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## In Depth Interview of CEO James Anderson, NuLegacy Gold - Nevada, USA

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**Disclosure:** I am long NULGF. I wrote this article myself, and it expresses my own opinions. I am not receiving compensation for it. I have no business relationship with any company whose stock is mentioned in this article.

### Summary

- NuLegacy Gold is earning into a 70% interest in the Iceberg deposit, one of Barrick Gold's prized Cortez Trend (Nevada) properties.
- The Iceberg deposit is on Trend with 3 world-class Barrick properties that contain from 15-21 million ounces of gold each.
- Minimal equity dilution necessary if, as expected, Barrick elects to claw-back a 70% interest in Iceberg, leaving NuLegacy Gold with a 30% interest that's carried to commercial production by Barrick!
- Strong and very experienced management team for a junior company with a market cap of just US\$ 13.6 million.

The following interview of **CEO James Anderson of NuLegacy Gold [OTCPK: NULGF \(NUG.V\)](#)** was conducted by phone and email on May 8-13, 2014. NuLegacy is an emerging Nevada gold explorer [*113 million shares at \$ 0.12/share = \$13.6 million market cap at 5/13/14*] with a highly prospective earn-in opportunity on one of **Barrick Gold's ([ABX](#))** Cortez Trend properties. The Iceberg gold deposit is the 4th, along trend after three truly world-class deposits in one of the best jurisdictions on the planet.

While the Iceberg deposit is an exploration-stage opportunity, Barrick has three massive projects, situated approximately 4.5 miles apart, on trend with it; the **Pipeline project** has delineated 21 million ounces of gold, **Cortez Hills** 15 million ounces and most recently the **Goldrush project** with 15.6 million ounces. Clearly, Nevada is key to Barrick's future.

The significance of the 4.5 mile spacing between each of these three prolific zones coincides with the underlying geology, (*please see interview below*) suggesting that Iceberg could be the next

major deposit along the Cortez Trend. If Iceberg turns out to be a fraction of the average size of the other elephant deposits, it could be quite valuable.

Yet, the market is heavily discounting the substantial value of NuLegacy's earn-in agreement with Barrick. At least, that's what James Anderson and NuLegacy's top-notch team believe. *Please see the end of the interview for management bios, this link for a very helpful [video clip](#) of the company's property, and of course the [corporate presentation](#).*

**CAUTION:** There are no known resources or reserves on the Iceberg deposit, NuLegacy's proposed exploration programs are exploratory searches for commercial bodies of ore. The close proximity of and presence of gold resources on Barrick's Pipeline, Cortez Hills and Goldrush projects is not necessarily indicative of the gold mineralization on the Iceberg Deposit.

**NOTE:** Peter Epstein, the author of this article has no prior or existing relationship with NuLegacy Gold, but is a shareholder.

### **NuLegacy Gold's primary asset is an option to earn into 70% of Barrick Gold's Iceberg deposit in the Cortez Trend of Nevada. What makes the Iceberg deposit so special?**

*The primary thing that makes the Iceberg deposit so special is its location. It's in Nevada, one of the best jurisdictions in the world to explore for gold and to put deposits into production. Secondly, it's on trend with 3 of the largest Carlin-type gold deposits anywhere in the world, of which one is among Barrick's lowest cost projects. Importantly, Iceberg shares a common geology with those other deposits.*

### **Is NuLegacy fully-funded through earn-in of a 70% interest in the Iceberg project? Will that require selling some or all of your shares in GRIT?**

*We anticipate that between our current cash on hand and the prospective proceeds from the sale of our stake in Global Resource Investment Trust, "GRIT" we would be very close to having sufficient funds to complete the remaining US\$2.9 million of qualifying direct exploration expenditures required to earn a 70% working interest in the Iceberg deposit.*

*However, to be safe, it continues to be our intention to do another financing, preferably at a more advantageous price, after we've completed some additional drilling. This financing is to enroll institutional and industry partners to fund the non-exploration, corporate overhead expenses and provide some financial flexibility and competitive tension.*

### **When do you expect to achieve the 70% Earn-in?**

*Our agreement with Barrick requires NuLegacy to spend at total of US \$5.0 million to earn-in a 70% working interest by December 31st, 2015. To date, we have spent \$2.1 million. Once we provide a certificate of completion Barrick has 90 days to elect to earn-back to a 70% working*

*interest, by spending \$15 million over 5 years and thus converting NuLegacy's interest into to a 30%, 'carried to production' interest.*

*If NuLegacy obtains a 70% interest, Barrick has three options:*

- 1. Remain the 30% minority partner in the Iceberg Project.*
- 2. Spend \$15 million advancing the Iceberg Project to earn-back to 70%, or*
- 3. Acquire NuLegacy Gold outright to consolidate its ownership of the Cortez Trend.*

*Its unlikely Barrick would opt to be a minority partner to a junior mining company in a property that is adjacent to, and on strike with, three of Barrick's largest and most important gold deposits.*

*Our plan is to spend the next \$2.9 million on 4 phases of drilling, and to complete the earn-in over the next 16 to 18 months. The first phase of that drilling commenced on May 7th.*

### **Are there any other requirements that need to be met to earn-in the 70% of Iceberg?**

*None, and since it is unlikely that Barrick would leave NuLegacy as the senior partner we feel confident that at a minimum the property will receive an additional \$15 million of exploration/development capital. That is a great opportunity for a junior in these difficult resource markets.*

### **How did a small company end up with such a significant asset? Surely Barrick knew what it was doing back in 2009 when it signed this agreement...**

*There are three principle reasons for this.*

*First, the agreement with Barrick was negotiated in 2009 on the heels of a major financial crisis, which dropped gold from about \$1,075 to \$680 per ounce. Even Barrick wasn't immune, as it laid off 80 people at its head-office. Also, at that time Barrick had yet to make their major discovery at Goldrush. They were drilling a few holes at Goldrush but they had yet to figure out the controls of mineralization or the stratigraphy.*

*When the global crash came, Barrick ceased exploring the Goldrush altogether and prudently focused all their attention on optimizing operations at Pipeline and advancing Cortez Hills into production as quickly as possible. Suffice to say, now that Goldrush has developed into a 15.6 million ounce monster, it's highly unlikely that NuLegacy would be able to secure an option on adjacent ground on such favorable terms.*

*Secondly, Albert Matter's (our Chairman) forte is buying good assets during distressed times. For example, when gold was much in disfavor back in 2001, he lead a group of investors in acquiring the 3.2 million ounce Mulatos gold deposit, later merging it into **Alamos Gold (AGI)** in 2003, creating an important mid-tier gold producer with a market cap exceeding \$1 billion.*

*Thirdly, is the contribution of our COO and head geologist **Roger Steininger**. Roger is credited with the discovery of the 21 million ounce Pipeline deposit, the first of the giant Carlin-type gold mines in the Cortez trend. Dr. Steininger's discovery record and his reputation for thorough*

*scientific exploration is well known to many of Barrick's personnel, and is what made it possible for Mr. Matter to negotiate the favorable earn-in, as Barrick took the view that NuLegacy Gold would effectively be an extension of their own exploration efforts.*

**How is it that NuLegacy is likely to end up with a, "carried interest" of 30% in Iceberg as opposed to just a 30% interest? Can you explain exactly what that means?**

*The short answer is that it's the result of the negotiating skill and hard work of Chairman Albert Matter. The longer answer is that back then Barrick hadn't yet discovered the potential of the adjacent Goldrush deposit. Therefore, Barrick was happy to have someone with Dr. Steininger's exploration expertise undertaking the high-risk, early money to explore the Iceberg, under the terms of being able to earn-back a majority position upon exploration success.*

**Can you explain exactly what, "30% carried interest" means?**

*It means that, after Barrick spends an incremental \$15 million, starting next year, (and earns back a 70% interest), future costs of exploration, development and construction through commercial production are borne 100% by Barrick.*

*Once in commercial production, Barrick would get repaid for NuLegacy's fully carried portion of development expenditures by retaining 90% of NuLegacy's share of the project cash flow. After payback, NuLegacy would retain 30% of project cash flows.*

**Can you discuss your key shareholders, or describe what types of investors are backing you?**

*To date NuLegacy has largely been financed by a remarkable shareholder group of individuals - friends, family and business associates of the management team and directors - many of whom are well known mining entrepreneurs and investment bankers.*

*Some 20 individuals have bought more than one million shares each via private placements, with half that number having bought multiple millions of shares. Approximately 10 more have bought over a million shares in combinations of private placements and open market purchases. We refer to them collectively as, "NuLegacy millionaires". Then there are the three score who have bought between 250,000 and 750,000 shares through private placements. We have an amazing group of shareholders.*

*It would be indiscreet for us to provide names...other than those that are listed in our board of directors, our advisory council and through public filings, which are all available on our website.*

**Please describe your drilling plans for 2014-15?**

*These are fully described in our [April 8th](#) and [May 8th](#) news releases.*

*In summary, the 2014 Program will consist of 30-35 holes to be drilled over seven months:*

- *In sets of 8-10 reverse circulation (RC) holes drilled deep enough to test for the three known gold bearing horizons of the Iceberg.*
- *Assay those holes and use the results to refine the location of the next 8-10 holes.*
- *Repeat for two or three "sets" as needed to delineate a threshold resource and discover a higher grade core (a total of 24 to 30 holes).*
- *Intersperse these drilling shifts with 5 to 7 deeper RC "wildcat" exploration holes outside of the Iceberg deposit, and 2 or 3 core holes within the Iceberg to advance the understanding of the stratigraphy.*

**You have a potential exploration target of approximately 90 to 110 million metric tonnes of near-surface, oxide material at 0.7-1.0 grams per tonne, "gpt." How does that indicative grade compare to grades at existing heap leach projects?**

*First, please allow me to remind readers that these tonnages and grades are conceptual in nature based on 149 historic and 16 NuLegacy holes drilled in and around the Iceberg deposit. There has been insufficient exploration to date to define a mineral resource and it is uncertain if further exploration will result in the Iceberg deposit being delineated as a mineral resource.*

*To answer your question, on April 24, RBC Capital Markets published a report on junior gold companies with heap-leachable deposits. In the preamble, they state that the pre-production projects they reviewed have grades averaging 0.7 gpt gold, while producing heap leach mines have grades averaging 0.9 gpt gold. While we have not carried out a Preliminary Economic Assessment "PEA" or other study on the Iceberg deposit, conceptually, our potential grades fall within the average grades of the bulk tonnage, heap leachable projects reviewed by RBC.*

**Interviewer Comment:** RBC's report also noted that on average heap leach projects have all-in sustainable costs of \$300/oz below that of non heap leach projects. Therefore, Iceberg could be in the sweet spot in terms of grade and superior (in my opinion) in terms of jurisdiction.

**Please summarize / reiterate what Albert Matter recently said regarding breakthroughs in the understanding of Iceberg's geology**

*Recent breakthroughs in our understanding of the Iceberg deposit are a result of this past winter's analysis of all previous exploration programs and the integration of recently surfaced information shared by Barrick's exploration team at its Thayer-Lindsay Award presentation on the Goldrush discovery process.*

- *While the Goldrush deposit has gold in the "contact zone" between the Devonian Horse Canyon and the Devonian Wenban (Unit 8) carbonate horizon ['HC-W8'] the bulk of the **higher grade gold is in the brecciated lower Wenban-5** carbonate horizon at depths ranging from 300 to 750 meters.*
- *To date, NuLegacy's exploration focus has been the near-surface oxidized gold mineralization in the "contact zone" between the Devonian Horse Canyon and the Devonian Wenban (Unit 8) carbonate horizon ['HC-W8'] which comes to within a few tens of meters of*

surface in the Iceberg. Sufficient favorable geology and extensions have been identified in the Iceberg's contact zone to indicate a **potential** near-surface oxide gold exploration target of 90 to 110 million tonnes grading between 0.7 gpt and 1.00 gpt of gold. See Note (1) below.

- There is also evidence of gold in the Iceberg's lower brecciated Wenban-5 carbonate horizon in the few holes drilled to depth at 250 to 400 meters.
- As well our reinterpretation of the geology indicates there are two ages of over-lying volcanics at the Iceberg: a 35 million year old dacite and sedimentary unit that hosts worthwhile grades of gold and a younger partially over-lying 13 million year old basalt flow that is barren of gold.

Thus we are fortunate to have multiple gold-bearing horizons! See Note (2) below.

**Since Barrick would have 5 years to invest \$15 million to claw-back its interest to 70%, could they sit on the project for 3-4 years and then spend the \$15 million in the final 1-2 years?**

The contract requires Barrick to spend a minimum of US\$1.5 million per year. Barrick have been excellent partners, and these are small numbers for them. Barrick has a similar transaction with another Nevada junior called **Midway Gold** ([MDW](#)) on their Spring Valley property, where Barrick has just completed spending \$38mm to earn a 70% interest in that property - approximately one year ahead of schedule. As Barrick needs to replace the 6.5 million ounces of gold that they produce each year, if they elect to earn-back to 70% on Iceberg it's unlikely they would delay exploration / development...so long as they are getting favorable results it's more likely they would accelerate the earn-back.

**Can you give readers an update on your capital structure? How much cash does that leave the company with? How many shares are outstanding, and how many warrants and options?**

There are 113 million shares outstanding. There are 31.6 million warrants at an average exercise price of C\$0.20/warrant that would generate approximately \$6.4 million on exercise. There are 12.8 million options at an average exercise price of C\$0.20/option that would generate approximately C\$2.6 million on exercise. Fully diluted there would be 157.4 million shares outstanding with an additional C\$9.0 million of cash in the treasury.

**What aspect(s) of the NuLegacy story do you wish that potential investors knew more about?**

I think few people quite realize how valuable one of these giant Carlin-type deposits can be, and how important it is to be in a politically stable, geologically endowed and logistically superior jurisdiction like Nevada.

Let's look at Barrick's case. It was a small Toronto stock exchange listed oil and gas explorer until it was fortunate enough to acquire the nascent Goldstrike deposit in the Carlin trend. That Carlin deposit turned out to be so rich that it allowed Barrick to expand aggressively through acquisition to become the largest gold producer in the world.

*Or, as in the instance of Royal Gold which was a \$0.15 penny stock when it discovered the first portion of the Pipeline deposit in 1989 with NuLegacy's COO Roger Steininger in charge of the exploration on the project.*

*The early revenues from the Net Smelter Royalty on the Pipeline project that Royal Gold ended up with are what enabled the company to become what it is today - \$60 per share with a \$4 billion market capitalization that has paid a dividend for the last 10 years.*

### **Given all of the positive things we've just covered, why do you think that NuLegacy's market cap is under US\$ 15 million?**

*The decimation of the junior exploration industry as a whole, as a result of the three year bear market in gold, which is likely ending, and the over-regulation of the industry, which appears to be in retreat.*

### **If your company's deal with Barrick is as compelling as it sounds, why hasn't a mid-tier or Major precious metals company taken NuLegacy out already?**

*The three year bear market in gold and gold stocks since the 2011 peak has made companies cautious, particularly after many of them chased valuations and over-paid during the last run-up to the peak. That's a normal part of the business cycle, and a normal part of the commodity cycle. But that always come to an end.*

### **Why hasn't Barrick Gold taken you out?**

*Barrick can earn-back an additional 40% of the Iceberg for spending \$15 million...so unless we get some spectacular results Barrick is unlikely to do anything until we have completed our earn-in.*

*However, once NuLegacy has completed the earn-in Barrick must decide:*

- *Do they want to spend \$15 million to earn-back...all the while improving NuLegacy's position in two ways:
  - i) *The expected improvements to the Iceberg's value...30% of which will accrue to NuLegacy.*
  - ii) *The benefits of being converted to a 30% **carried** interest (no more dilution of NuLegacy to support exploration/development of the Iceberg) which is often considered as valuable as a 50% working interest,**
- *Remain a 30% minority partner, or,*
- *Buy NuLegacy out.*

### **Notes:**

*(1) As reported in NuLegacy's Sept. 5, 2013 news release, these figures are a conceptual exploration target only and should not be construed as a calculated resource under NI 43-101 standards as insufficient exploration has been completed to date to define such a resource and there are no assurances that additional exploration will confirm the existence of a NI-43-101 resource.*

(2) The above scientific and technical information has been prepared and/or approved by Roger C. Steininger, NuLegacy's Chief Operating Officer, CPG 7417, and a "qualified person" under NI 43-101.

## **Management / Advisor Bios:**

### **Albert J. Matter, BA Econ, Director & Chairman**

*Albert has 40 years of diverse experience financing both public and private companies, and structuring and negotiating transactions with particular expertise in the mining industry. He provided corporate finance, strategic planning, mergers and acquisition, and business development assistance to numerous corporations and high net worth individuals, frequently working with leading names in the Western Canadian business and investment communities. He is one of the founding partners of National Gold Corporation, Gryphon Gold Corporation and NuLegacy Gold Corporation.*

### **James Anderson, BA, Director & Chief Executive Officer**

*A graduate of the University of Alberta, James spent 19 years as an investment banker, then manager, with several boutique-sized Canadian investment firms including First Canada Capital Partners Ltd., Research Capital Corp., and Majendie Securities Ltd. James has spent much of his career providing investment advice to clients who were directly involved in the capital markets. He was instrumental in obtaining financing for numerous micro-cap public companies, especially in the area of mineral exploration. James was born in the mining community of Timmins, Ontario, and now makes his home in North Vancouver, B.C. with his wife and two teenage children.*

### **Roger C. Steininger, PhD, CPG, Director & Chief Operations Officer**

*Roger has more than 40 years of experience in exploration, evaluation and development of metal deposits. For the last 25+ years he focused on Nevada gold geology and exploration. He is credited with the discovery of the South Pipeline and Long Valley gold deposits, as well as participating in the discovery or expansion of gold reserves at numerous mining operations. He is a Qualified Person as defined by NI43-101. Roger was Exploration Manager for Amselco Minerals (part of BP Minerals) for seven years and maintained a consulting practice for the last 21 years. Clients included numerous major mining companies such as Royal Gold, Phelps Dodge, Amax Gold, Gold Fields Mining and Galmis Gold in addition to a selection of junior development and exploration companies.*

### **Alex Davidson, Corporate and Strategic Advisor**

*Mr. Davidson is a recognized leader in designing, implementing and managing highly successful and strategic gold and base metal exploration and acquisition programs throughout the world. Until 2009 he was the Executive Vice-President of Exploration and Corporate Development of Barrick Gold Corporation with responsibility for all its international exploration programs and corporate development activities. During his tenure he was instrumental in the acquisition of the Cortez gold complex in Nevada (from Placer Dome Inc.), and the discovery of the Lagunas Norte deposit in Peru, two of Barrick's five key mines.*

Editor's Note: This article covers a stock trading at less than \$1 per share and/or with less than a \$100 million market cap. Please be aware of the risks associated with these stocks.