least until the private placement becomes free-trading on March 1, 2018.



I know some of the management team quite well including CEO George Salamis who held previous managerial roles with junior gold explorers and miners in China, Venezuela, Spain, and Quebec. Vice-President of Exploration Max Baker and I first crossed paths in Chile in 1991, and I worked as a consulting field geologist for a company he led in northern B.C. in the summer of 2006. John Glanville, investor relations director, was also involved with Max in that particular company. In 2010, I covered a Brazilian gold explorer for whom John worked.

Other key members of Integra’s team include Chairman Stephen de Jong and CFO Andree St-Germain. David Awram of Sandstorm Gold is a Director and Randall Oliphant, ex-CEO of Barrick Gold and former Chairman of New Gold, is a strategic advisor to the Board.

Note that management and directors invested over \$2 million into the recent go-public financing.

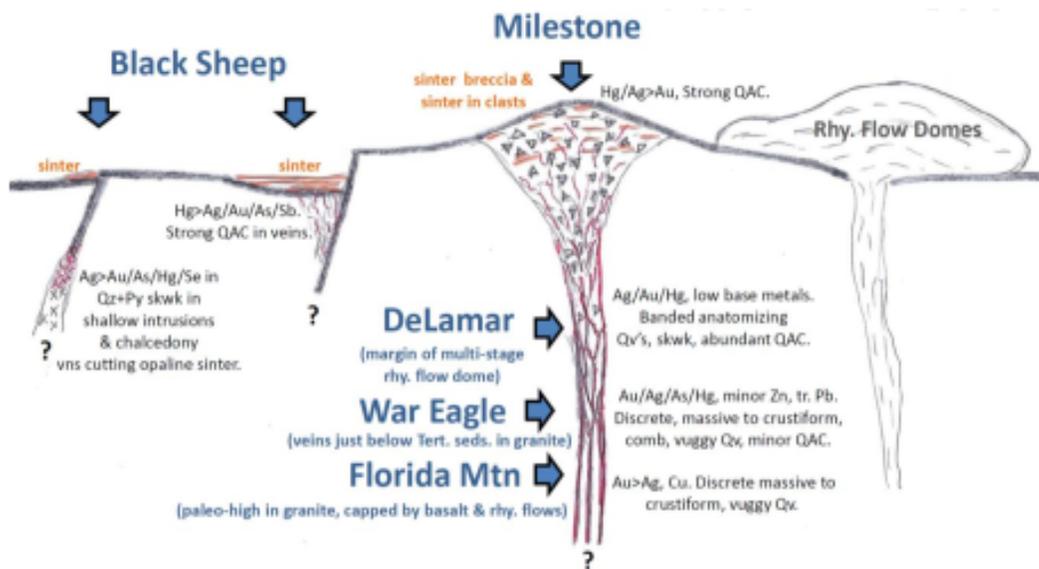
So the share structure is tight, the people are good, and there are bucks in the bank. In my opinion however, the most valuable asset in this company is its project.

DeLamar and Florida Mountain produced gold and silver from high-grade underground mines in 1883-1910 and from low-grade open pit mines in 1977-1998. The historic production figures are significant:

Deposit	Gold Production	Silver Production
DeLamar Underground Production	600,000	42,000,000
DeLamar Open Pit Production (1977 – 1998)	750,000	47,500,000
Florida Mountain Production (1883 – 1910)	133,000	15,400,000
Stone Cabin (Florida Mountain) Open Pit Production (1994 – 1998)	124,500	2,616,000
Total Historical Production	+ 1.6 Mozs	+ 100 Mozs

DeLamar is a classic epithermal precious metals vein system of mid-Miocene age (about 15 million years). Basalt flows are intruded by rhyolite flow-dome complexes and overly Cretaceous granitic rocks of the Idaho Batholith. All three rock packages host economic gold-silver mineralization with a known vertical extent of over 700 meters.

Veins in basalt and granodiorite are high-grade, generally narrow, and can be laterally continuous over a kilometer. Rhyolite and latite host discontinuous stockwork veins and veinlets within extensive, low-grade alteration halos. This cartoon is Max Baker’s epithermal zoning model for ore deposits in the district:

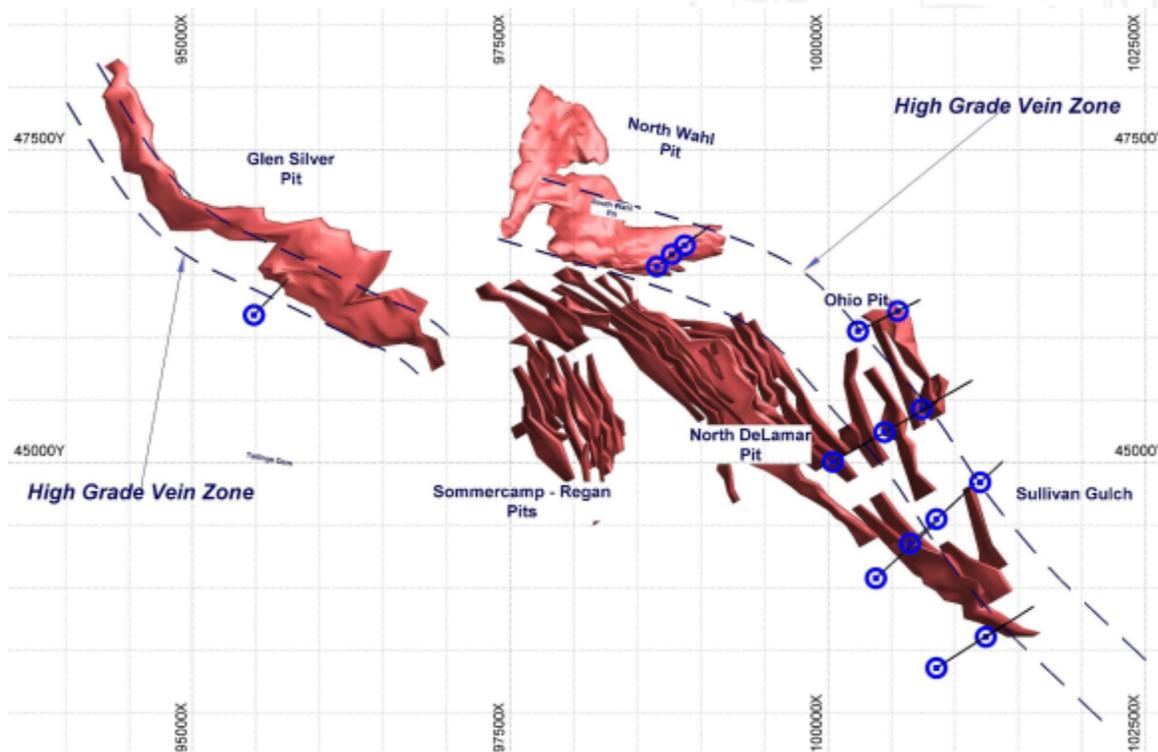


The 21 years of historic exploration work by Kinross and its predecessor Nercio included about 1550 mostly reverse circulation drill holes to evaluate the upper 150 meters of the system. The voluminous drill data indicates strong potential to delineate additional open-pit resources adjacent to and extensions of the current estimate. Historic underground mining at deeper levels attests to the potential for high-grade veins below and along strike of open-pit resources and on other targets in the district.

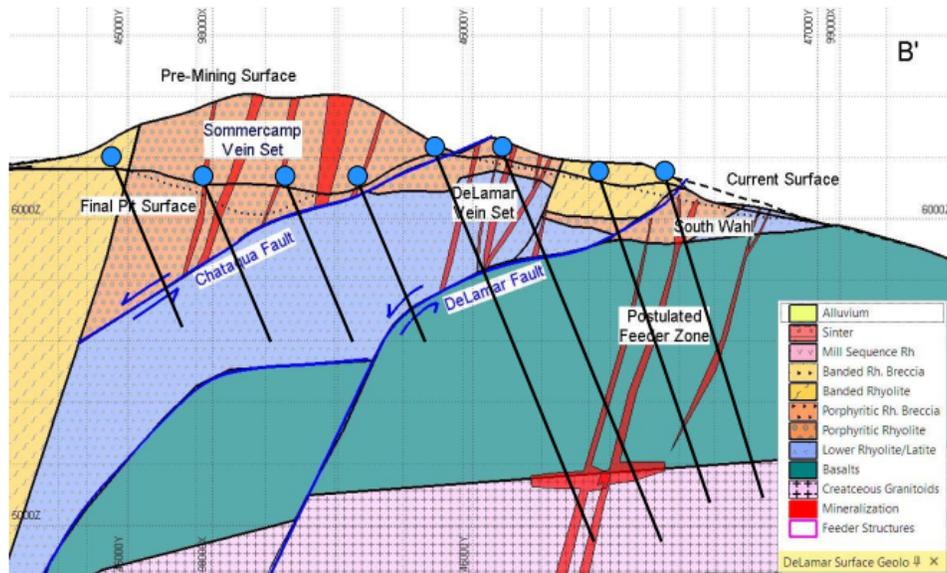
Integra has a \$10 million exploration budget at DeLamar for 2018. A 20,000 meter drill program will commence in February with current plans calling for 18,000 meters of reverse circulation and 2000 meters of core drilling.

The first goal is to test high-grade targets down dip and along strike of veins mined during the late 1800s and early 1900s. These areas were never formally targeted or tested in the shallow drilling by Nercio and Kinross. That said, several holes fortuitously pierced thru the low-grade halo and into high-grade mineralization.

Many of the holes will also pass thru near-surface lower-grade mineralization not mined due to low precious metals prices in the late 1990s but now included within or near current resources. They will confirm previous drilling, extend and upgrade resources, and provide material for metallurgical test work.



This is a long-section view of some of Max's targets:



ITR is applying a state-of-the-art, multi-disciplinary approach to exploration of the DeLamar district. Computer-aided analysis of the voluminous data package, geophysical surveys (IP/resistivity, aeromagnetics, LIDAR, and aerial photography), field mapping, surface sampling, and prospecting have been and will be conducted to refine and prioritize existing targets and generate new ones. There are numerous mineralized occurrences known to exist within the large land package that have never been systematically explored.

I spent two days on the project in early November in company of Max Baker, consulting geologist Gary Edmondo, local resident Kim Richardson who rose from junior geologist to mine manager during her 20-year tenure at the mine, and fellow analyst and geologist Brent Cook. On day one, we toured the various pits at DeLamar and Florida Mountain, looked in detail at the high-level rhyolite host rocks, and visited one of the untested historic vein workings.

On day two, Max gave Brent and me a detailed review of the work that he and Gary have done to compile and analyze the data, assess the mineral potential, and develop drill targets for the upcoming field season.

Below are a few photos from the field tour:

Here's our group of experienced (i.e., old) geologists with the Glen Silver pit in the background on a cold and windy day; photo by Gary Edmondo, another geo with plenty of experience:



Quartz-adularia stockwork veinlets in silica-flooded porphyritic rhyolite, the preferred host for low-grade open-pit ore:



Fine-grained silica replacement of rhombohedral calcite crystals, typical of high-level epithermal vein deposits:



DeLamar is arguably the best brownfield project I have encountered for quite some time. It has significant low-grade open pit resources that should be easily upgraded and expanded with delineation and step-out drilling.

High-grade vein targets exist below the existing pits and old underground workings. Although speculative, they are analogous to bonanza gold and silver deposits that were mined in the late 1800s to early 1900s. During the Nerco / Kinross era, these enticing targets were never formally targeted or tested.

In summary, Integra Resources checks all the boxes for me:

- Tightly-held share structure with committed, high net worth shareholders.
- A major gold miner as a reporting shareholder that holds royalties on the project.
- Experienced management team with recent success in the mining business.
- Cashed-up for a couple of years unless additional acquisitions are made.
- Top-notch geological team with decades of experience in epithermal precious metals deposits.
- Relatively low-risk, open pit gold-silver resources that can be readily expanded and upgraded and, subject to further metallurgical work, may be amenable to heap-leaching..
- Higher risk but potentially higher reward, bonanza gold-silver targets at depth that have never been systematically tested by the truth tool.

I urge you to take a close look at Integra Resources Corp to see if it meets your criteria for speculation. I did exactly that and I put my money in the company via the pre-RTO private placement. ITR is also a sponsor of my website so the opinions expressed here are likely skewed to the upside.

Finally, these words of wisdom from famous economic geologist J.E. Spurr (1927):

*Geologists may write Extravaganzas,
But only God can make Bonanzas.*

And remember, gold is where you find it. I think DeLamar is a good place to start looking.

Ciao for now,

Mickey Fulp
Mercenary Geologist



The [Mercenary Geologist Michael S. “Mickey” Fulp](#) is a Certified Professional Geologist with a B.Sc. Earth Sciences with honor from the University of Tulsa, and M.Sc. Geology from the University of New Mexico. Mickey has 35 years experience as an exploration geologist and analyst searching for economic deposits of base and precious metals, industrial minerals, uranium, coal, oil and gas, and water in North and South America, Europe, and Asia.

Mickey worked for junior explorers, major mining companies, private companies, and investors as a consulting economic geologist for over 20 years, specializing in geological mapping, property evaluation, and business development. In addition to Mickey’s professional credentials and experience, he is high-altitude proficient, and is bilingual in English and Spanish. From 2003 to 2006, he made four outcrop ore discoveries in Peru, Nevada, Chile, and British Columbia.

Mickey is well-known and highly respected throughout the mining and exploration community due to his ongoing work as an analyst, writer, and speaker.

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