

High-Quality Graphite Project: Attaching Numbers to Opportunity

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It's a frustrating time to be a mining executive. While new technologies are stoking demand in a number of metals and minerals markets, many of the junior mining companies finding and developing these metals/minerals projects are dealing with depression-like valuations.

A stark example of this disconnect in valuations is **Berkwood Resources Ltd.** (**TSX: V.BKR, OTCQB: CZSVF, Forum**). This battery metals mining company is targeting several of these emerging metals and minerals markets. It has been producing stellar drilling results at its flagship graphite project: the Lac Gu eret Extensions Project, located in Cote Nord, Quebec.

These strong results started with news from **October 2017** that Berkwood had intersected graphite mineralization in all of the first 13 drill holes from Lac Gu eret. But you would never know this from a glance at the Company's chart.

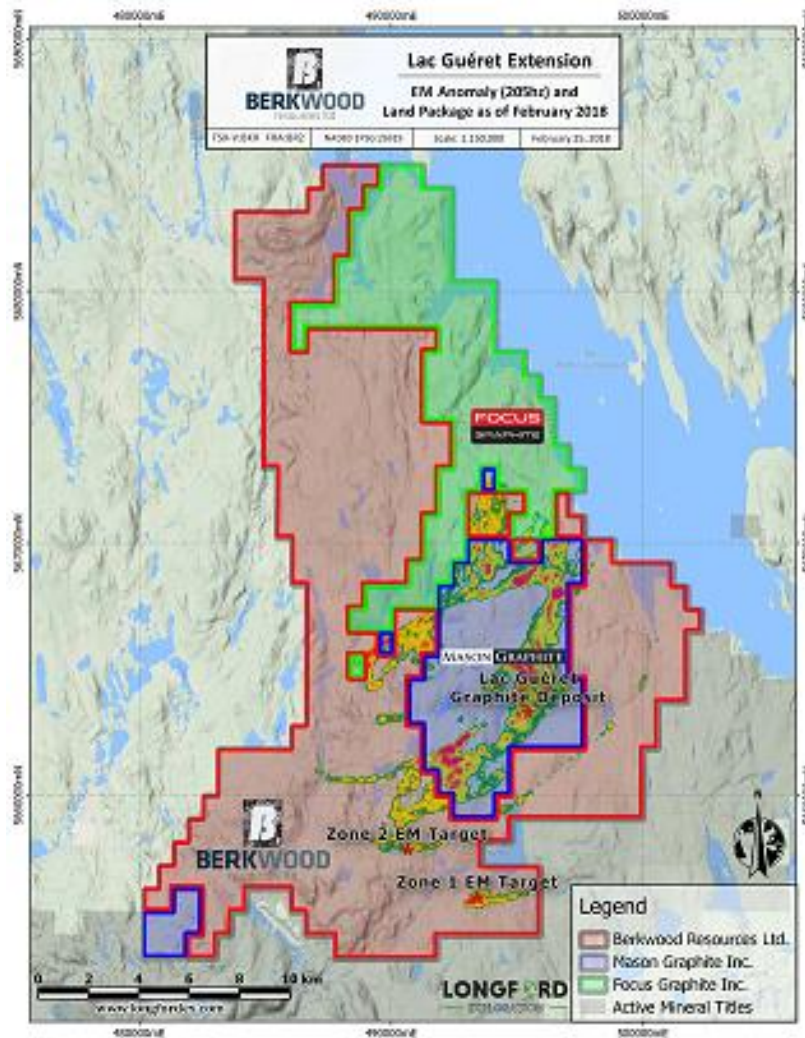


Once upon a time, a mining chart like this signified either operational failure or a metal/mineral market that was in serious decline. Today, many charts like this simply defy explanation. With valuations (like this) bearing no resemblance to operational performance

or market fundamentals, investors need to look elsewhere in order to attach a realistic valuation to companies such as Berkwood.

The first important factor is location. Berkwood's graphite project derives its name from its next-door neighbour in Quebec: Mason Graphite Inc (TSX: V.LLG).

Mason's flagship graphite project is its "Lac Gueret Project". This is a one-project company with a **current market cap of \$194 million**.



Berkwood's land package surrounds Mason (after adding an additional block of land on **February 28, 2018**). BKR is now the largest landholder in this district. The geology is virtually identical. Yet the Company's market cap is a *microscopic* \$3.5 million.

A **June 25, 2018** update from Ubika Research provides some metrics that can be used for guidance. **Ubika's** report notes the strength of Berkwood's drilling results to date. Among the highlights is 40.3 meters (true width) of 21.0% Cg (carbon as graphite), including an interval of 27.2 meters @ 37.7% Cg. A total of 27 drill holes have been completed, encompassing roughly 4,000 meters of diamond drilling.

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"For our estimated resource calculation, using a specific gravity of 2.9 (same as Mason Graphite), we estimate 3.6M tonnes, which at a diluted average grade of 14.1% Cg, resulting in 503Kt in-situ Cg contained."

While this is entirely unofficial, it's a starting point for investors to do their own pricing. According to its [Feasibility Study](#), Mason is currently estimating its cash costs at US\$290/t and estimating an average selling price of US\$1,465/t. Translating this to BKR's deposit, even if we attach a 25% contingency to this equation (US\$366/t), this still leaves a robust margin of roughly US\$800/t. **If we assume 500,000 tonnes of resource, this would equate to ballpark profit potential of US\$400 million.**

To date, Berkwood is reporting a "weighted average grade" of 18.0% Cg, with an average (true) width of 18.3 meters. Mason Graphite does have a higher-grade core of mineralization (27.8% Cg) that will be extracted in the initial years of open pit mining. But the bulk of mineralization at Lac Gueret tracks closely with the results achieved to date by Berkwood.

After raising \$2.9 million in Q4 2017 (priced at \$0.29 - \$0.31 per share), Berkwood is fully financed for the remainder of its 2018 exploration initiatives. Management is currently working toward an initial resource estimate for the Lac Guéret Extensions, targeted for Q1 2019.

Obviously, Mason's original Lac Guéret Project is further developed. It has been advanced to the stage of a Feasibility Study and considerable additional technical work has been completed. But this is Mason's only mining project.

In contrast, BKR has multiple properties in its portfolio, including the Roscoe Property (vanadium), its Cobalt Ford Property (cobalt), and its Delbreuil Property (lithium). A full spectrum of battery metals.

It's also useful for investors to closely monitor the development of BKR's Lac Guéret Extensions. The discoveries to date have all occurred within a block that is 300 meters X 300 meters, representing about 20% of its land package, with the rest to be drilled later. And exploration drilling has only tested mineralization to a depth of approximately 180 meters. Just scratching the surface.

Will Berkwood Resources become the next "Mason Graphite"? If so, that would represent a greater than 50:1 payoff for investors, based on their relative market caps. But even duplicating a fraction of Mason Graphite's success would make this Company an easy multi-bagger opportunity for investors.

The growth of the electric vehicle (EV) and lithium-ion battery markets is a reality. Sharply increasing demand for a number of metals and minerals is a reality. It is the market cap for many of these junior mining companies that is a temporary aberration.

Buy low; sell high. Investors make money by finding undervalued assets, buying in, and then waiting for the market to adjust to a more rational valuation level. Given Berkwood's current market cap, this "adjustment" represents a very compelling value proposition.