

THE LONGWAVE ECONOMIC AND FINANCIAL CYCLE
IAN'S INVESTMENT INSIGHTS



Barkerville Gold Mines
Ltd (BGM/V)

"Every now and again you will receive an opportunity to make a lot of money in the stock market. However, many of us fail to recognize such an opportunity, allowing it to pass by without so much as a backward glance.

Since the onset of this gold bull secular market in 1999, I have been fortunate to act on at least three such opportunities, which have rewarded me with at least ten times my original investment. These three companies were Pelangio, Nevsun and Timmins Gold. However, there have been other investment opportunities upon which I have failed to capitalize. Two of these come to mind: Alamos Gold, when I was one of the original financiers of the company at about \$0.15 and Endeavour Silver, which I also helped finance very early in the company's metamorphosis. As an aside, I still strongly believe in Endeavour's management and it's very strong growth profile.

These reflections bring me to Barkerville Gold Mines (BGM/V). I am convinced that Barkerville is another one of these few and far between companies which present us with the opportunity to make a considerable return on our investment. In fact, I wholeheartedly believe that the Barkerville property will eventually house one of the largest surface gold deposits in the world and at a better grade (3gms) than most comparable deposits. Now, I realize that's a pretty bold statement to make, but I don't make it lightly.

Let's consider the facts as we know them.

The Snowden, Apex and Geox NI43-101 report, which was accepted by the B.C. Securities Commission a few months ago, demonstrates a resource on Cow Mountain of almost 5 million ounces, of which 1 million is indicated and 4 million is inferred.

The target potential for the property was estimated to be between 6-21 million ounces on Island Mountain and 3-6 million ounces on Barkerville Mountain for a total target potential of 9-27 million ounces. Surprisingly, there was no target potential given for Cow Mountain, even though the actual resource is limited to the first 1000 feet, whereas the adjacent Island Mountain old workings go down as far as 2,000 feet. The target potential for Barkerville Mountain was limited to 1,000 feet, even though the workings go down to the 1,500 Level.

If we simply double the target potential ore zone on Barkerville Mountain, assuming it goes down an additional 1,000 feet, the target potential increases to 6 to 12 million ounces. Similarly, if the current Cow Mountain resource of 5 million ounces is extrapolated to continue another 1,000 feet lower, the target potential on Cow Mountain becomes 5 million ounces. In total, the obviously highly conservative NI 43-101 target potential, increases from 9-27 million ounces to 12 -38 million ounces; that's still a far cry from the Geox original target

potential estimate of 60-90 million ounces but still a very large target potential that would rank with the top ten undeveloped gold deposits in the world and with a better grade than all of them.

In the report, it was recommended that Barkerville re-assay the drill holes using metallic screening to pick up the nugget effect of the gold in the core and that by so doing the resource might be increased by up to 20%. We should soon learn if this is indeed the case, because the company should soon be receiving the results of several drill holes re-submitted for assay employing this method.

The company is also assaying core which was not assayed, having been deemed barren following visual inspection. There is a very good chance that much of this core will contain cut-off grade gold and we should soon learn about results of these assays also.

That being so, there is a good chance that the Cow Mountain deposit will grow materially as will the grade. Not only that, the predictability of the ore body should be materially advanced with much of the inferred moving into the indicated category and at least a portion of the indicated resource moving to the measured category.

In the meantime, Barkerville has employed Apex to undertake a calculation of the Island Mountain resource.

I visited the property and the QR mill on November 28, 2013 with Frank Callaghan. The dam at the QR mill tailings pond is all but complete and preparations for mining at Bonanza Ledge should be finished before Christmas. I expect that production of the QR ore will commence perhaps in February 2014 and that Bonanza ledge production would follow shortly thereafter. The last of the QR production should yield approximately 5,000 ounces at negligible cost (Money has already been spent and ore is stockpiled ready for production). At a gold price of \$1,200 (U.S.) per ounce this would net about \$6 million (U.S.). Cost of production from Bonanza Ledge is likely to be \$900.00 (U.S.) per ounce. The initial 75,000 tonnes of production should be completed within 130 days and is expected to yield at least 8 grams per tonne. I think the initial mine grade will be more than 8 grams, but that remains to be seen. Anyway, 8 grams from 75,000 tonnes produces 600,000 grams (19,300 ounces) . At \$1,200 (U.S.) per ounce gold, this equates to a net value of \$5,790,000 (U.S.).

Production should adequately cover Eric Sprott's first tranche repayment due in early August next year, provided that the gold price holds above \$1,200 (U.S.) per ounce. The company might be wise to bank at least half the proceeds netted from QR production as a precaution against lower gold prices.

In October 2012, I encouraged Eric Sprott to visit the Barkerville property by saying to him, "Eric, if you come to the property you will see how big the potential is." So he and his wife flew in to Williams Lake and Frank, my wife, Janice and I were there to meet them. It was a hurried trip and we flew in two helicopters to the QR Mill and from there to the Barkerville office in Wells, where we were briefed by Frank. After a quick lunch we drove up on Island Mountain and were met by Gary Polischuck, the Barkerville prospector and road builder. Gary has discovered several gold showings throughout the property. He took us to an area south of the previous mining and went to an area, which he had obviously recently uncovered and began to shovel the gravelly exposed dirt into a plastic bag, watched closely by Eric Sprott. He took us to a nearby stream then proceeded to pan the dirt again closely watched by Eric and his wife. When he had finished panning he showed us the bottom of the pan in which all that remained was several small flakes of gold.



Eric Sprott and his wife Visma watching Garry Polischuck pan gold on Island Mountain. October 2012.

The other night I was thinking about visionaries, people like Steve Jobs, Bill Gates, Peter Munk and Eric Sprott, just to name a few. Consider how their dreams have greatly enhanced the worldwide economy and improved the lives of a considerable number of people. This led me to thinking that almost all junior mining company leaders have no dreams for their companies and operate as if they were running on a treadmill getting nowhere fast and destroying capital at an alarming rate. Then I thought Frank Callaghan, Barkerville's president, is a visionary. Almost single handedly, over the past 20 years he has amassed the vast Barkerville property on which there are 7 past producing gold mines and 101 streams from which gold has been produced. On the Abitibi Greenstone belt in Northern Ontario and Quebec such a prospective property would house probably at least 30 different mining companies. It all started after Frank gave up on Venezuela, finding it too expensive and researched British Columbia. That research took him to Barkerville. His initial deal was to earn in 50% on a small piece of Cow Mountain, perhaps in size, 4 kilometres by 4 kilometres. That small imprint has grown into 100% ownership of this huge and highly prospective gold property. That's a vision from which all shareholders should benefit substantially.

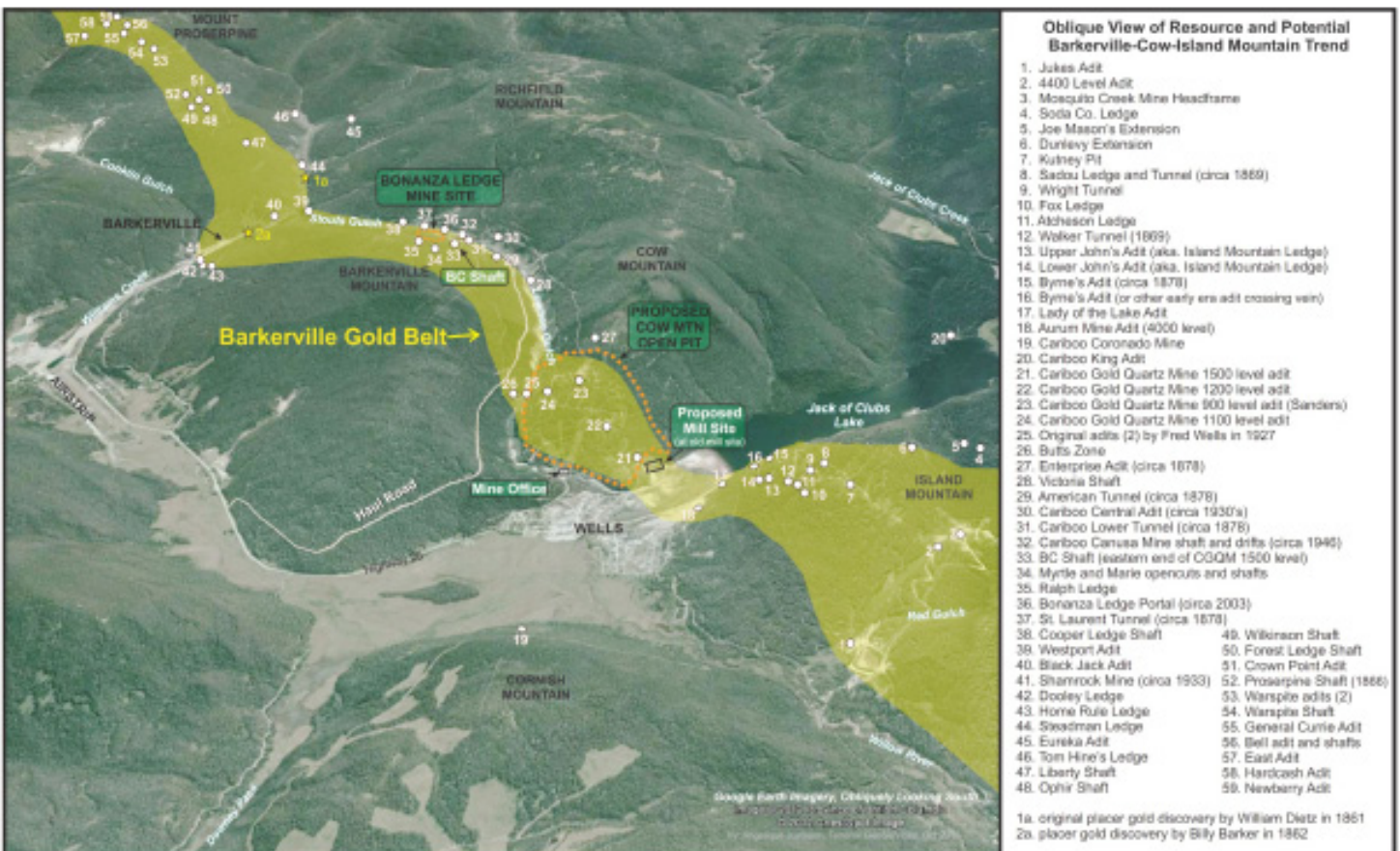
Many shareholders take issue with Frank on account of his overly optimistic projections. I am one such shareholder and have on several occasions upbraided Frank on this account. I know that he recognizes this fault and hopefully he will in the future temper his optimism with some realism. That being said, I'd rather own shares in a company led by a President who dreams big and has brought many of those dreams to fruition than own shares in a company run by a president, who has no dreams.

As I have previously written, the Barkerville board has seen the addition of some excellent new members as of the last AGM. The board is chaired by Norm Anderson. You would be hard pressed to find anyone in Canada with mining management credentials superior to those of Norman Anderson. He plays an important participatory management role in formulating the company's exploration and mining plans.

Mine production is subject to stringent government oversight. The remaining QR ore might have been milled without further government approval. Production from a new mine, Bonanza Ledge, which is situated well outside the QR (Quesnelle River) property certainly could not be undertaken without government approval. The dam at the QR mill tailings pond had to be raised to allow for water from the Main Zone Pit to be pumped into the QR tailings pond. Once dewatered the Main Zone Pit is permitted to receive Bonanza Ledge tailings. As I have written earlier the dam at the tailings pond has now been raised and the QR Mill is ready to produce not only the remaining ore at QR, but also, start ongoing production from Bonanza Ledge.

At \$0.40 (CAD) per share you are purchasing the current Cow Mountain deposit for \$22.00 (U.S.) per ounce. If in the New Year that 5 million ounces has grown to 6 million ounces, as I expect, you will be buying those ounces for \$18.33 (U.S.) However, this is only the beginning. These ounces are going to grow, as are the ounces on Island Mountain and Barkerville Mountain and eventually the ounces at Antler and Mount Proserpine. To cap it all we have scheduled production from the permitted Bonanza Ledge mine, which should provide cash flow for at least the next four years.

If there is one slide in the company's corporate presentation brochure that, I think, speaks to the huge gold size potential on the Barkerville property it is this one-



The trend shown here is approximately 14 kilometres long, or about a quarter of overall trend on the Barkerville property.

Angelique Justason of Tenerex GeoServices in Quesnel, consulting on behalf of Barkerville Gold Mines, has compiled this very useful exploration and production data bank for the Barkerville gold trend over the past 12 years from a variety of sources including BC government mining records, annual reports submitted to the BC minister of mines since 1870, historical maps and papers, title searches and surveys, local sources and simply travelling the Barkerville property. It has been said “that if you want to find gold, go to where it already has been found.” This record shows 59 historical locales of gold production on the company’s Barkerville gold trend; note how many are located on Mount Proserpine. Beyond Mount Proserpine is Mount Antler, where there are situated several additional past workings (not shown, top left of the picture). But, the company already has its exploration hands full on Island, Cow and Barkerville mountains, which by themselves could contain 30 to 50 million ounces of gold. Exploration on Proserpine and Antler will have to wait, but the gold’s not going to go away; actually some of it will be washed into the nearby rivers and streams as it has been doing for centuries.

Gold remains in a secular bull market, in spite of blatant price suppression. Eventually, and likely very soon, the price of gold will overcome this price manipulation and catapult to significantly higher prices, which will result in a renewed investor interest in precious metals mining stocks. Companies like Barkerville Gold Mines with outstanding precious metals deposits and significant upside potential, in politically stable jurisdictions, with easy access and good infrastructure, should attract a very large following of investors.

Barkerville Gold Mines (BGM/V) too big to be true? I don’t think so.

Written By: Ian Gordon

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Ian A. Gordon, The Long Wave Analyst, www.longwavegroup.com

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