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the Resource Markets

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Maven Updates: Nevada Exploration (TSXV: NGE)

Current status: BUY, High Risk (\$0.26)

Nevada Exploration (TSXV: NGE) has defined its clearest target to date, one with enough detail and confidence that the company is setting up to drill!

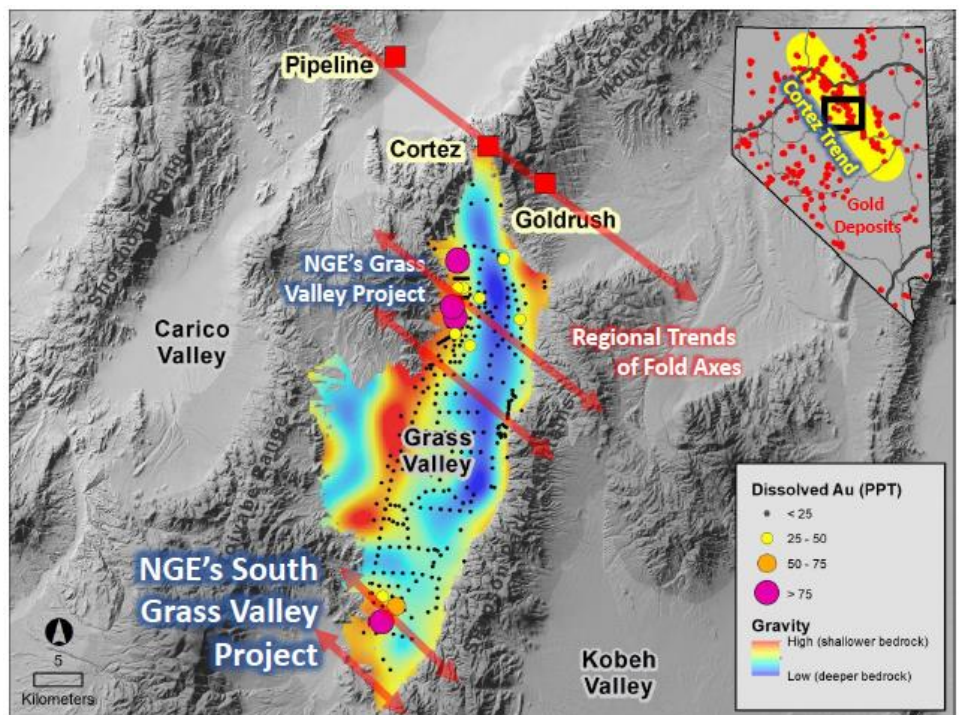
The target is at South Grass Valley, which is one of three projects where NGE has used its Scorpion drill rig and water sampler to home in on gold. The Grass Valley Basin is anchored at its north end by the impressive Cortez and Goldrush deposits, which lie along a shared fold axis. Starting years ago NGE mapped the groundwater across the basin, compiling existing data and adding its own. That initial effort outlined two areas of interest: Grass Valley and South Grass Valley.

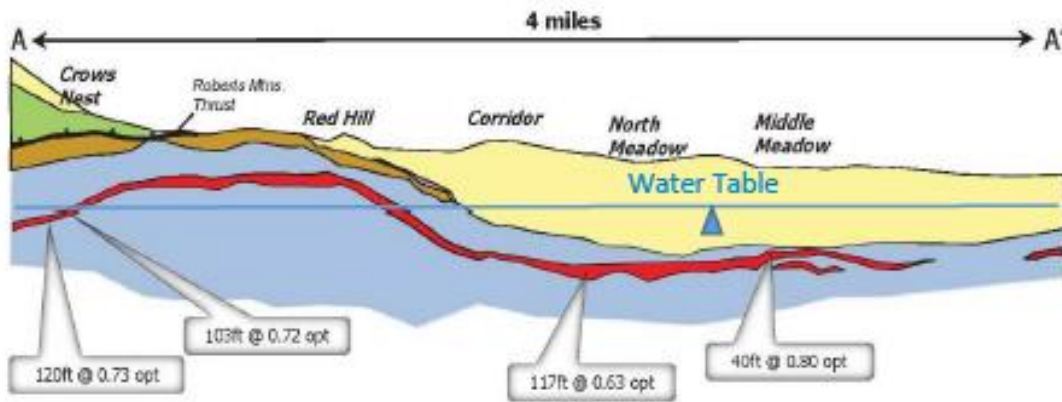
One of the things I like about NGE is that the team is very clear on what they are looking for.

The answer: a big gold deposit. In the Grass Valley Basin, the obvious analogies are Cortez Hills and Goldrush, so the team ensured it understood each of those deposits.

They are quite different. At Cortez Hills, gold came up through a lower structural zone before encountering a great host, which became the Upper Breccia Zone. That zone is pipe-like, with a diameter of roughly 1.5 km. Scale matters here – to find another Cortez, drilling a target area on 1-km centers would be sufficient to at least hit into indications of something good.

Goldrush is a very different shape, a long mineralized horizon in the middle of a prospective carbonate host rock. And I mean long – this thing strikes for 4 miles! An important lesson from Goldrush, though, is that a carbonate host rock that is barren at its top is not necessarily barren throughout. Again, NGE takes from this direction about scale and about what to conclude from certain information.



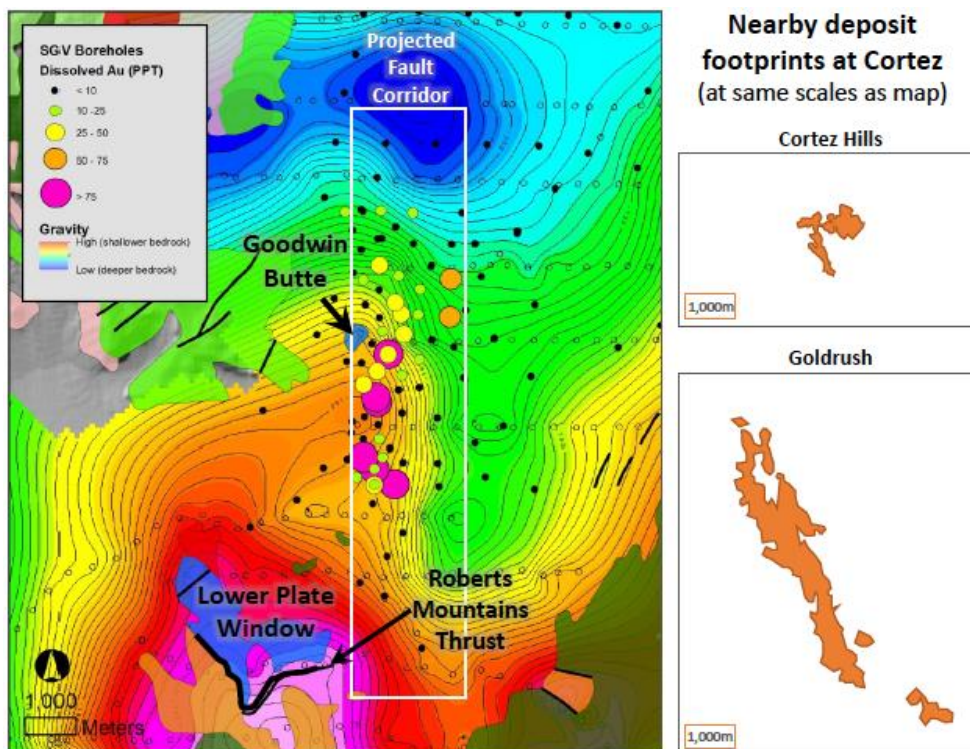


A cross section of Goldrush. The blue are all carbonates; the red is the layer that hosts gold

At South Grass Valley, the right kind of carbonate rock to host gold Carlin-style gold mineralization crops up in two places: Goodwin Butte and to the south, in an area known as the Lower Plate Window. What's great is steep topography just east of both exposes 700 metres thickness of the carbonate formation, so NGE knows exactly how this rock is layered. NGE has also seen the right kinds of alteration along this exposure. So it knows the right kinds of rock are present and that they have seen at least some hydrothermal activity.

In addition, gravity data suggests the presence of a significant fault corridor to the east, where the topography gets steep. That's important because fault corridors are the kind of major structure that can carry gold-bearing fluids up to impregnate a good carbonate host.

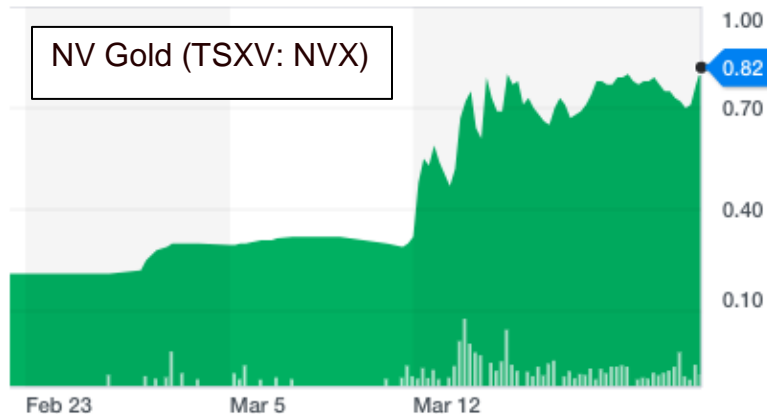
By last year, NGE had a lot of indications that South Grass Valley contained a good target...but the target area was still too large to test effectively with conventional drilling. So late last year the team sent Scorpion back to collect more data. Here's the key result.



The work returned strongly elevated groundwater sample from right between Goodwin Butte and the Lower Plate Window. More importantly, these golden groundwater numbers track along the fault corridor. And the target is big enough to host a Goldrush or Cortez, which are shown to the right at the same scale.

I should also note: the target is not constrained to that line of elevated groundwater readings. Groundwater readings will be strongest where a structure (like a major fault!) cuts through a mineralized horizon, exposing groundwater to gold. The mineralized horizon, if it's there, could well continue to the east, under a cap rock that prevents groundwater from picking up gold. I say east because NGE knows groundwater in the area flows northeast, rather than westward.

It's exciting stuff. Also exciting: apparently investors are all fired up about the potential to find a large, covered gold deposit in Kelly Creek. Yes, Kelly Creek is the other area where NGE has been working, and is in fact the project where the company has its other clear target. The 'all fired up' comment stems from this share price chart, for NV Gold:



NV is touting its Across The Valley (ATV) project, which is in Kelly Creek near the large Twin Creeks and Getchell/Turquoise Ridge deposits. The idea is that ATV could host something similar, just under a younger layer of volcanic rock.

NV has lots of arguments supporting its theory, which I will not get into here. What I will outline is what they've done lately and how the market has reacted.

The company drilled a 477-metre deep hole to get through those volcanic rocks and look for the right kind of carbonate rocks below. The last hundred metres returned carbonate rocks that might be what they seek. The carbonates offered only a little in the way of indications of hydrothermal alteration (i.e. that hot gold-bearing fluid might have passed their way) and so in early March the company announced it would re-enter and extend the hole to get more information.

The announcement apparently got investors excited. As you can see, NVX shares started to surge. In response NV halted trading and re-released its news, adding some drill core photos. When it resumed trading the stock surged again.

The idea of extending a hole to 600 metres depth to see if carbonate rocks starting 350 metres down might be gold bearing, based on structural concepts and geophysical data, is to me too much of a stretch. Drilling is a really expensive way to test ideas and this is, at this point, an idea.

That said, the fact that the idea of finding another Twin Creeks-type deposit can get the market so excited is great. The fact that it's happening right near NGE's Kelly Creek project, where NGE has what to my mind is a much better supported target, is even better.

I called NGE my Wild Card amidst my Top Picks for Gold in 2018, and that it remains. There are no guarantees any of this will work. But the data keeps adding up and the investor momentum is there to be tapped. This year will be a big one for NGE as it moves to truly drill test its targets and I'm excited.

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