



rhstruthers@gmail.com

Know when to hold-em!
Know when to fold-em!
Know where to set stops!
Know when to run!
Never count your portfolio
Until the sells are done..

Zonte Metals TSXV:ZON OTC: EREPF Recent Price \$0.05
Entry Price \$0.15 Opinion – strong buy

There is a very good monthly publication that comes out of Columbia called Colombia Gold letter. The December 1st issue had an update on Zonte on page 7 which is the Exploration Companies section and here was the conclusion - the bold highlight is my doing

“Whilst the mining authorities may be loath to award fractions within the concessions of another company, there is a recent precedent of this occurring when Galway Resources obtained fractions over the ore body of Ventana Resources/ AUX’s Mascota deposit in Santander that ultimately resulted in Galway being purchased by AUX. Applying for such concessions is clearly an opportunistic move by ZON, but it is probable that it will lead to success. With Gramlote due to receive its environmental permit to build a mine in the near future, these fractions will have significant value to both ZON and the Gramalote JV partners, which begs the question as to why BTO/AGA did not apply for them in the past. “

You can find an interview with Editor Harris at this link, it was October so before the Zonte news but he also talks about Continental Gold CNL on our Selection list

<http://www.theaureport.com/pub/na/paul-harris-preaches-investor-patience-in-colombia>

When I seen this piece out of Colombia on the precedent with Galway I started researching

Ventana Gold held 4,590 hectares of exploration property in the historic California-Vetas mining district of Colombia, consisting of two project areas, La Bodega and Cal-Vetas. It was discovered in 2006 and by 2011 the **La Bodega project, had a total inferred resource of 3.5 million gold ounces**, 19.2 million silver ounces, and 84.6 million pounds of copper. The resource was based on 341 holes totaling over 126,000 metres of drilling.

*******Galway Fractional Claims*******

In May 2010 Galway announced they acquired fractional claims (like Zonte) in and around Ventana's claims. I could not find the maps referred to in the May 2010 news release but this was the text and I provided links

Figure 2 shows Galway's increased land package in the California district, with notable additions being long and narrow concessions, known as fractions, located in part along the border of several of Ventana Gold's properties, and the San Marcos concession, which contains five small-scale mines.

Figure 3 shows Galway's fractions, the most strategic of which is a 360 meter long tenement that is situated within the La Mascota structure. La Mascota is a large scale and high grade epithermal gold, silver and copper enriched system. Indeed, this 360 meter long fraction is located between Ventana's Colorado property and its recently acquired La Baja concession, and terminates at Ventana's La Bodega property on the northeast end and its El Cuatro property on the southwest end. Ventana has reported drill results near this 360 meter long fraction, the most notable of which was drill hole 159, which contained 41 meters grading 6.02 grams per tonne gold (g/t Au). Other notable drill results are provided in Figure 3. Galway also controls several other fractions along the borders of various other Ventana concessions, through which the Las Mercedes structure is believed to cross.

http://www.galwaygoldinc.com/s/NewsReleases.asp?ReportID=565589&_Type=News-Releases&_Title=Galway-Increases-Its-Land-Position-By-67-In-California-Colombia

Ventana Takeover

In 2011 Ventana was subject to a takeover battle and in August 2012 Ventana Gold agreed to a takeover at \$13.06 per share.

Ventana is selling an 80-per-cent interest in the company to Mr. Batista, through his resource conglomerate EBX Group, for \$13.06 per share in cash. Mr. Batista already owns 20 per cent, accumulated through his 63X Master Fund. The \$13.06 offer is a slim 3.4-per-cent premium to the \$12.63 hostile bid Ventana has fought for the past three months. The latest offer represents a 30-per-cent premium over Ventana's share price on Nov. 16, the day before EBX affiliate AUX Canada Acquisition Inc. announced its hostile bid.

<http://www.theglobeandmail.com/globe-investor/brazils-eike-batista-snags-ventana-gold/article534354/>

In the end it got taken over by a private company AUX Canada that Batista took control off

<http://www.newswire.ca/news-releases/aux-completes-acquisition-of-ventana-gold-507831421.html>

*****Galway Bought for Fractional Claims*****

Now here is the juicy part that us Zonte shareholders will like:

To resolve the fractional claims that Galway held - in December 2012 Galway agreed to a takeover by AUX Canada for \$2.05 per share. It really was not a takeover because Galways other assets got spun out into two other public companies with US\$30 million in funding.

At the close of business on November 16, 2012, 135,879,134 Galway Shares and 5,260,137 Galway Warrants were issued and outstanding. This was on page 27 off the takeover Circular, link below

Because the warrants were all in the money with the take over price - AUX paid \$2.05 X (135,879,134 + 5,260,137) = **\$289,335,505 for Galways fractional claims.**

Galway Resources June 30 2012 financials showed \$4.5 million in cash so the deal included another \$25 million in cash to fund the two spin outs, so in total we are looking at \$314 million

For round numbers lets just say \$300 million

From Galway Resources news release December 2012

Pursuant to the Arrangement, AUX Canada will acquire all of the outstanding common shares of Galway for a per share cash consideration of Cdn. \$2.05, plus 1.0 share in Galway Gold, which will hold the Vetás gold project currently held by Galway and 1.0 share in Galway Metals, which will hold the Victorio tungsten-molybdenum project currently held by Galway. Galway Gold and Galway Metals will be well capitalized with US\$18 million of cash and US\$12 million of cash, respectively. This transaction will result in AUX Canada acquiring the California project and owning approximately 17.5% of the common shares of Galway Gold, namely 10% from the Arrangement and approximately 7.5% from its pro rata share of Galway Gold common shares as a result of holding Galway common shares.

http://www.galwaygoldinc.com/s/NewsReleases.asp?ReportID=565640&_Type=News-Releases&_Title=Galway-Shareholders-And-Warrantholders-Approve-Arrangement-With-AUX-Canada

Take over Circular

http://galwaymetalsinc.com/i/pdf/2012-12-17_SM_Circular.pdf

This is the present situation with the two spin outs

Galway Metals GWM at 10 cents near the bottom of 9 to 16 cent range <http://www.galwaymetalsinc.com>

Galway Gold GLW at 7 cents down from 40 cents <http://www.galwaygoldinc.com/s/Home.asp>

Galway Resources 43-101 from 2012

Galway Resources drilled some of their small claims, a total of 68 holes down to depths as much as 860 meters, so ending up drilling narrow veins down deep and the 43-101 came out with an indicated resource of 424,000 ounces. I found this still on Sedar from 2012

I cannot cut and paste maps out of the 2012, 43-101 report but here are some facts

Galway's California Project comprised fourteen mining titles within the California Municipality. These titles cover approximately 407.19 Ha. There was one bigger title at 132.02 hectares that had none of the resource and the rest small from .02 to 38.12 hectares. **The 4 smallest titles were .02, 0.18, 1.0 and 1.35 hectares.**

To the owners of these claims they made payments of about \$9 million and 5.775 million shares

When I looked at a map of the claims non of the indicated resource was on the large claim but mostly on four smaller claims that covered an extension of the Ventana 3.4 Million ounce resource, so in essence it added 424,000 ounces to the total on strike.

It also showed longer narrow claims running right over Vetenna's deposit exactly like Zonte's over Gramlote

Conclusion

- This sets precedent that Zonte has a legal right to the fractional claims in question. There will be less question when it becomes known who Zonte's legal council is
- \$314 million was paid in a better mining market and there was some knowledge of the amount of Gold on some claims. Zonte will not get \$300 million
- Galway was able to drill some claims, but Zonte if/when awarded claims may not get access if they have to cross AngloGold's Ground
- Since some of Zonte's claims are right across the Gramalote pit we and know they have been drilled and contain Gold, but we will never know how much other that some ball park estimates.
- AngloGold and B2Gold will not be able to mine this without resolving the claim issue and they have spent a ton of \$\$ at Gramlote.
- I still believe my previous conservative estimate of around \$40 million is pretty good. The Ventana comparison is better than the Rye Patch one **and \$30 million would be 1/10th of the settlement that Galway got.**
- \$40 million with 25 million shares out on **Zonte is a \$1.60 per share valuation**
- At 6 cents Zonte is valued at a measly \$1.5 million which is a joke!!
- But that is easy to explain, **at this point as an investors there is only myself that knows this and probably Harris of the Colombia Gold publication and some of his readers yesterday.** Zonte Management is not even aware of this, so as you read this today one of you are # 3.
- I would take advantage and buy the stock cheap before the market figures this out

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