

Etruscus Resources Corp

CNX: ETR | OTC: ETRUF | FWB: ERR

Market Cap: \$9.41M

Etruscusresources.com



Highlights

⇔ Results obtained from the VTEM© program in 2020 showed **2 newly discovered large conductive targets** at Rock & Roll.

⇔ Results obtained from rock samples which showed grab samples as high as **7,013 g/t Ag, 12.7 g/t Au**, 3.9% Zn, 2.4% Pb, 0.2% Cu.

⇔ Results obtained from drill program with the highest copper grades to date at Black Dog, with RR20-9 showing **5.24% Cu**, 1.07 g/t Au, 0.17% Pb, and 0.92% Zn over 0.6 m.

⇔ Etruscus outlined prospective “Red Line” in **large mineralized “Lightning Strike” corridor** at Rock & Roll. The mapping shows details regarding location of potential targets, and the geological trend being parallel with Snip, Bronson Slope, Johnny Mountain, Quartz rise, and Inel.

⇔ Incredible Copper potential at the Sugar property’s near drill-ready “**Hammer**” target, which returned 2020 rock sample results of an astonishing **8.3% Cu and 5.5% Cu** with five out of six samples grading over **1.5% Cu**.

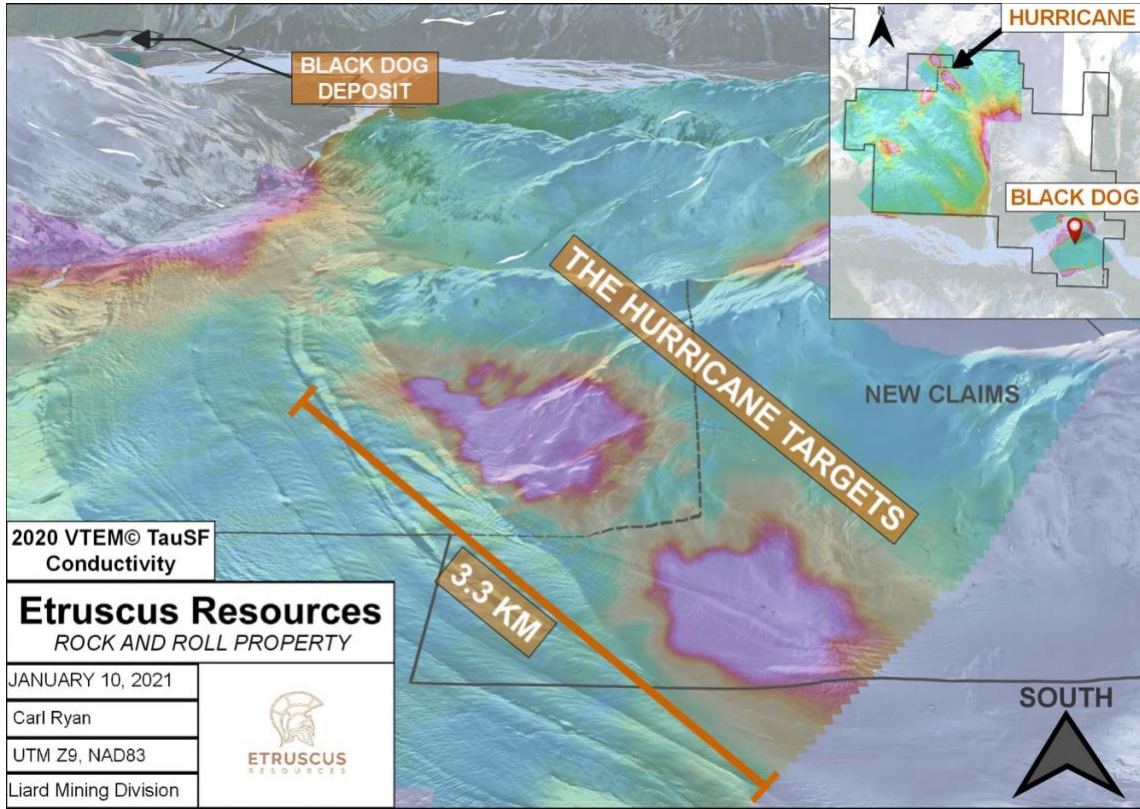
⇔ Gold prices pulled back partially, with Copper prices rangebound near all-time highs. The company benefits from hosting a polymetallic deposit, whereby the rise in copper and silver prices have offset the partial decline of Gold from its all-time highs.

Emergence of New Mineralized Corridor with Multiple High-Priority Targets

The company made significant headway since the initiating report published in January. The company received results from their completed VTEM© airborne survey and rock sampling. The results showed **2 new high-priority mineralized zones in the Rock & Roll property, the “Hurricane” and “Thunderstruck” targets.**

At the Hurricane Targets, two conductors were discovered from the VTEM© airborne survey. The two new targets in the Hurricane correspond geologically with the Black Dog deposit. This is hugely significant as it could very well be another VMS lens in the Black Dog system. At a distance of 15 km away from Black Dog, exploring these high priority targets will lead to potentially revealing a large VMS

system that can span from Black Dog to Hurricane. This will increase the existing resource substantially and creating the potential for a world class deposit.



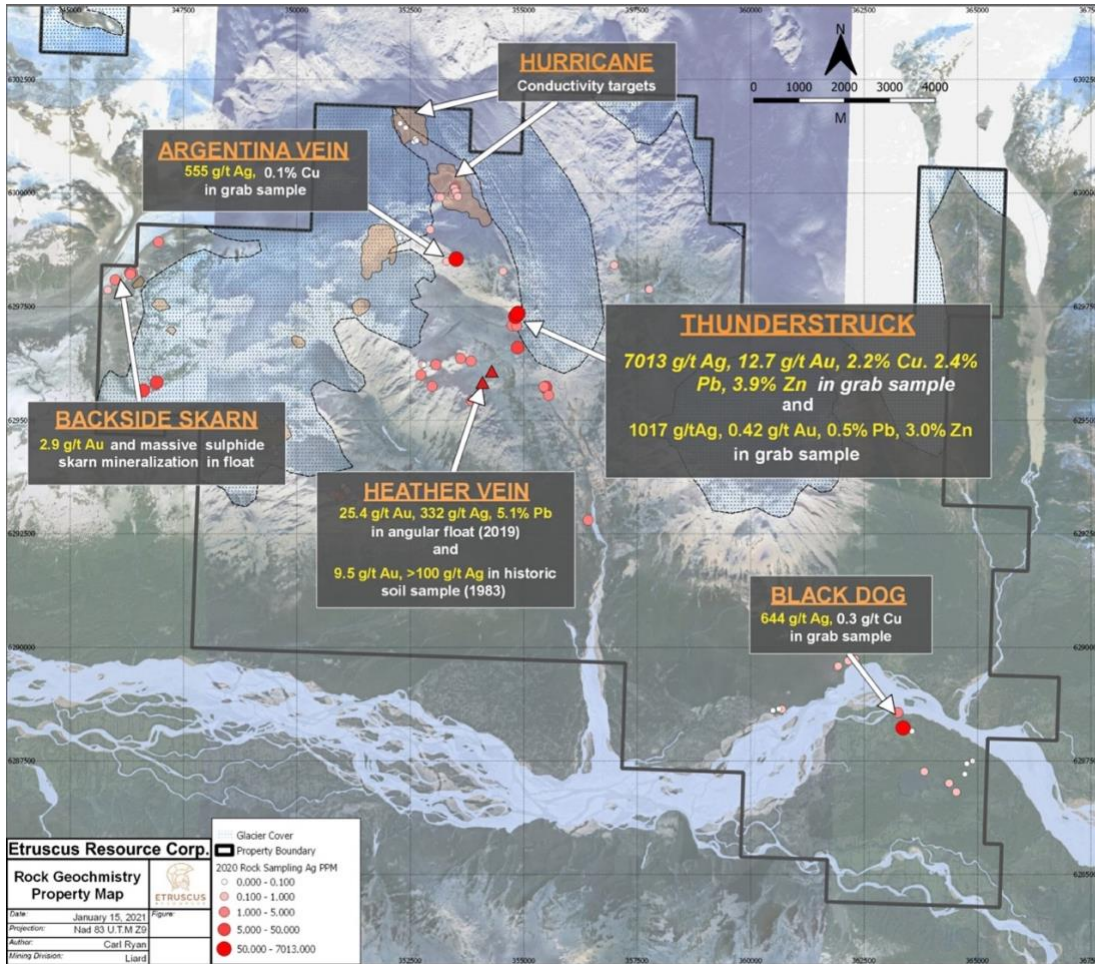
The nearby historic Eskay Creek mine, which produced an average grade of 45 g/t Au, 2,224 g/t Ag, was once the world’s highest-grade gold mine and fifth-largest silver mine by volume. It is now in the process of restarting production under Skeena Resources. The mine has an after-tax NPV (5%) of \$638M. The geological overlap, both being VMS mineralizing systems, along with the fact they are in very close proximity geographically, results in the potential for a highly significant resource to be delineated with further exploration.

This was followed by the outstanding results of the rock samples from the “**Thunderstruck**” target. Thunderstruck is 1.5km southeast of Hurricane. The results have also shifted Thunderstruck to a **high priority target**, as the geochemistry returned incredibly high-grade samples. The area contained multiple quartz calcite veins of cm scale that spread over an area of hundreds of meters. Iron carbonate weathering and gossanous patches were visible through the deposited glacial moraine. The veins showed polymetallic signatures high in elements expected in epithermal environments such as Pretium Resources' high-grade Brucejack deposit.

Highlights of the results were as follows:

- Grab sample* # B0026845 assayed **7,013 g/t silver, 12.7 g/t gold, 3.9% zinc, 2.4% lead,** and 0.2% copper
- Another grab sample taken 85 meters ("m") away also had very impressive silver results with **1,017 g/t silver**, as well as significant gold, copper, lead and zinc
- Historic work from this area in 1983 suggest it was entirely under ice at that time
- The nearby Argentina vein 1,800 m northwest sampled **555 g/t silver**

- The nearby Heather vein 1,500 m southeast sampled **25 g/t gold, 332 g/t silver and 5.1% lead in 2019 and soil sampled 9.5 g/t gold and >100 g/t silver in 1983**
- Further rock sampling to the south along the edge of the glacier, 200 m and 700 m south also returned rocks with elevated silver and gold

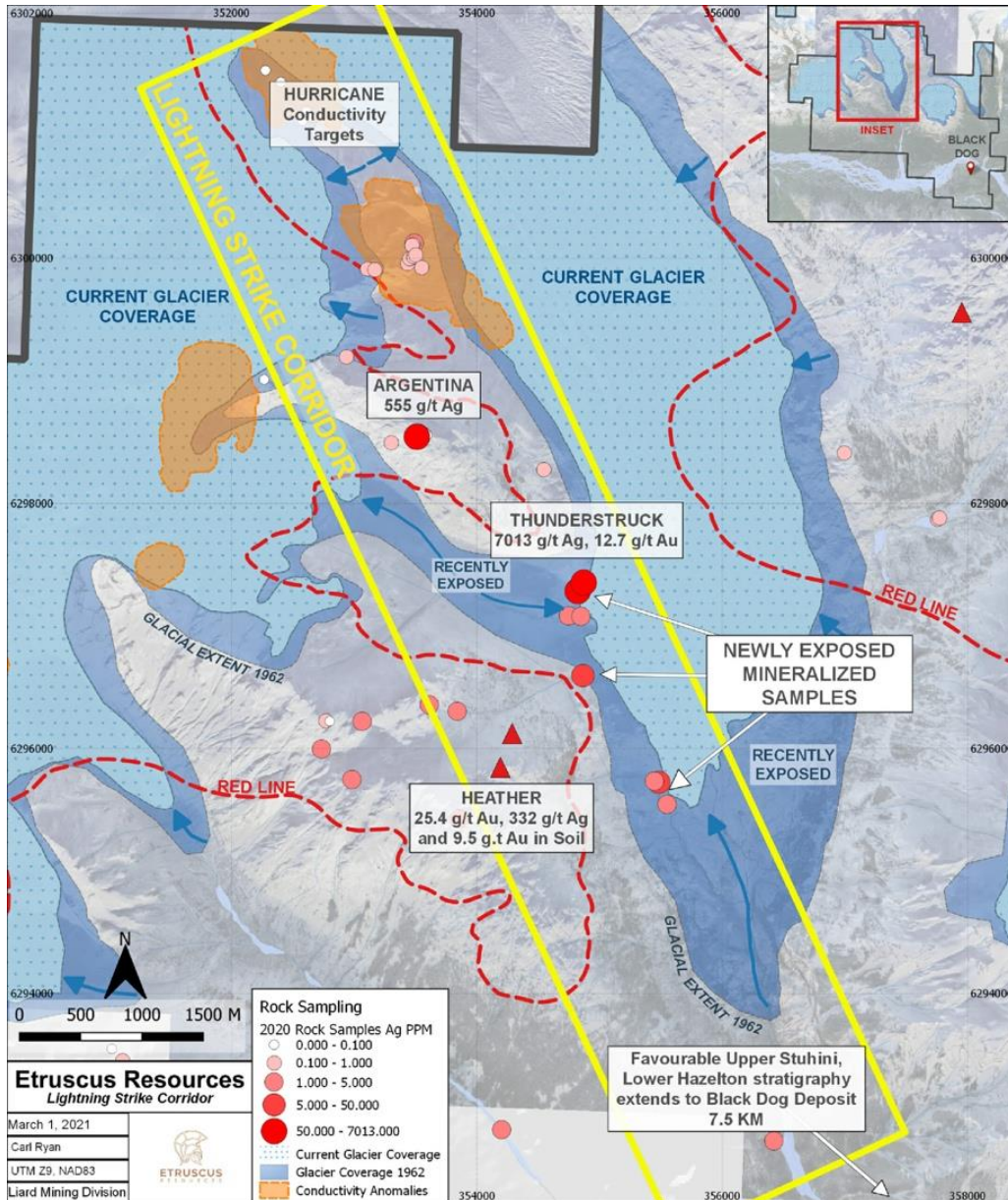


Much of this was made possible due to the very recently accessible regions as a result of glacial retreat. This has exposed virgin ground in the mineral rich Golden Triangle, a region renowned for some monster mines. Furthermore, there is significant upside potential given the epithermal geological system at Thunderstruck. This matches geologically with the Brucejack mine (also located nearby, in the Golden Triangle), owned by Pretium.

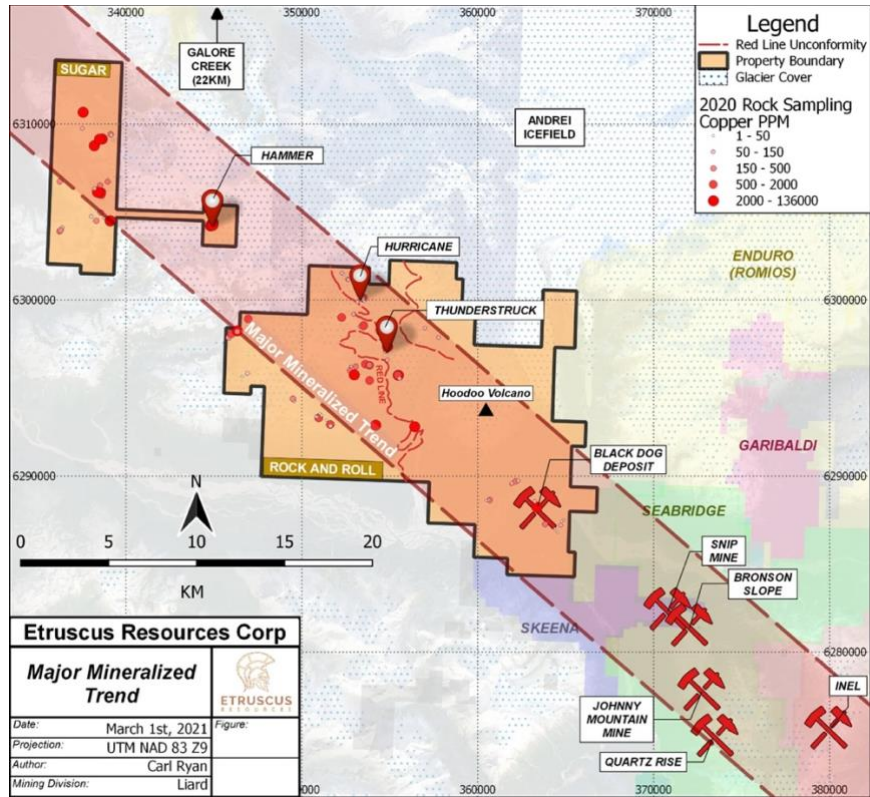
Brucejack is currently in production and with 4.2 million ounces of Gold reserves. It produced a massive 347,743 ounces of Gold in 2020, generating \$611M in revenue at an AISC of \$981/Oz. Pretium has a market cap of \$2.7 billion mainly from operating the Brucejack mine.

The most recent update was when the company announced the emergence of a **10 km by 2 km highly prospective corridor known as "Lightning Strike"** in the northwest portion of its expanded Rock & Roll claims, 13 km northwest of the Company's Black Dog VMS deposit. The prospective "Red Line"¹ runs throughout the large mineralized "Lightning Strike" corridor.

¹ Exploration and mining in the Skeena Region, British Columbia – Jeff Kyba



This corridor is on trend with existing mines in the Golden Triangle and includes both the Hurricane and Thunderstruck targets being within 2 km of the “Red Line”. This is extremely significant given that most of the largest deposits found in the Golden Triangle exist within 2 km of the “Red Line”. ETR is effectively the 100% owner of an asset that has all the attributes of being a major discovery in the near future, possibly this year.

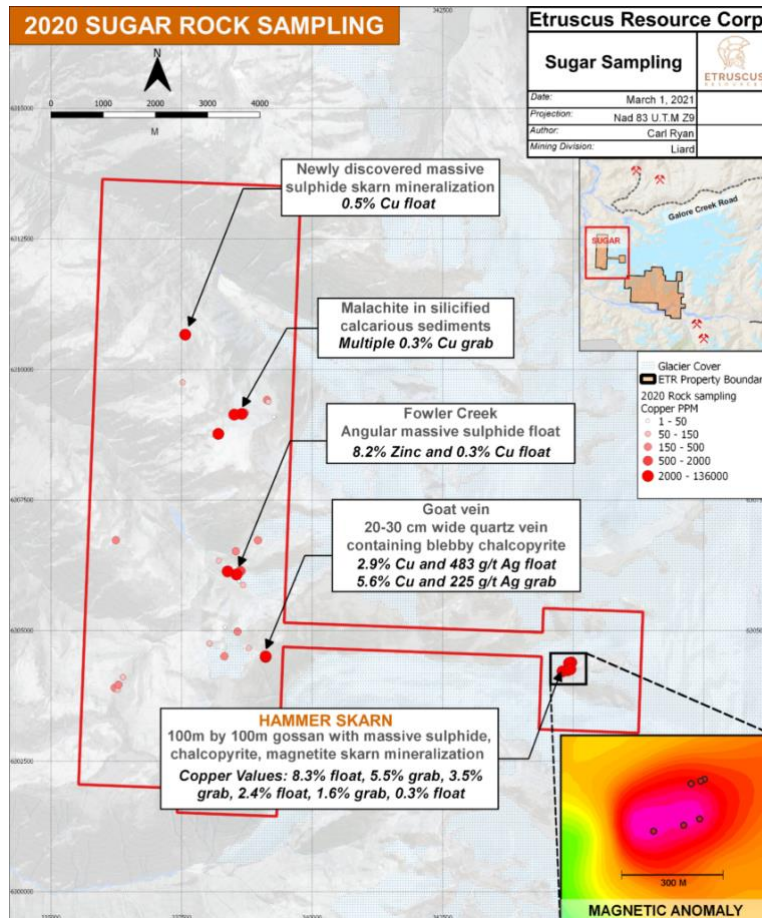


The company further disclosed the plan for the exploration season. They expect it to be kicked off this quarter when “Operation Lightning Strike” commences with ground truthing across multiple areas of interest in Lightning Strike. A major program of mapping, prospecting and significant rock sampling will be implemented as soon as ground conditions allow. Systematic sampling of the entire Corridor will generate a clear understanding of the economic potential this prospective and recently unglaciated terrain holds. Starting low down in the valleys, the exploration team will explore near the receding glaciers before working upwards to identify the source of mineralization. Teams will also follow up on over **20 areas of interest** highlighted from last year's VTEM© survey, most of which have not seen any historic work. Pursuant to results, collars will be finalized for summer drilling.

Sugar Property – Copper potential

With exciting 2020 copper results, the Sugar property is starting to come out of the shadows of the bigger Rock & Roll project. Located 25km south of the Galore Creek project, one of the largest undeveloped copper-gold deposits in the world currently being operated by Teck and Newmont, the never-drilled Sugar property has also emerged to be very promising with a near drill-ready target.

The Sugar Property sits on the edge of the Intermontane belt where it adjoins the coast mountain plutonic complex to the West. Metasedimentary rocks of the Stikine assemblage are overlain by felsic and intermediate volcanics as well as sediments of the Stuhini formation. Late Jurassic Texas Creek intrusions have been mapped across the property intruding into the Stuhini and Stikine assemblages. These intrusions have the significance of hosting many of the major porphyry deposits within the Golden Triangle. Eocene granitoid intrusions relating to the coast plutonic complex also intrude the stratigraphy.



This property has the potential for high-grade Copper. Two high-grade samples from historic 30 cm quartz vein showed **5.6% Cu, 225 g/t Ag** (grab) and **2.9% Cu, 483 g/t Ag and 0.7 g/t Au** (float). Furthermore, the presence of Texas Creek Intrusive Rocks was mapped. This again is highly significant, as this overlaps with KSM, Red Chris, and Brucejack. These are monster mines, showing the absolutely massive potential here for ETR.

New mineralization was also identified as massive sulphide at two new skarn showings and as blebby chalcopyrite in vein hosted systems.

Within the Sugar property, exploration emphasis was directed towards the near drill-ready **“Hammer” Target**. Historic sampling has resulted in multiple **>1% Cu** copper samples. At the time of this report, Copper spot prices were trading at \$4.28, near its all-time highs, and testing resistance.

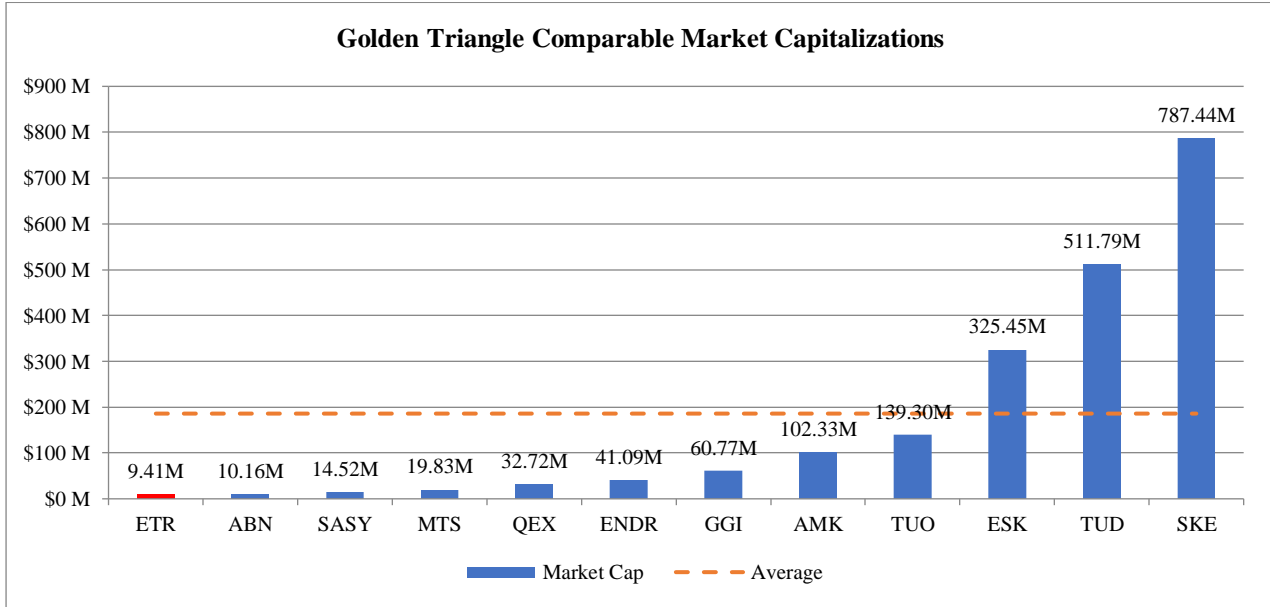
New VTEM© airborne geophysical survey data identified a 100 - 300 m magnetic anomaly. With multiple discrete conductors nearby to surface mineralization, this could be massive sulphide. In 2020, high grade copper rock samples resulted in an astonishing **8.3% Cu and 5.5% Cu** with five out of six samples grading **over 1.5% Cu**, at historic showing. Further rock samples revealed Gold, Silver and Cobalt.

Valuation

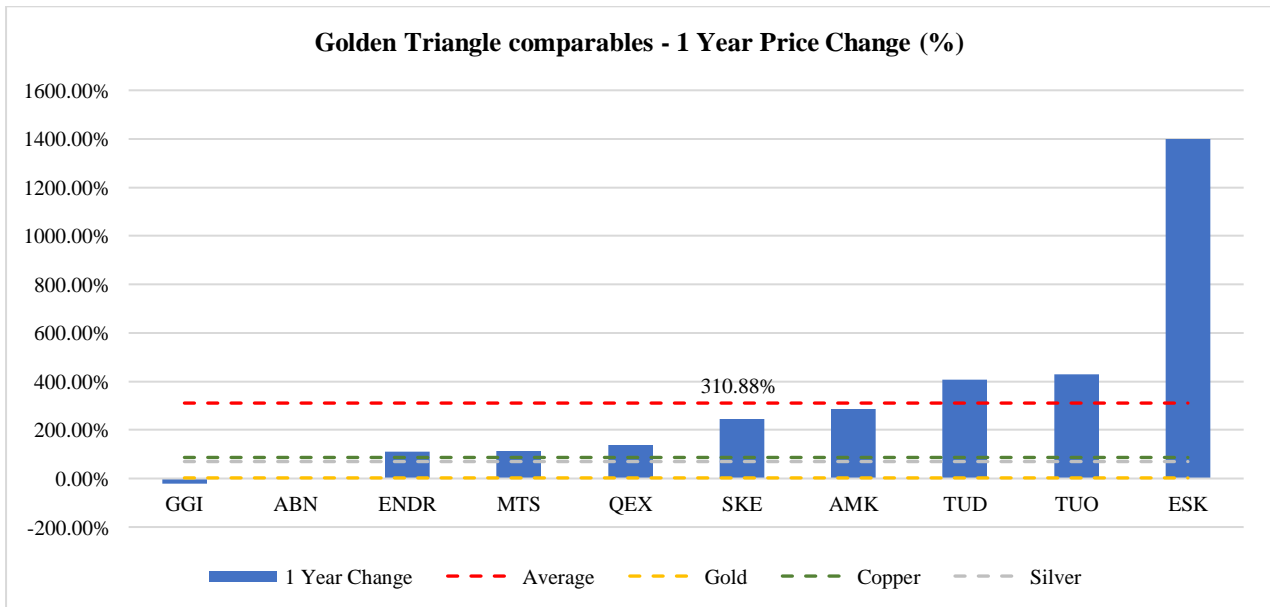
We published our initial research report on January 11th, 2021. At the time, based on comparables, an estimated price target of \$1.02 was derived. Given the significant expansion potential as a result of the

exploration conducted in 2020, along with the changes in comparables, we have **raised our target to \$1.50**. The stock currently trades at a discount of 340% to target.

In the initiating report, we looked at ETR relative to the comparables. This excludes any upside potential, as at the time we were awaiting results of their exploration program. We revisit this approach below:



Etruscus Resources remains the cheapest by market capitalization, when compared to similar companies. Changes in market capitalizations of comparables have increased on average.



*SASY excluded due the company being publicly listed for less than 1 year

This flies in the face of the mining bears who proclaim that the pullback exhibited by Gold, from its all-time highs, deprives the investor of the opportunity to get a positive return on investment. While some purely speculative investors rely entirely on spot price movement to determine their exposure to junior

mining, the graph above shows that average market capitalization of comparable companies has gone up, moving from 273%+ when the initiating report was published to 310% currently.

The more significant takeaway is that many of these comparables have appreciated independent of metal prices. Gold's price increase over 1 year has been less than 5% as a result of the aforementioned pull-back from the highs in 2020. Silver on the other hand has increased 69%+, and Copper has increased 86%+ over the past 1 year. All these are still substantially lower than the average market cap **increase of a whopping 310%+!!**

Below I have compared some of the differences in qualitative aspects of the assets held by comparables with a market cap under \$50M:

	ETR	ABN	SASY	MTS	QEX	ENDR
Age	Triassic/ Jurassic	Triassic/ Jurassic	Paleozoic	Triassic/ Jurassic	Triassic	Triassic
Deposit type	VMS, Epithermal, Porphyry, Skarn	Orogenic vein gold	VMS, Skarn, Orogenic vein gold	Porphyry	Porphyry	Skarn, porphyry, VMS
Size	27,880 Ha	23,397 Ha	14,600 Ha	10,600 Ha	104,449 Ha	64,800 Ha
Resource Estimate	✓	✗	✗	✗	✗	✗
Market Cap	\$9.41 M	\$10.16 M	\$14.52 M	\$19.83 M	\$32.72 M	\$41.09 M
Shares O/S	28.51M	127.04M	38.21M	44.06M	24.55M	205.51M
100% Ownership	✓	✓	Option for 100%	✓	✓	✓
Gold	✓	✓	✓	✓	✓	✓
Silver	✓	✓	✓	✓	✓	✓
Copper	✓	✓	✓	✓	✓	✓
Lead	✓	✗	✓	✗	✗	✗
Zinc	✓	✗	✓	✗	✗	✗

Etruscus is significantly undervalued relative to comparables, while possessing many positive attributes such as a substantial land package, desirable geology, and is the only company with a resource estimate. As such, they have confirmed in-situ value and further exploration can result in expanding this.

Furthermore, with the discovery of high-grade copper, high grade silver, and substantial gold, along with newly discovered high priority targets, the company has the potential to have a significantly increased deposit to add to its existing resources at Black Dog. The recent movement in comparable prices despite the pullback in gold demonstrates the value of the region.

While all properties do have unique attributes, one can use ESK as a good comparable in this situation. Around July of 2020 ESK reviewed historic drill core and identified indications of VMS systems. They found further indications of this in September and October of 2020, at which point their stock was around the \$1 mark after trading at \$0.19 in June 2020. ESK currently trades at \$2.25 and is a good example of the potential possible with further exploration and positive results. The current data provided by ETR shows signs of such, increasing the potential appreciation when accounting for risk/reward.

Given the aforementioned factors, in order to value this, there are 2 components. The approach used in the initial report is maintained i.e., exclude the top 4 highest comparables by market cap and applying an

additional discount of 25%. Following this, we value the upside potential derived from the recent work on the property and then combine the 2 resulting in a target of \$1.50. Below is the initial component:

Average Market Cap - Excluding highest value comps and Discount rate							
		Comparables excluded					
		0	1	2	3	4	5
Discount	0%	185.95M	125.80M	82.91M	52.59M	40.20M	29.85M
	5%	176.65M	119.51M	78.76M	49.96M	38.19M	28.36M
	10%	167.35M	113.22M	74.62M	47.33M	36.18M	26.86M
	25%	139.46M	94.35M	62.18M	39.44M	30.15M	22.39M
	50%	92.97M	62.90M	41.45M	26.30M	20.10M	14.92M
	75%	46.49M	31.45M	20.73M	13.15M	10.05M	7.46M

Average Stock Price - Excluding highest value comps and Discount rate							
		Comparables excluded					
		0	1	2	3	4	5
Discount	0%	6.52	4.41	2.91	1.84	1.41	1.05
	5%	6.20	4.19	2.76	1.75	1.34	0.99
	10%	5.87	3.97	2.62	1.66	1.27	0.94
	25%	4.89	3.31	2.18	1.38	1.06	0.79
	50%	3.26	2.21	1.45	0.92	0.70	0.52
	75%	1.63	1.10	0.73	0.46	0.35	0.26

Key takeaway: average market cap has increased with comparables, which alone would justify a higher target

We follow this with the addition of the discovery of the new high-priority targets. This is accounted for via a scenario analysis utilizing a DCF flowing from an operating model built based on publicly available data of comparable assets that have been selected on the basis of being geologically similar but at a more advanced stage while adjusting for exploration stage, financing requirements, uncertainty and dilution.

The 2 mines that I have used as geologically similar and geographically proximal are the Brucejack and the Eskay Creek Mine. Given the latter was highly anomalous, I have utilized the most recent information as provided by SKE, thereby forfeiting any value obtained from past production. Furthermore, I have ignored the value of Sugar, and the potential overlap with KSM and Red Chris. Both these assumptions simply add an extra layer of discount in the valuation. Furthermore, given these are very large mines, and while they share many attributes including proximity to the “Red Line”, I have assigned a 1% probability in order to remain conservative.

The model constructed is based on publicly available information for both mines using a Gold price of \$1,700, Silver price of \$27, USD/CAD rate of 1.2400, assuming a net tax rate of 27% and a discount rate of 10%, assigning a highly pessimistic probability of 1% of such transpiring as mentioned earlier, and dilution of \$27.5M, we derive an added value of \$0.44 a share.

The following tables summarize the analyses:

Upside Value - Gold and Silver Price							
		Gold Price					
		1500	1600	1700	1800	1900	2000
Silver Price	17.5	32.74M	33.81M	34.88M	35.96M	37.03M	38.10M
	20.0	33.31M	34.38M	35.45M	36.52M	37.60M	38.67M
	25.0	34.44M	35.51M	36.59M	37.66M	38.73M	39.80M
	27.0	34.90M	35.97M	37.04M	38.11M	39.18M	40.26M
	30.0	35.58M	36.65M	37.72M	38.79M	39.87M	40.94M
	35.0	36.71M	37.79M	38.86M	39.93M	41.00M	42.07M

Upside Value - Discount Rate and Probability (Total Value)							
		Discount Rate (NAV)					
		5%	10.00%	15%	20%	25%	30%
Probability	1%	40.43M	37.04M	34.55M	32.67M	31.24M	30.12M
	2%	80.86M	74.08M	69.10M	65.35M	62.48M	60.24M
	5%	202.16M	185.20M	172.74M	163.37M	156.19M	150.59M
	10%	404.31M	370.41M	345.48M	326.74M	312.38M	301.18M
	15%	606.47M	555.61M	518.22M	490.11M	468.57M	451.77M
	25%	1,010.79M	926.02M	863.70M	816.85M	780.95M	752.95M

Upside Value - Discount Rate and Probability (per share)							
		Discount Rate (NAV)					
		5%	10.00%	15%	20%	25%	30%
Probability	1%	0.49	0.44	0.41	0.39	0.37	0.36
	2%	0.97	0.89	0.83	0.78	0.75	0.72
	5%	2.43	2.22	2.07	1.96	1.87	1.81
	10%	4.85	4.44	4.15	3.92	3.75	3.61
	15%	7.28	6.67	6.22	5.88	5.62	5.42
	25%	12.13	11.11	10.36	9.80	9.37	9.04

To finalize this, I have combined the upside of \$0.44 with the results of the initial analysis of \$1.06 and obtained a per share price of \$1.50, using highly conservative estimates. **The stock is currently trading at a discount of 355% to target value.**

Average Stock Price - Excluding highest value comps and Discount rate							
Discount		Comparables excluded					
		0	1	2	3	4	5
		0%	6.97	4.86	3.35	2.29	1.85
5%	6.64	4.64	3.21	2.20	1.78	1.44	
10%	6.31	4.42	3.06	2.10	1.71	1.39	
25%	5.34	3.75	2.63	1.83	1.50	1.23	
50%	3.71	2.65	1.90	1.37	1.15	0.97	
75%	2.07	1.55	1.17	0.91	0.80	0.71	

This represents a staggering 355% discount to current market prices!

Discount to market value - Excluding highest value comps and Discount rate							
Discount		Comparables excluded					
		0	1	2	3	4	5
		0%	2011%	1372%	916%	594%	462%
5%	1912%	1305%	872%	566%	441%	336%	
10%	1813%	1238%	828%	538%	419%	320%	
25%	1517%	1037%	696%	454%	355%	273%	
50%	1023%	703%	475%	314%	248%	193%	
75%	529%	369%	255%	174%	142%	114%	

Conclusion

With existing results being highly significant, combined with the resource expansion potential, ETR is a company on the precipice of a significant deposit. The Golden Triangle has played host to many multi-billion-dollar deposits. ETR is an earlier stage company that has all the right attributes to make a significant deposit. With continued exploration, an eventual expansion is very likely. Furthermore, being in proximity to the "Red Line" along with being on trend and in the right neighborhood gives this company a legitimately shot at having a very large deposit, one that could be a monster mine. Being the cheapest by market cap amongst peers, ETR is trading at an astonishing 355% discount to \$1.50. Timing it early and getting shares at this price point is a great way to participate in the long-term appreciation potential.

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