

ESGold (CSE: ESAU | OTCQB: ESAUF | FSE: Z7D) is a near-term producer of silver, gold, and mica from its Montauban Project located in Quebec, Canada. The Montauban project is a tailings stockpile which will be processed to generate cash flow and facilitate the remediation of the property to environmentally safe standards. In addition, there is significant exploration upside from this historical silver, gold, zinc and lead mine.

The company looks a lot like another successful silver miner: GoGold Resources.

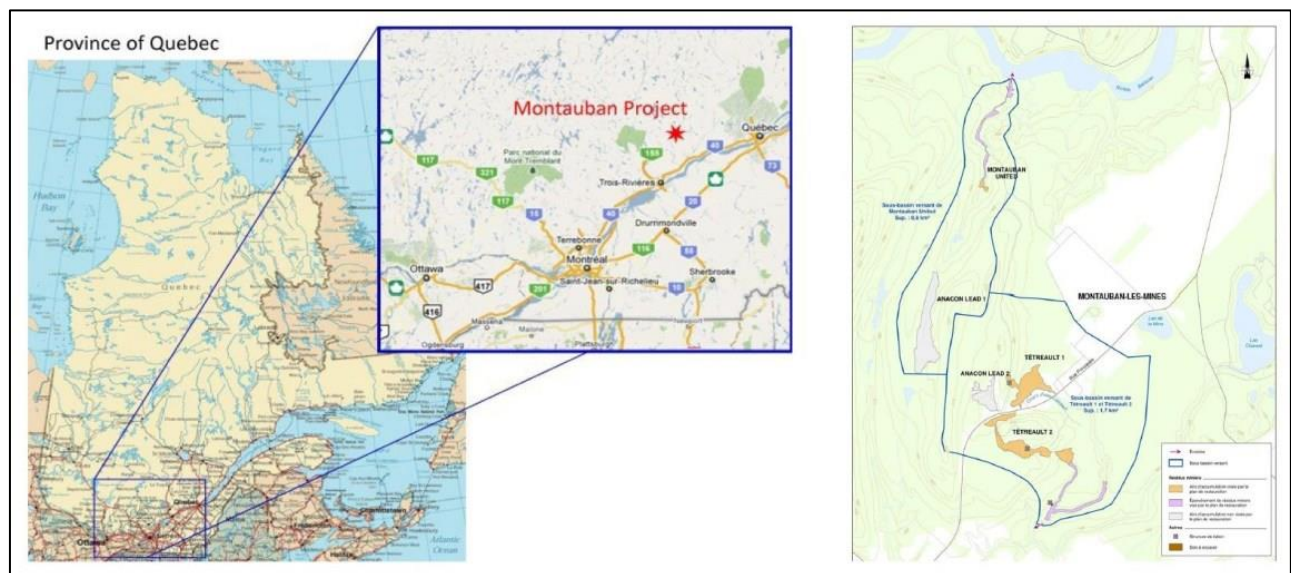
It was actually ESAU's president, Brad Kitchen, who pointed out to me the similarities. GoGold already produces cash flow from its Parral project, but its big upside has come from organic growth through exploration, resource growth, and now the near-term development of its Los Ricos South project. As you'll see, ESAU is earlier stage, but the parallels are exciting.

People

ESGold is headed by President Brad Kitchen whose experience includes investment banking and senior management positions with resource companies. Kitchen's history includes vending the standout Windfall project to Osisko Mining. The CEO is Paul Mastantuono, whose entrepreneurial background includes founding a transportation company, later focusing on the transport of bulk construction materials, and working on major infrastructure projects. Director Andre Gauthier is a geologist with nearly five decades of experience, exploring in over 35 countries. Geologist Claude Duplessis is a senior engineer with over 26 years in mining, including resource estimation, orebody modelling and audit of resources and geotechnical studies. Duplessis spearheaded the initial Montauban Preliminary Exploration Report.

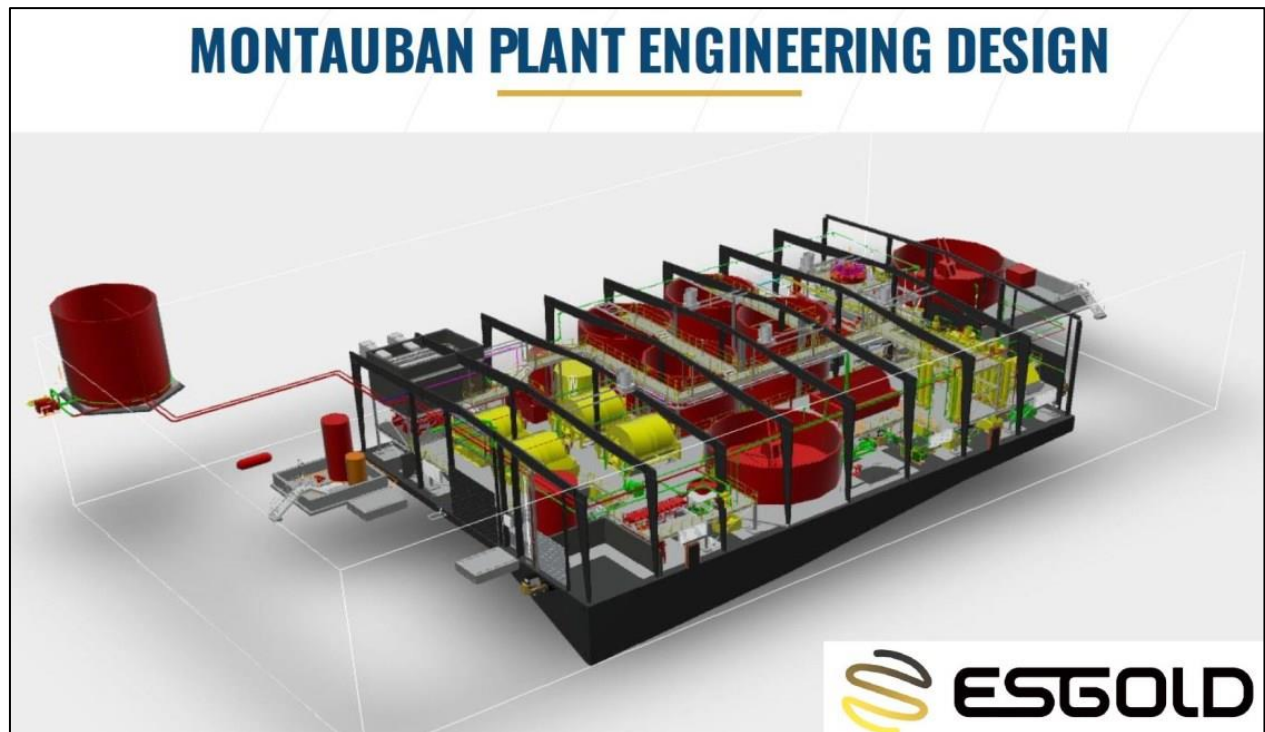
Project

Montauban is located about 80 km west of Quebec City, in the province of Quebec, Canada.



The Montauban Project has two facets. The team will build the processing circuit to begin processing tailings and simultaneously advance exploration on the project's large land package.

Montauban is fully permitted to operate a 1,000 tpd closed circuit tailings processing system. There is already a 16,000 sq. ft. steel structure building in place, a hydro power line to site, and a 1.3km access road.



There are two milestones to be met in sequence. The first is funding to complete the mill, which is expected to be completed in the near term. The second is construction of the processing circuit, which will take 6 months. With this timeline in mind, I expect the mill to be completed by end this year and to start operating by early next year.

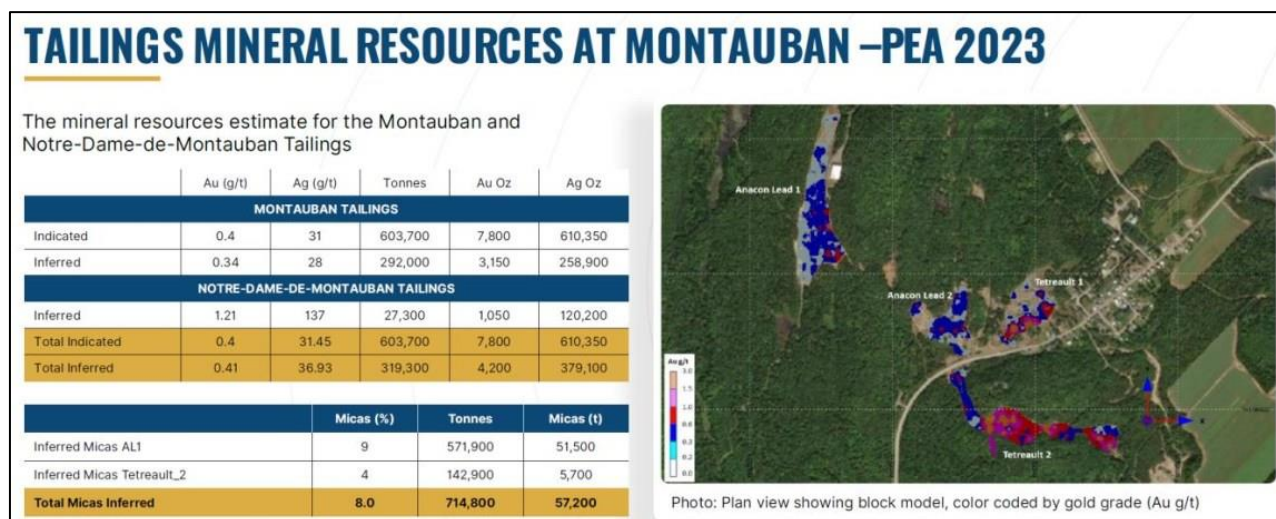
What's interesting about the planned tailings processing is that ESGold is partnering with Dundee Sustainable Technologies (DST), which uses the DST CLEVR Process™, a non-cyanide, environmentally friendly gold-recovery technology, on legacy tailings material from the Montauban project. Testing was done on a bulk sample from the tailings material grading 1.21 g/t gold and 137 g/t silver.

Initial results are very encouraging, with the CLEVR Process™ generating high gold recoveries over 90.9% with final residue gold below detection levels, while silver values grade 760 g/t, suggesting strong silver recovery potential.

The CLEVR Process™ improved gold grades through mass-loss associated with sulphide removal, boosting grades from 3.69 g/t gold to 6.01 g/t gold. An oxidative thermal pre-treatment reduces sulphide content from 29% to 0.48%, dramatically improving processing conditions. The gold leaching was very efficient, completing within one hour. Future work will be performed to optimize reaction times and silver recovery, improving economics.

The tailings processing promises to be a very profitable project over about 3 years.

The Preliminary Economic Assessment (PEA), using a USD\$1,750 gold price, a \$USD21 silver price, and a \$USD200 mica price, provides for an NPV of \$14M, and IRR of 23.4%, and a payback of just 0.9 years, with total revenues of \$62M. Management is working to release an updated PEA using USD\$2,900 gold, \$USD32 silver and USD\$520 mica. This should have a dramatic effect on the project's overall value and profitability. This is based on the 2023 PEA with the resource in the figure below.



That's nearly 1 million silver ounces, 12,000 gold ounces, and about 57,000 tonnes of mica in all resource categories.

Using higher metals prices should provide for a NPV (5%) over CA\$65M (twice the current market cap) and an IRR somewhere north of 150%. That's not a typo.

In addition to the above resource, there is also a 2009 NI 43-101 compliant historic resource that was not commissioned by ESGold but is near surface and consists of another 47,000 gold ounces averaging 3.76 g/t plus 481,000 silver ounces averaging 38.33 g/t.

We know that there is plenty of further production potential. In its history, the mine has produced about 150,000oz gold, 7 million oz silver, 16,000 tons of zinc, and about 40,000 tons of lead.

I'm bullish on these significant revenues that will sustain the company, minimizing the need for regularly financing through dilutive share issuance. That cash flow should also allow for significant exploration activity, where I see major discovery potential.

To accomplish this, the team will be systematically exploring the consolidated Montauban land package. To that end, they have completed a cutting-edge Ambient Noise Tomography (ANT) geophysical survey to develop a comprehensive 3D model of the Montauban deposit down to 800m. This will help to identify high-priority drill targets, and to assess the true scale and depth of the deposit. Depending on the outcome, the team is considering a property-wide ANT survey to test the full extent of the Montauban system.

Montauban boasts a 13,166 hectare land claim that we know is rich in gold, silver and base metals, whose past production has surpassed \$1.4 billion from a prolific VMS district over its 110-year

history. VMS deposits are known to be rich and offer scale, with some of Quebec's largest deposits reaching major depths and boasting world class size.

Back in 2009 there was drilling done, mostly within just 25 meters from surface, while a limited amount did reach to 50 m. Have a look at some of the best intercepts in the table below. Keep in mind that these results haven't been verified by ESGold and aren't considered to be NI 43-101 compliant. Nonetheless, they are outstanding and give me plenty of reason to be excited, especially given how shallow they are.

Tableau 1. Meilleures intersections aurifères de 2009

Trou	De (m)	À (m)	Intervalle	Au (g/t)	Ag (g/t)
EM-09-01	13.00	17.30	4.30	4.82	19.03
EM-09-11	13.88	15.00	1.12	8.53	30.50
EM-09-15	0.50	5.00	4.50	2.15	15.11
EM-09-17	1.50	5.00	3.50	3.43	17.34
EM-09-21	1.50	4.50	3.00	8.96	18.94
EM-09-23	1.50	10.00	8.50	2.54	19.69
EM-09-25	1.00	6.00	5.00	1.41	10.62
EM-09-27	1.50	10.00	8.50	7.34	17.02
EM-09-28	3.00	5.58	2.58	14.32	25.84
EM-09-29	3.15	9.00	5.85	2.92	11.69
EM-09-35	7.40	12.50	5.10	6.77	24.29
EM-09-38	5.50	13.50	8.00	3.13	13.70
EM-09-40	10.50	19.50	9.00	4.10	16.49
EM-09-41	12.50	19.50	7.00	2.07	6.43
EM-09-45	8.00	10.00	2.00	7.16	0.90
EM-09-47	3.50	5.50	2.00	3.24	6.85
EM-09-56	15.00	22.00	7.00	4.49	12.37
EM-09-58	17.00	25.00	8.00	3.78	28.26

The gold grades are outstanding, range across 1m – 9m in width, and are nicely enhanced by respectable silver grades as well. There are also significant copper and zinc grades in addition. What's more, there are multiple mineralized horizons identified along strike, with evidence for continuity at depth. Zinc and lead enrichment are consistent with VMS deposits and suggest strong potential for a larger polymetallic system.

Using the ANT survey, the team plans to integrate historical data with new geophysical results to get a better grasp of Montauban's potential. Then the team will use cash flow from tailings production to explore and expand the near surface and underground resource and to advance it towards Feasibility.

The tailings remediation project is also fully scalable and can be applied to other abandoned mining and exploration sites in Quebec with contaminated tailings. The company's technical team already has an inside track on which are some of the most attractive such projects.

Corporate Structure

ESAU has approximately 73M shares outstanding. About 60% of shares are held by friends and affiliates, 5% is institutional, management holds a significant 10%, and about 25% makes up the public float. For a company whose shares trade about 150,000 shares per day with just 25% as public float, that's quite impressive.

With its recent financing, the company has raised about \$CAD3.4 million, bringing the current cash to about CAD\$4 million with no debt. This will allow the team to advance with about \$2M going towards construction and the balance for operations and marketing. There are about 16 million warrants which are currently in the money but can only be exercised once the 4-month wait period is over. Management is looking to raise an additional CAD\$4 million to complete construction.

In my view the market is essentially oblivious to three main drivers. First, the updated PEA will give a dramatic boost to the project's value and profitability. Second, we know there has been important historical production and that the 2009 drill results show impressive gold and silver grades over significant widths. The near-surface potential could add 3-4 years of mine life. And third, significant near-term cash flow will set this junior apart. The current market cap near \$25M is less than the first year's revenues.

With all this in mind, I expect the upcoming geophysics to reveal major deposit growth upside. As financing falls into place and the ANT survey unveils potential, we could start to see a major re-rate in the stock over the next several quarters. I think ESAU is a realistic candidate for 50% to 100% gains in the next 12 months.

We may just have another GoGold Resources on our hands.

Your Silver Guide,

Peter Krauth

As always, [read our disclaimer here.](#)

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