



# Southern Empire Resources: Its Two Spectacular U.S. Gold Exploration Projects



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# PUSHING FORWARD WHERE OTHERS HAVEN'T

The investment pitch for **Southern Empire Resources** ([TSX-V:SMP](#) | [Frankfurt:5RE](#)) is clear-cut and compelling.

This company is pursuing two high-impact gold exploration projects in the United States, at a time when the market is going crazy for the precious metal.

Gold exploration projects in the U.S. command a significant investment premium.

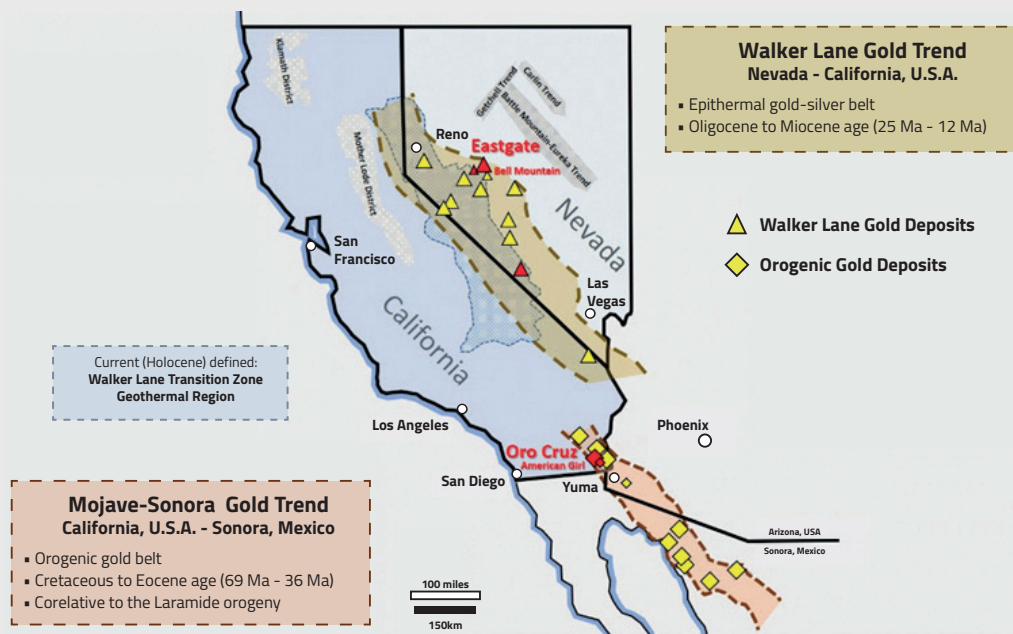
After all, this is the best place in the world to hunt.

Mining-friendly laws, exceptional infrastructure, political stability and direct access to local sales markets all combine to ensure America consistently ranks among the largest gold producers globally.

Those companies that do make million plus ounce discoveries here make their investors rich, especially if the resources are relatively easy to mine.

Development projects of this type quickly attract intense interest from institutional investors and international mining giants.

## Southern Empire's Highly Prospective Gold Projects



Source: Southern Empire Resources



# THE **COMPELLING** PITCH FOR SOUTHERN EMPIRE

The trick for private investors is to identify early those companies that have the best projects and are most likely to succeed, **BEFORE** they strike it rich.

All told, this inspiration is exactly what is driving **Southern Empire's** ([TSX-V:SMP](#) | [Frankfurt:5RE](#)) share price higher today.

The company has chosen its assets carefully.

Guided by a simple exploration philosophy, **Southern Empire** sought to find license areas with two key characteristics.

First, the license areas had to have attractive historic drill data.

Second, the licenses had yet to be tested using modern drilling methods.

This combination can prove to be potent when searching for gold and what **Southern Empire** found are two exceptionally prospective targets: **Oro Cruz** in California and **Eastgate** in Nevada.

In both cases high-grade intercepts from previous drilling provide tantalizing clues what might be hidden just below the surface, waiting to be discovered.

**Oro Cruz** is a drill-ready oxide project, which has an historical inferred resource of 341,000 ounces at 2.4 g/t Au / t from 4.4 million tonnes.

**The exploration potential here is immense**, with the current resource being open both at length and depth. A former operator has already dug a mining pit here and there are over 2.5km of serviceable underground workings.

There are very few exploration projects in North America that hold so much immediate promise. Using an exploration technique known as "*twinning*", **Southern Empire** now plans to deploy diamond core drill rigs to **Oro Cruz** to confirm its wider potential and test the deeper high-priority targets.

**Eastgate**, meanwhile, hosts an epithermal system first identified by Ken Snyder – one of the Nevada's most successful geologists. Snyder was the man who found the world-class [Midas gold deposits](#). These were originally viewed as a low grade, bulk mine, but turned out to be much higher grade, as operations developed.

Encouragingly, **Eastgate** shares notable geological similarities with the Midas Mine and Snyder believes its "*blue-sky potential can be tested conceptually with relatively few holes drilled*".

Having raised just over C\$7 million since March, the fully funded **Southern Empire** is embarking on what could prove to be a transformational drill campaign over the second half of 2020.

## The open pit of Oro Cruz



# ORO CRUZ - A GOLDEN OPPORTUNITY IN CALIFORNIA

Located in California, Oro Cruz is the first of **Southern Empire's** ([TSX-V:SMP](#) | [Frankfurt:5RE](#)) two company-making projects.

The firm [recently acquired](#) the right to purchase 100% of this historic high-grade gold mine, up from the previously agreed 75%. A look at what the asset offers reveals **exactly** why the company was so keen to go all-in.

Oro Cruz covers more than 5,000 acres in the Cargo Muchacho Mountains – thought to be the site of the Golden State's first-ever gold mine.

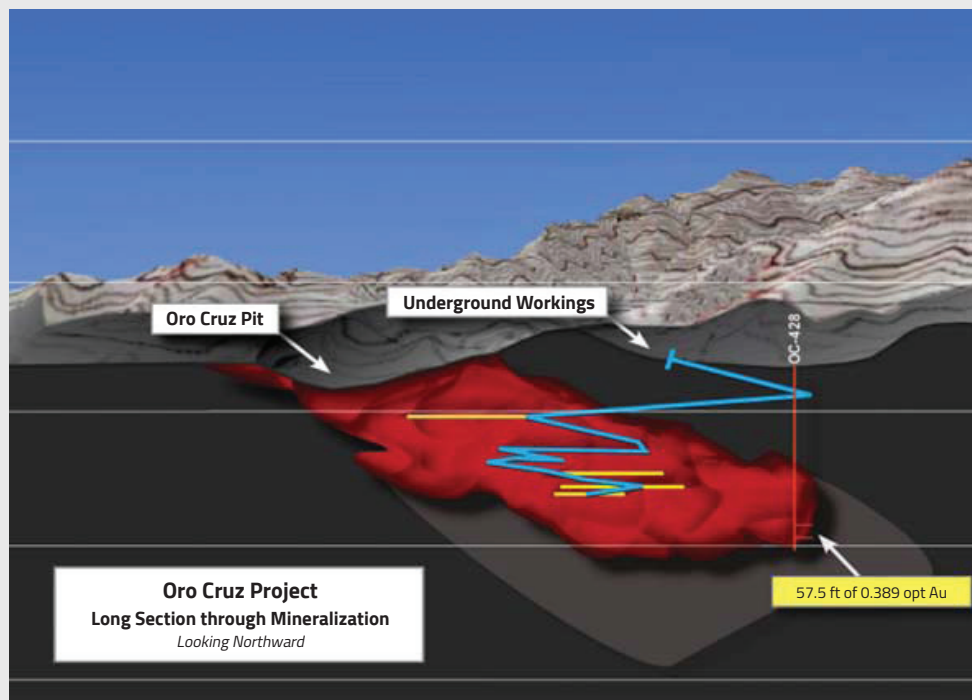
The project already hosts an historical Inferred resource of 341,800 ounces ("oz") of gold, set in a large oxide deposit.

Because this deposit is so close to surface, it is amenable to open-pit mining from a ready-constructed pit and a process called "heap-leaching".

In layman's terms, this involves stacking mined ore in a pit before sprinkling a cyanide solution over it. Any gold held in the rocks is then dissolved so it can be extracted for smelting.

After all, these are exactly the sorts of opportunities major miners will be searching for, as the current gold bull market continues and they seek to replenish their depleted reserves.

This could be great news for **Southern Empire** and its shareholders.



Source: Southern Empire Resources

# DIGGING DEEPER - THE KEY TO ORO CRUZ'S SIGNIFICANT POTENTIAL

Oro Cruz's existing resource estimate provides **Southern Empire** ([TSX-V:SMP](#) | [Frankfurt:5RE](#)) with an encouraging starting point to develop the project. But what really attracted the firm was the impressive exploration upside.

Data compiled from nearly 500 historic drill holes paints an extremely exciting picture.

Regular intersections of high-grade gold suggest Oro Cruz could play host to a significant deposit.

The following results are just some of the highlights from Oro Cruz's 610-meter plunge of known mineralization:

6.9 metres of 23.1 g Au/t (OC-428)	4.6 meters of 13.6 g Au/t (OC-258)
19.8 metres of 7.9 g Au/t (OC-157)	4.6 meters of 11.7 g Au/t (OC-168)
13.7 metres of 11.1 g Au/t (OC-280)	3.0 meters of 12.8 g Au/t (OC-159)
10.7 metres of 12.5 g Au/t (OC-382)	6.1 meters of 9.3 g Au/t (OC-07)

The suggestion is that the deeper and wider **Southern Empire** drills around the known resource, the more gold it will find.

This exploration theory is incredibly straightforward, yet **Oro Cruz's wider potential has *never* been properly tested.**



# ORO CRUZ'S EXCITING HISTORIC DRILL RESULTS

Modern mining at Oro Cruz dates back to 1995, when it was owned by a local joint venture called American Girl Mining. However, that enterprise abandoned the project after just one year in the face of low gold prices at the time.

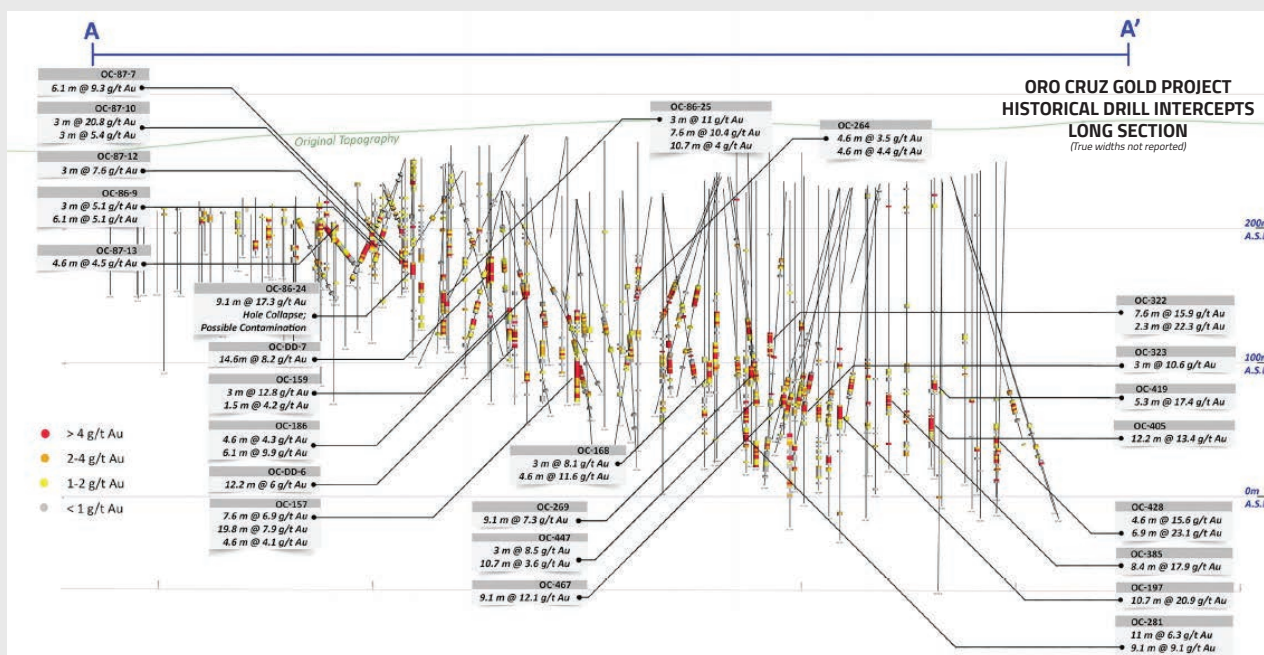
It didn't leave, however, before it finished an open pit and more than 2.5 kilometres of underground workings. Little work has taken place since, and the site remains in great shape to this day.

The immediate opportunity at Oro Cruz blew away **Southern Empire** (TSX-V:SMP | Frankfurt:5RE) director James Hutton. The well-known successful mining financier says he took one look at the project's advanced status and excellent grades before jumping at the chance to join the company:

**"I took one look at those drill hole results and said to Dale, 'You have got to be kidding me'. You just aren't going to find many mining deals with open-ended drilling intersections like these that have never been progressed.**

**The fact we can just go in and immediately follow up on these intersections makes this one of the best projects that I have ever seen at this stage of development."**

**Historical drill intercepts (not true widths) at Oro Cruz**



Source: Southern Empire Resources



# ORO CRUZ - A **READY-MADE** TAKE-OUT TARGET?

Oro Cruz's unexplored potential becomes all the more surprising when you consider its world-class neighbourhood. It sits in the "Mojave-Sonora" geological trend, which runs across the U.S./Mexico border and is home to many huge mines.

By far the most important of these for **Southern Empire** (TSX-V:SMP | Frankfurt:5RE) is Equinox Gold's Mesquite open-pit, heap-leach gold mine. This project is expected to produce somewhere between 120,000-130,000 ounces of gold this year, in line with its average production over the last decade.

However, as things stand, this rate cannot last forever. With [remaining reserves](#) of 1 million ounces ("Moz") gold and Measured and Indicated resources of 1.9 Moz, Mesquite's remaining life of mine sits [somewhere between four and five years](#).

Equinox will either have to discover more gold at Mesquite or source it from somewhere nearby to push past this point.

Given that Oro Cruz sits just 22.5 kilometres away, it could become *an attractive target for Equinox*.

Initiating and progressing these sorts of negotiations should be no problem, either – links between the two firms already extend beyond a shared ZIP Code.

**Southern Empire's** director Jim Currie has a long history of working with Mesquite, most recently as chief operating officer of **Equinox**.

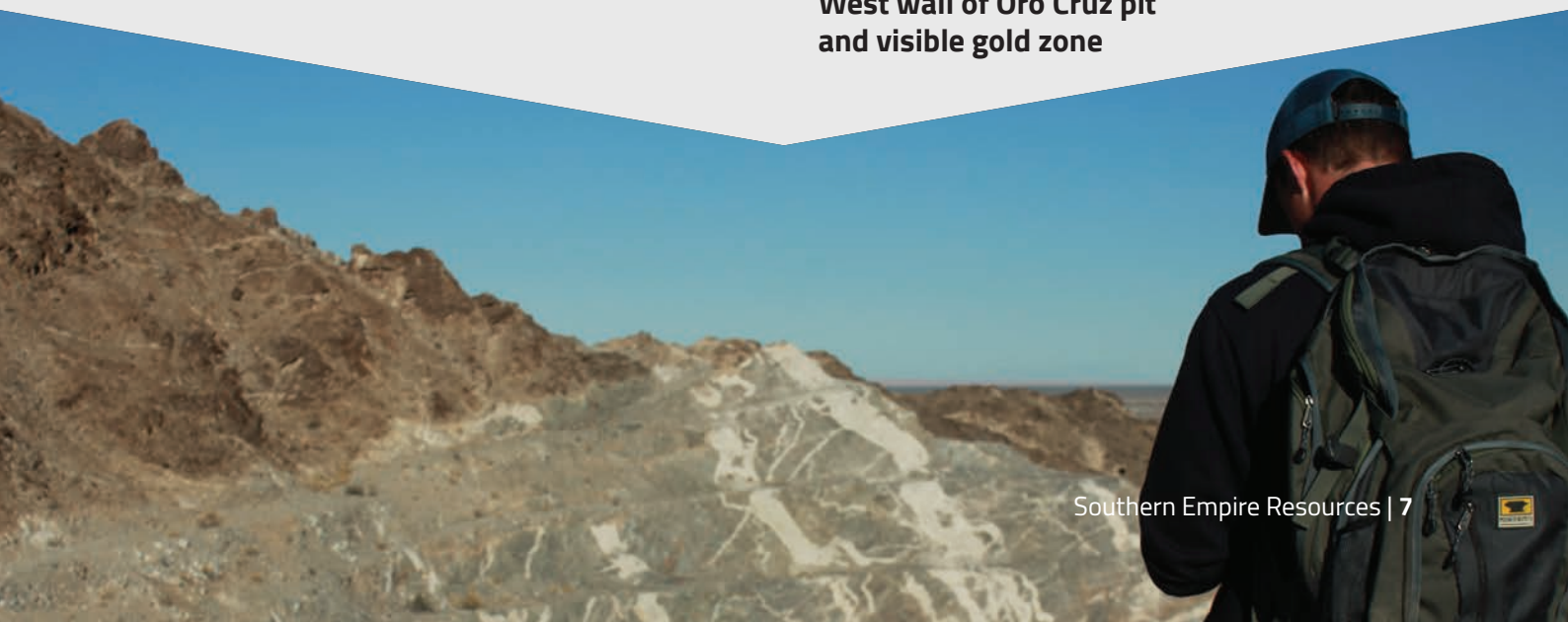
Hutton says the firm's focus will now centre on proving up Oro Cruz's noteworthy potential:

**"If we can build up ounces and prove up that tonnage at Oro Cruz, then it is going to look like an obvious option for Equinox- work to date only scratches the surface."**

**Jim Currie knows what Equinox will be looking for, and that will be extremely useful for any future conversations. The time to demonstrate and firm up Oro Cruz's sheer potential is now."**

Everything will now depend on the success of **Southern Empire's** planned drill campaign at Oro Cruz.

**West wall of Oro Cruz pit and visible gold zone**



# SOUTHERN EMPIRE'S PHASED APPROACH TO ORO CRUZ

**Southern Empire** ([TSX-V:SMP](#) | [Frankfurt:5RE](#)) has already set out a clear, initial development program for Oro Cruz, and approval to begin is expected by fall 2020.

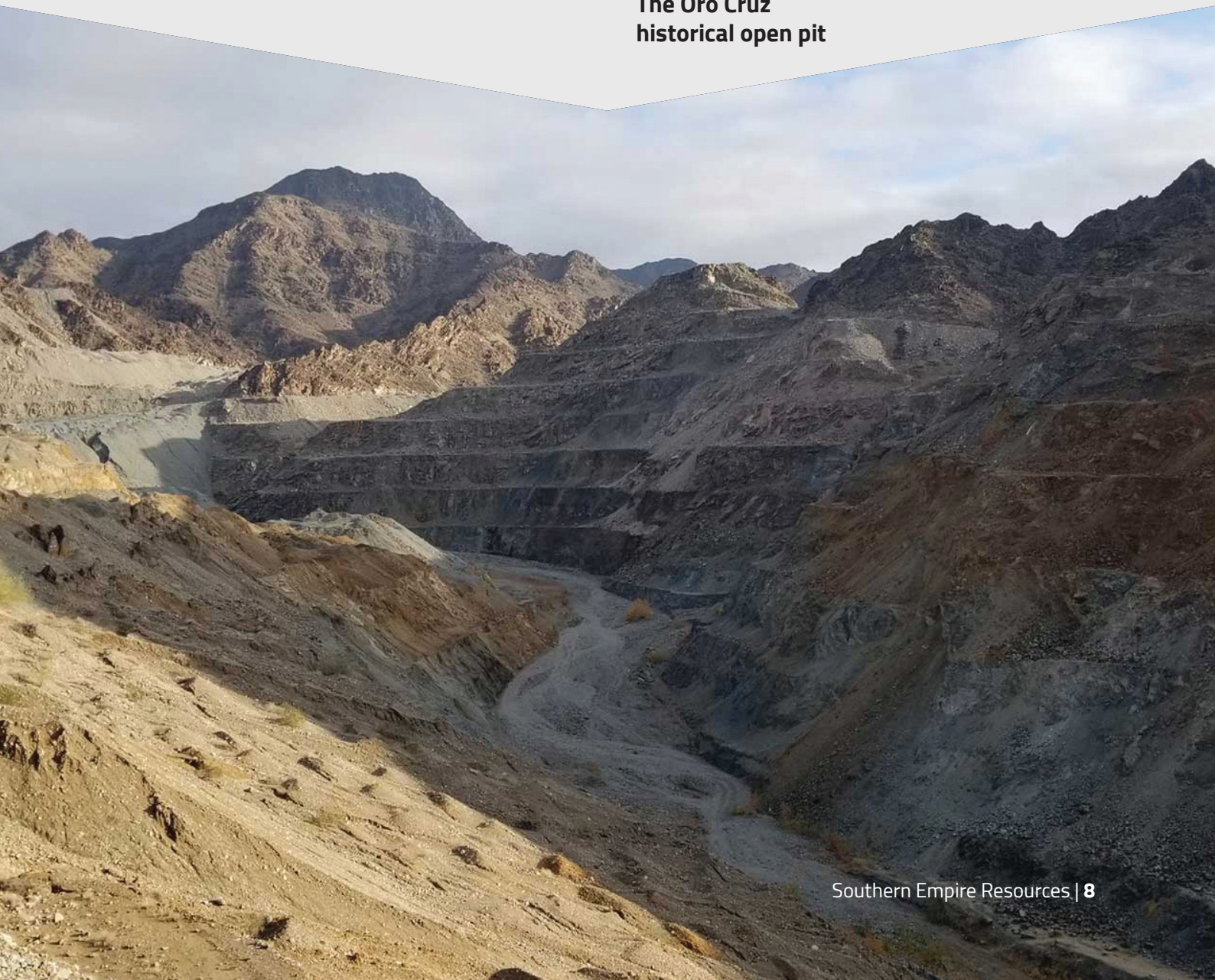
The first step will be a drilling and metallurgical testing programme. This will firm up the database of historic drill holes and support the creation of priority future drill targets.

Southern Empire then plans to publish a new, industry-compliant indicated and measured resource, encompassing a much wider area of mineralization. If this confirms the economic

model for commercial gold extraction, the company will then complete a Pre-Feasibility Study and detailed mine plan for a new mineral reserve estimate.

Delivering on these sorts of milestones is exactly what Oro Cruz firmly on the radar of Equinox and other major players. At a total cost of around US\$1.6 million, this work will be funded entirely from **Southern Empire's** [recent, oversubscribed US\\$4 million placing](#).

## The Oro Cruz historical open pit





# TWINNING - THE **KEY** FIRST STEP TO PROVING UP ORO CRUZ

Verifying existing hole data at Oro Cruz will be vital to **Southern Empire's** (TSX-V:SMP | Frankfurt:5RE) success. If the historic data is confirmed to be accurate, then confidence in the project's enormous potential should rocket immediately.

The key to this is an exploration method called "twinning".

Previous drilling at Oro Cruz used reverse circulation ("R.C.") drilling. This essentially involves hammering through rock with a rotating drill bit. Shards of broken-up rock are then flushed to the surface for analysis.

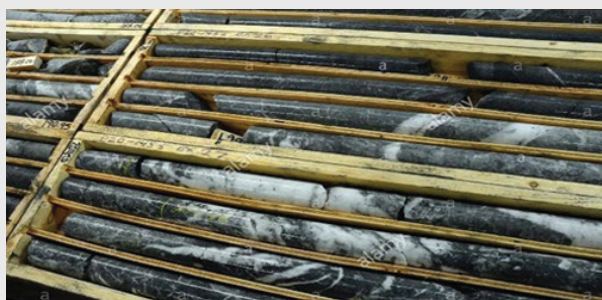
R.C. drilling has its benefits – it's very quick and very cheap. However, the results from it can be imprecise and limited. It is often best combined with a more sophisticated technique called **diamond core** drilling.

## Examples of R.C. drill cuttings



Source: U.S. Geological Society

## Compared to cored drill samples



Source: U.S. Geological Society

Here, the drill bit rotates through the rock to create an entirely undisturbed cylindrical "core" of rock that provides much more precise geological information. For example, unlike the wildly displaced chips created by R.C. drilling, diamond cores can map out geological structures and different layers of rock, showing their thickness and position in relation to each other.

**Southern Empire** plans to verify and firm up the high-grade historical R.C. intersections from Oro Cruz by 'twinning' them with adjacent diamond holes.

In doing so, the company's chief executive Dale Wallster tells us that the company will be able to paint a much better picture of the project's geology beyond the existing open pit.

**"R.C. tends to deliver lower grades over a greater width than core drilling.**

**There is currently just one twinned hole on Oro Cruz. With RC drilling, it intersected 18.3 meters at 6.5 g/t gold. But with a core hole, the same area intersected 14.6m at 8.2 g/t.**

**If these sorts of improvements can continue through our own twinning, we can verify the excellent high-grade drill holes and build a much better handle on geology, grades, and thicknesses - key elements in taking Oro Cruz forward."**

# EASTGATE - THE NEVADA GOLD PROJECT

The second major opportunity in **Southern Empire's** ([TSX-V:SMP](#) | [Frankfurt:5RE](#)) portfolio is Eastgate.

This is a high-grade, oxide gold project situated about 100 miles southeast of Reno in Nevada.

After a decade of inactivity and private ownership, **Southern Empire** recently managed to take an 85% position.

So, why was it so keen to get involved?

For one, Nevada is one of the world's leading mining jurisdictions – >2,000-acre, undeveloped projects are like gold dust.

But Wallster tells us there is a second, less obvious reason.

He believes **Eastgate has been entirely misunderstood through history.**

See, the project hosts what is known as a high-grade gold and silver epithermal vein system.

In simple terms, these systems form in volcanic settings that heat and drive mineral-laden groundwater along subsurface cracks. Through cycles of boiling and cooling, gold, silver and other metals precipitate out of this liquid with quartz, forming systems of "quartz bonanza veins".

The high-grade, low-tonnage gold and silver deposits in these epithermal vein systems are the basis for some of the world's leading mines.

In particular, **Southern Empire** sees many geological similarities between Eastgate and the high-grade Midas Gold Mine, also in Nevada.

Although currently inactive, **Hecla Mining's** (NYSE: H.L.) project boasts great historic, high-grade underground production. Since modern mining began in 1998, it has thrown out around 2.2 million ounces of gold and 26.9 million ounces of silver.

The similarities are so notable that Ken Snyder—the geologist who discovered Midas – even endorsed Eastgate for acquisition back in 1998:

## Similarities between Eastgate and the Midas Mine



Midas Vein at surface (Ken Snyder mine, Elko County, Nevada)



Eastgate vein at surface (Nevada)

*Source: Southern Empire Resources*

**"It is recommended this property be acquired on the grounds that it is a high grade, has reasonable blue-sky potential, has no obvious environmental or political liabilities, and can probably be tested conceptually with relatively few drill holes at a relatively small overall cost."**

So it is something of a mystery that the various private owners of the property haven't taken it through development.

But for **Southern Empire's** shareholders this failure has created an incredible opening.



# THE HIGH-GRADE GOLD POTENTIAL AT EASTGATE

Eastgate’s high-grade gold potential has been missed by its previous operators, because they seem to have viewed it as a low-grade, bulk-tonnage prospect.

This was a mistake that **Southern Empire** (TSX-V:SMP | Frankfurt:5RE) will now correct.

The only party that has focused on Eastgate’s epithermal vein potential was Cabot Exploration, which discovered the “*Cabot prospect*” at the property back in the 1990s. This centred on four high-grade R.C. holes boasting the following intersections:

- 3.05 meters of 8.57 g/t gold (RC90CEG-1)
- 4.57 meters of 10.30 g/t gold (RC90CEG-2)
- 3.05 meters of 3.77 g/t gold (RC90CEG-3)
- 3.05 meters of 7.58 g/t gold (RC90CEG-5)

Cabot **had planned** to follow up on its promising results, but could not secure sufficient funding.

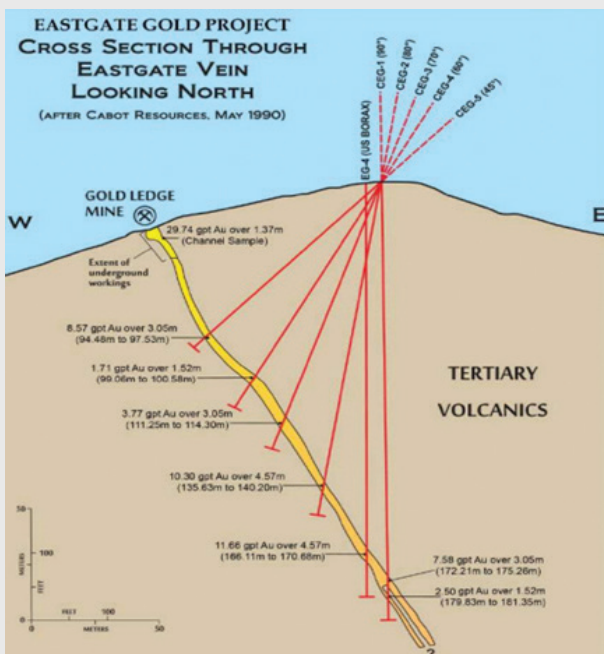
**Southern Empire** is now stepping up at this enormous opportunity where Cabot was unable.

It recently completed its first drill programme here, using diamond core drilling to confirm and expand upon Cabot’s R.C. efforts. Full assays are currently being reviewed, but the first two holes intersected Eastgate’s vein structure with one hole hitting 3.05 meters grading an impressive 8.57 g/t gold.

Moving forward, Hutton says he couldn’t be more excited about what’s next at Eastgate:

**“The Eastgate project may be one of the most compelling drilling opportunities in Nevada at this point, given the high-grade potential and the general absence of drilling with the correct focus in the past.”**

The Cabot discovery



Source: Southern Empire Resources

Eastgate



Source: Southern Empire Resources

# THE INVESTMENT CASE FOR SOUTHERN EMPIRE AS GOLD PRICES SOAR

Gold prices are soaring.

Analysts from Goldman Sachs expect the precious metal to pass the \$2,000 an ounce threshold within 12 months.

With investor and M&A interest picking up, all gold explorers and developers are enjoying the exceptionally bullish conditions.

However, even in these promising times, **Southern Empire** ([TSX-V:SMP](#) | [Frankfurt:5RE](#)) stands out in front of the pack:

- ✓ The firm's projects are based in Nevada and California, two of the most mining-friendly and geologically-prospective states within the U.S., one of the world's leading gold mining nations.
- ✓ **Oro Cruz** already boasts an historical inferred resource of 341,000 ounces at 2.4 g/t (Au/t) from 4.4 million tonnes.. This is open both at depth and width.
- ✓ Historic mining and drill results point to a **truly vast** degree of exploration upside potential that has never been tested using modern drilling techniques.
- ✓ **Oro Cruz** could be of **huge interest** to neighbour **Equinox Mining**, if it wants to extend the mine life of its Mesquite operation.
- ✓ **Southern Empire** is now embarking on a fully funded diamond drill campaign to assess Oro Cruz's real potential.
- ✓ In parallel to this, Southern Empire has started work on the large **Eastgate Gold Project** in Nevada, a state where miners fight to stake ground.
- ✓ Local mining legend Ken Snyder recommended Eastgate for acquisition owing to its similarities to the world-class Midas Gold Mine.
- ✓ However, previous exploration at **Eastgate** has been approached in entirely the wrong way over the years, meaning **Southern Empire** now stands to profit greatly from its full geological potential.

Having raised C\$7 million to fund exploration across **Oro Cruz** and Eastgate, **Southern Empire** is perfectly positioned to build on its recent market momentum. Results from its high-impact drill campaigns are expected over the second half of 2020 and these could be transformational.



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