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Mercenary Alert: The Nevada Sun Also Rises

A Special Alert Musing from Mickey the Mercenary Geologist

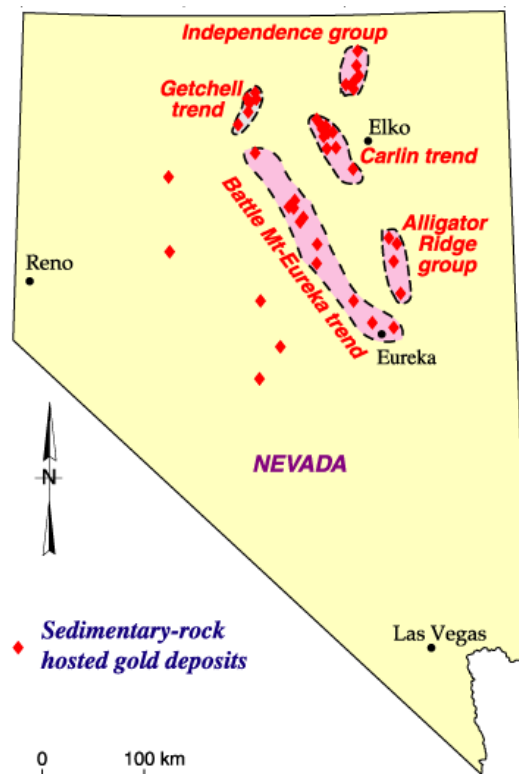
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Nevada is one of the most prolific gold provinces on Earth. In 2013, it was the world's fifth largest gold miner, behind only China, Russia, Australia, and Peru, with 169 tonnes of production from well over 50 currently active gold mines.

Most of Nevada's production comes from sediment-hosted, disseminated gold deposits in the northern half of the state, i.e., the so-called "Carlin-type deposits" that are located on a series of trends:



When considering all factors, including geological potential, geopolitics, climate and infrastructure, and mining costs, it is readily apparent that Nevada is the world's most favorable jurisdiction to explore for, discover, develop, and mine a giant gold deposit.

Given that caveat, what junior discovery has the best chance to become Nevada's next big gold mine?

My opinion is unequivocal: The Kinsley Mountain project, a joint-venture of **Pilot Gold (PLG.T)** and [Nevada Sunrise Gold Corp \(NEV.V\)](#), is the best candidate.

That said, Kinsley Mountain is still an early-stage project without a tabled resource estimate. However, it is often a sound strategy to roll the dice early in the speculative resource game. And in this case, I have chosen to put my gambling money into the minority partner, Nevada Sunrise, for direct exposure to this one project.

Let's review NEV's checkered history for five years from Q3 2008 to Q3 2013:

Nevada Sunrise Gold Inc was a privately-held junior explorer that had its initial public offering in mid-September 2008. This was during the global economic crisis and the company had to acquire a bridge loan and reduce its IPO price by 40% to finally complete the transaction. In February 2009, NEV optioned out the aforementioned Kinsley Mountain project to a private company, which promptly defaulted in the early summer.

Over the next three years, the company did a number of dilutive financings at low prices, entered into a loan to make option payments on a core asset, extended and amended the loan terms twice before issuing shares for debt, joint-ventured its two best properties to junior Animas Resources and got one of them back, and took an option on a property privately held by its CEO and a large shareholder.

The company's fortunes improved in 2011 when Animas Resources sold its 51% joint venture interest in Kinsley Mountain to Pilot Gold. PLG then twinned six holes around the old open pits and encountered strong gold contents over significant widths.

In 2012, Pilot acquired a 9.9% interest in NEV via private placement. In the early fall, final drill results of a 12,000 meter summertime program were announced and included strong gold assays over wide zones in both in-fill and step-out drilling. A new zone of gold mineralization had been discovered on the western flank of Kinsley Mountain and a new claim block was staked to the north.

By early 2013, Pilot Gold had earned its 65% interest in the Kinsley Mountain JV. NEV could not participate in that season's 20,000 meter drill program and was diluted to a 21% interest.

At that juncture, it appeared Nevada Sunrise would be diluted out. However in August of 2013, the company underwent major reorganization. The CEO and CFO resigned, the one remaining original director was installed as CEO, and it announced at 10:1 rollback.

In January 2014 NEV closed a \$620,000 private placement at 10 cents with a new group of strategic investors (including me). Since then, NEV has funded its interest in the Kinsley Mountain exploration program.

Given its revamped management, a tight share structure, and new investors, 2014 soon proved to be a pivotal year for Nevada Sunrise. On the back of good drill results, two oversubscribed private placements at 35 cents and 90 cents raised an additional \$3.0 million by mid-spring.

Drilling by Pilot Gold continues to produce high-grade gold intercepts over wide zones at Kinsley Mountain.

Nevada Sunrise Gold is tightly held with 22.5 million shares outstanding and 32.9 million fully-diluted. Included are: 4.9 million in-the-money warrants at 15 cents that expire in January 2016; 1.5 million warrants at 50 cents expire in March 2017; and 1.1 million warrants at 50 cents that expire in May 2017 but are subject to a call-in provision.

There are 2.0 million options with strike prices from 19 to 50 cents and expiries from 2015 to 2019. Finder's fee warrants include 338,000 shares at 10 to 35 cents and expire in January and May 2016 respectively.

Major shareholders include management and insiders at 3.6%, Ernesto Echavarria at 7.6%, and Pacific Opportunity Capital at 4.9%. All told, "family and friends" control over 25% of the stock.

Its 52 week high is \$1.50, low is 25 cents, and it currently trades in the 30 cent range. With yesterday's closing price at 30.5 cents, Nevada Sunrise has a market cap of about \$6.9 million. Cash position stands at \$950,000, the monthly burn rate is \$35,000, and landholding costs in 2015 are \$135,000.

The chart since the company was rolled back in mid-December 2013 is posted below. Because much of the stock is held by a group of strategic investors, NEV is generally illiquid. But it had periodic high volume events from March to July of 2014 when drill intercepts were announced at Kinsley Mountain and the first two private placements became free-trading.

The stock went exponential from March to late June of last year. As commonly happens with drill discoveries, initial euphoria subsided and the stock price was in steady decline during Q3 and Q4 of 2014. NEV has settled into the high 20 to high 30 cent range recently:



Nevada Sunrise Gold is led by original director Warren Stanyer, an experienced junior company executive boasting successful stints with both gold and uranium explorers. He was an officer of three juniors that have been acquired by larger companies since 2006. Chairman of the Board is Michael Sweatman, a Chartered Accountant with financial and director experience. The company's qualified

person is geologist John Kerr, who has 50 years of exploration experience with a significant portion of that in Nevada.



As mentioned above, the company's flagship project is a 21% contributing interest in **Kinsley Mountain** with partner Pilot Gold.

My first involvement at Kinsley Mountain occurred in 1978 during a grass-roots exploration program for Carlin-type gold deposits.

As a summer geologist for a large Canadian mining company, my assignment was to pick reconnaissance targets for a stream sediment program that employed an innovative sampling technique. The methodology was to take a large sample and process it into a number of size and density fractions for separate analyses. The well-conceived premise was that "no-see-um" disseminated gold targets could be distinguished from coarser vein-hosted occurrences. And it worked. Stream sediment anomalies were traced to outcrop discoveries that were eventually developed into two small Carlin-type gold mines.

One of my high-priority targets was Kinsley Mountain. At the time, there was no quadrangle scale topographic coverage so I plotted my samples on a regional 1:250,000 map. These samples produced strongly anomalous gold in the desired fine fraction split, and I recommended staking to the company. However, management apparently decided the target was not in favorable host rocks or on a known trend and did not acquire the ground.

By the mid-1980s, geologists with a successor company, USMX, traced the sediment anomalies to a jasperoid outcrop discovery. Along with Cominco, they developed a small resource in 1988. The deposits

were eventually mined by Alta Gold from 1995 to 1999 via seven shallow open-pits, processing run-of-mine oxide ore via heap leach cyanide extraction and carbon recovery. Production totaled 138,000 ounces of gold.

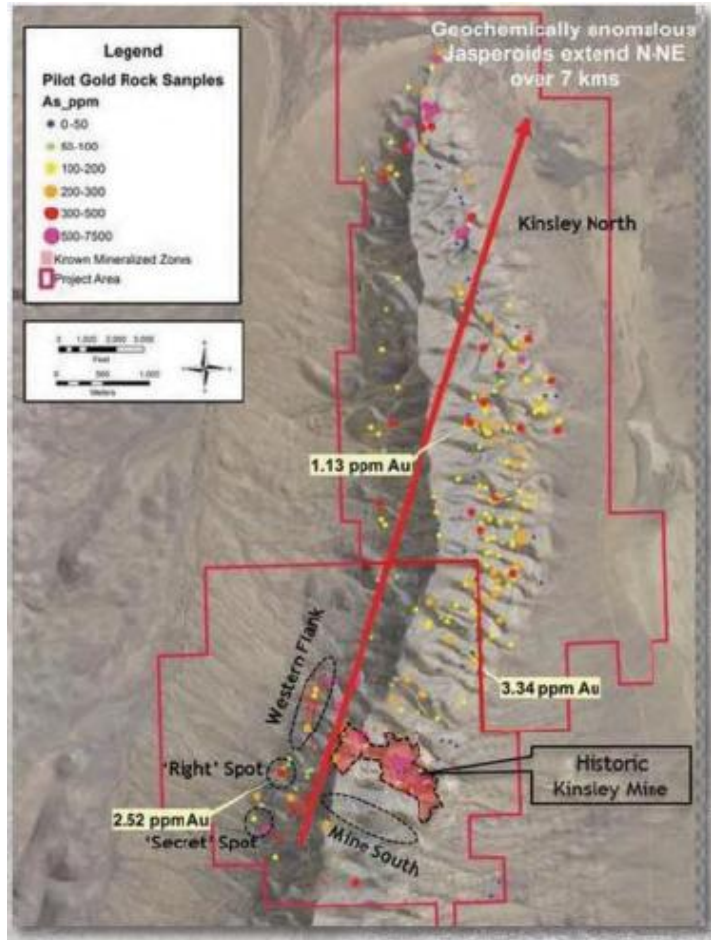


View Toward the Kinsley Mountain Mine: 37 years Later

A private company owned by the original management of Nevada Sunrise staked claims over the mines and surrounding area in 2000. In 2010, NEV optioned the property to Animas Resources Ltd, a junior in which I was a pre-IPO shareholder.

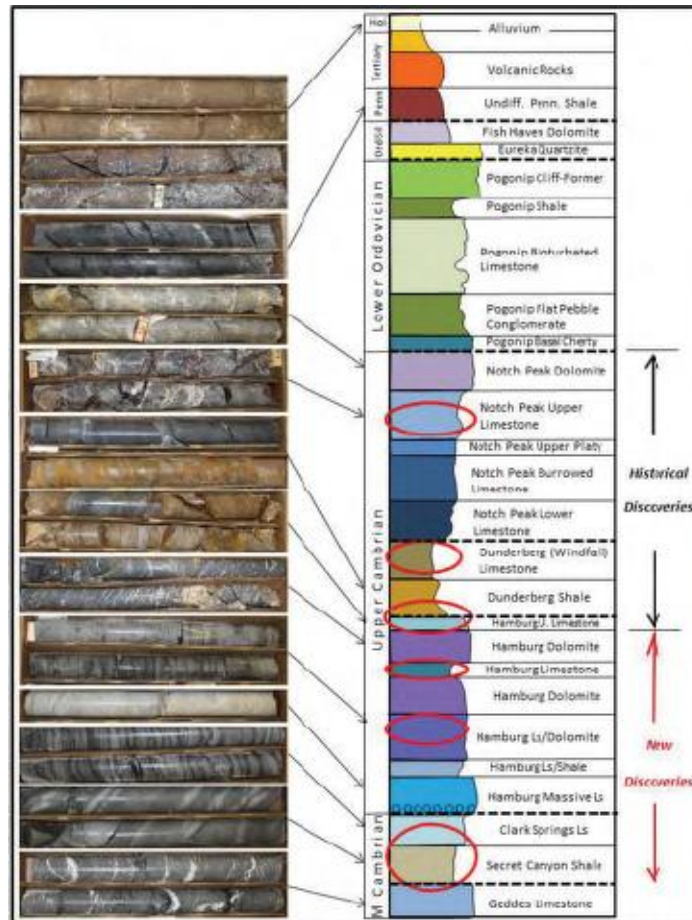
Animas did basic exploration work including mapping, sampling and geophysics and supported a Master's thesis by Bryan McFarlane at Arizona State University. Much to my chagrin, Animas never drilled Kinsley and sold its 51% interest to Pilot Gold in 2011.

The property now consists of 475 unpatented and five patented mining claims for a total of 3875 ha. In addition to targets extending around and at depth below the old pits, it hosts many untested gold showings over a seven km strike length:



Kinsley Mountain Project

Gold at Kinsley Mountain is associated with low-and high-angle fault intersections, decalcification and silicification, a typical toxic metals suite, and especially with pyrite. Ore-grade mineralization is hosted by six distinct rock formations, only three of which were mined in the historic open pits. Deeper gold-bearing zones in stratigraphically lower host rocks were discovered during the 2013 drill campaign and have greatly expanded the project's potential:



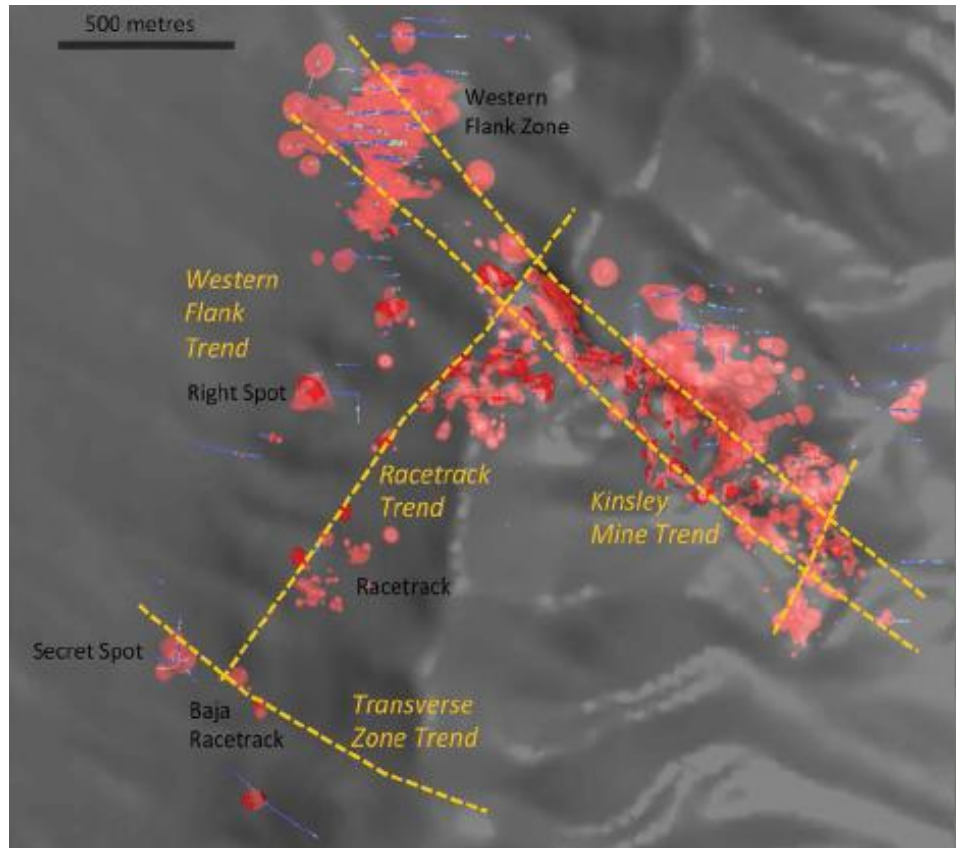
Stratigraphic Column and Typical Core Showing Multiple Hosts for Gold Mineralization

2014 was a landmark year at Kinsley Mountain. The \$6.0 million exploration program included 27,200 meters in 81 drill holes, including a water well test, and resulted in discovery of the high-grade zone at the Western Flank. Property-wide potential for significant gold mineralization in both the Candland Shale and Secret Canyon formations was recognized.

High-grade continuity was established in the Western Flank zone. Sulfide intercepts include 8.5 g/t Au over 36.6 m; 10.1 g/t Au over 39.6 m; 6.1 g/t Au over 30.5 m; 4.4 g/t Au over 29.6 m; and 6.9 g/t Au over 6.1 m. Significant gold was also detected in widely-spaced step-out holes.

Other targets tested with success include the Right Spot zone, where shallow, oxide gold mineralization was intersected in multiple drill holes, and the Racetrack and Secret Spot zones, where both shallow oxide and deep sulfide mineralization were encountered. Gold was also found in three rock units between the Western Flank and the old mines.

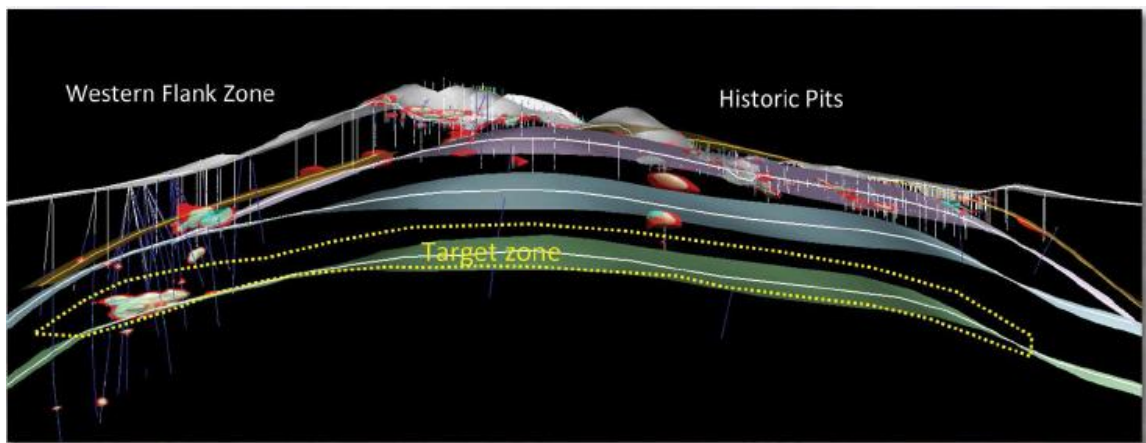
Initial testing demonstrated that a simple metallurgical process on sulfide mineralization from the Western Flank produces high-grade gold flotation concentrates with excellent recoveries by cyanidation.



Kinsley Mountain Gold Zones and Targets

The 2015 field program at Kinsley Mountain is currently budgeted at US\$2.0 million and will include up to 10,000 meters of reverse circulation and 1000 meters of core drilling. A number of high-priority targets are primarily defined by intersections of NW- and NNE-trending structures, similar to the high-grade zone at the Western Flank.

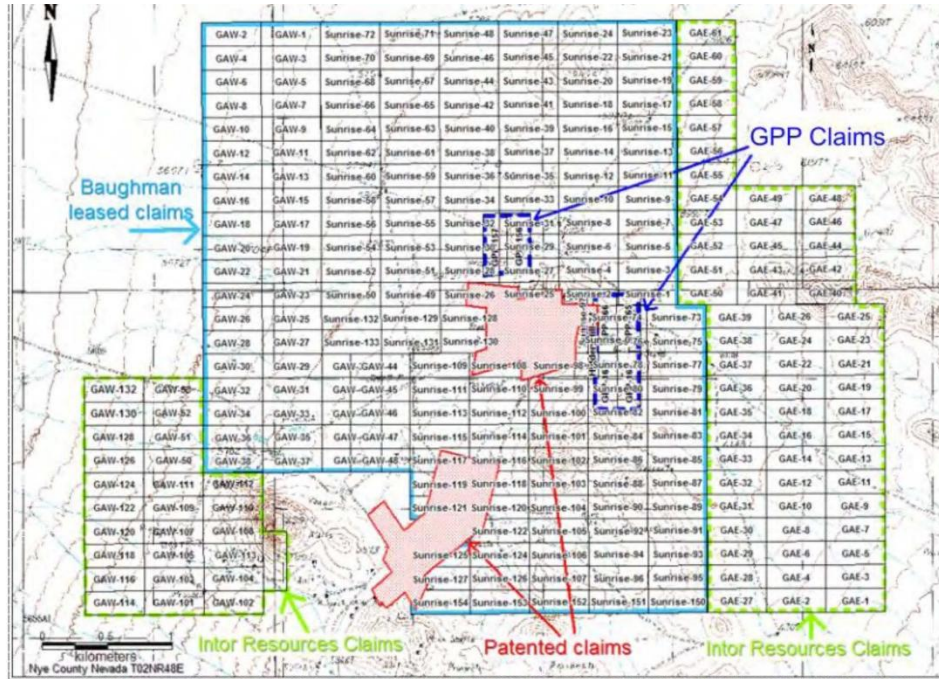
They include early-stage tests of gold-bearing jasperoid outcrops in the Kinsley North area and fan drilling between and below the historical pits and the Western Flank zone:



NE-Looking Long-Section along Kinsley Mountain Trend

Now for the company's other two projects:

Golden Arrow is a Walker Lane epithermal gold-silver deposit about 40 km east of Tonopah. It consists of 17 wholly-owned patented claims and 357 claims under lease and totals about 2300 ha:



The Golden Arrow district produced gold and silver from 1905 until the 1930s as documented by shipments to the McGill smelter near Ely. The geology is a caldera-margin volcanic setting of older andesite flows and volcanoclastic sediments intruded by rhyolite flow-domes and an alaskite stock overlain by rhyolite ash flow tuffs.

Epithermal gold and silver mineralization at Golden Arrow consists of low-sulfidation quartz-adularia veins hosted by andesite. High-grade ore shoots were mined in the past. Modern-day exploration has focused on low-grade disseminated mineralization in two areas, Gold Coin and Hidden Hill. Significant mineralization has been found but is not of economic grade or size.



Old Mine Workings at Golden Arrow

Since 1988, the project has been drilled by seven different companies for a total of 400 holes. Current 43-101 qualified resources are contained in two deposits, Gold Coin and Hidden Hill:

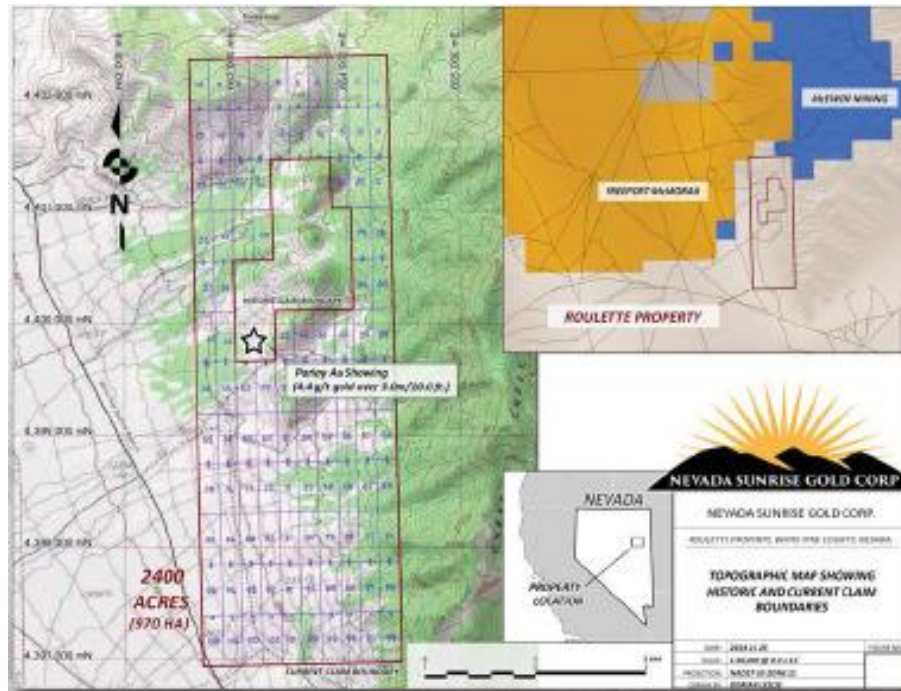
- Measured and indicated oxide resources are 6.7 million tonnes grading 0.75 g/t Au and 7.2 g/t Ag for a total of 129,000 ounces gold and 1.55 million ounces silver. Inferred oxide resources are 2.0 million tonnes grading 0.28 g/t Au and 7.8 g/t Ag for a total of 18,000 ounces gold and 510,000 oz silver. Oxidation extends to 80-100 meters depth. Limited metallurgical testing of oxide mineralization indicates 55-65% gold recovery depending on crush size.
- Measured and indicated sulfide resources are 5.4 million tonnes grading 0.96 g/t Au and 14.0 g/t Ag for a total of 167,000 ounces gold and 2.45 million ounces silver. Inferred sulfide resources are 1.8 million tonnes grading 0.59 g/t Au and 13.1 g/t Ag for a total of 33,000 ounces gold and 739,000 ounces silver.

Nevada Sunrise has a wealth of archived drilling, mapping, geochemical, and geophysical data. Included are all of the 10 core holes, drill cuttings from 281 reverse circulation holes, and many duplicate samples and assay pulps. Company geologists have re-logged all the core and cuttings and are compiling a 3D model for interpretation and development of new drill targets.

About 90% of the drilling has occurred in the two deposit areas, and there has been little exploration at depth.

In the late fall, Nevada Sunrise announced a letter of agreement to option Golden Arrow to private company Atherton Resources on a 65% to 80% earn-in for a combination of cash and shares. In early 2015, the agreement was extended to March 31 and included BLM approval of a Plan of Operations for drilling of 240 holes. As of this writing, no update has been posted.

Roulette is an early-stage gold project in east-central Nevada located about 25 km east of the sediment-hosted Alligator Ridge deposits that produced 700,000 ounces of gold in the 1980s to 1990s. NEV has an option to acquire 100% on a core group of claims over five years subject to a buyable 2.5% NSR and has staked the surrounding ground:



Three-five holes were drilled in the 1980s but locations and results are not available. Jasperoid outcrops occur along 1500 meters of strike and one contains ore-grade gold:



Gold Mineralized Jasperoid Outcrop

The company recently completed induced polarization, resistivity, and magnetic surveys at Roulette and will initiate a comprehensive geochemical survey this summer.

At this juncture, Nevada Sunrise Gold is my top pick in the junior resource gold sector. It has all the characteristics that I seek in a junior explorer: a tightly-held share structure; experienced and successful management; a flagship project with potential to host a major gold deposit within a geopolitically-favorable jurisdiction; and cash at hand. It is likely to have another \$735,000 in the till upon exercise of 15 cent warrants next January.

That said, NEV may go to the market to top off its treasury within the next few months. The company is in an enviable position in this bear market because it has the ability to raise money when required from a strategic group of committed shareholders.

Note also that Nevada Sunrise is trading only slightly above its 52-week low. There is a catalyst on the horizon with initial 2015 drill results from Kinsley Mountain expected within a month.

As always, my opinions are colored by financial involvement with the company. Before you choose to speculate, please do your own research and decide if Nevada Sunrise Gold merits further attention.

Ciao for now,

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Acknowledgment: Gwen Preston is the editor of MercenaryGeologist.com.

The [Mercenary Geologist Michael S. "Mickey" Fulp](http://MercenaryGeologist.com) is a Certified Professional Geologist with a B.Sc. Earth Sciences with honor from the University of Tulsa, and M.Sc. Geology from the University of New Mexico. Mickey has 35 years experience as an exploration geologist and analyst searching for economic deposits of base and precious metals, industrial minerals, uranium, coal, oil and gas, and water in North and South America, Europe, and Asia.

Mickey worked for junior explorers, major mining companies, private companies, and investors as a consulting economic geologist for over 20 years, specializing in geological mapping, property evaluation, and business development. In addition to Mickey's professional credentials and experience, he is high-altitude proficient, and is bilingual in English and Spanish. From 2003 to 2006, he made four outcrop ore discoveries in Peru, Nevada, Chile, and British Columbia.

Mickey is well-known and highly respected throughout the mining and exploration community due to his ongoing work as an analyst, writer, and speaker.

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