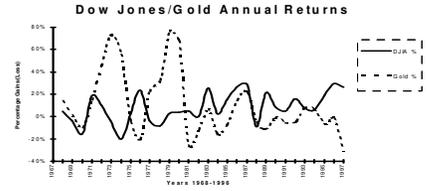




Gold



Energy & Tech Stocks

Weekly Hotline Message

(Now in our 33rd Year)

February 28, 2014

Watch List Entry

Fancamp Exploration Ltd.



Business: Quebec-based project generator/royalty company with substantial equity interests in advanced iron and industrial metals projects

Traded TSX:	FNC
US OTC:	FNCJF
Shares Outstanding:	139.1 Million
Price 2/25/14:	Can \$0.10
Market Cap:	Can \$13.9
Equity Investments Market Value ⁽¹⁾ :	Can \$17.5 Million
Working Capital:	Can \$1 Million
Progress Rating:	A3
Telephone:	604-434-8829
Web Site:	www.FanCampExplorationLtd.ca

(1) Based on: CHAMPION IRON MINES LIMITED (CHM 15.025 million @ \$0.35); ARGEX TITANIUM INC (RGX 6 million @ \$0.82); LAMELEE IRON ORE LTD (TSX.V-LIR 43 million @ \$0.17)



While this newsletter is mostly interested in precious metals these days, investors who have been right in suggesting the world will continue to function more or less normally indefinitely into the future may want to look at Fancamp Exploration Ltd. ("FNC"). While it has some exposure to precious metals, its main assets at this time are in iron ore and other industrial metals. There are two basic reasons why I am bringing this stock to your attention, even though it isn't largely a precious metals mining company.

1. It is a project generator company, which means management gets other companies to spend cash on high risk/high reward exploration work.
2. The company holds assets that are of significantly greater value than the market cap of this company. For example, its equity holdings of three companies alone in which it owns shares are worth more than its market cap as outlined above. But that's not all. In addition to that, the company holds property and royalty

interests in many projects, the most advanced of which it holds is a 10% equity interest in Champion Iron Mines Ltd. plus a 1.5% NSR.

For those of you who may have viewed Altius as too expensive for your taste when I recommended it a few months ago at a price 35% lower than now, FNC appears to offer a penny play that may be as undervalued or even more so than Altius. I consider FNC to be a “baby Altius.” As such, it is worth watching its progress.

Following is a summary of some of the company’s key assets:

- 1) **15.025million shares of Champion Iron Mines Ltd. (TSX-CHM) plus a 1.5% NSR.** Champion has a preliminary feasibility study on its Consolidated Fire Lake North (CFLN) project within its Fermont Holdings in Quebec (delineated 5.1 Billion tonnes of NI43-101 compliant iron ore resources). FNC owns a 1.5% net smelter royalty (NSR) on the Fermont Iron Holdings. Champion has recently entered into agreement with **Mamba Minerals** to create a new iron ore company to be named “Champion Iron Limited.” An upcoming CFLN Feasibility Study will evaluate the potential to produce 20 Million tonnes per year (mpta) of iron concentrate. It is my understanding that according to Champion’s management, that is more than sufficient volume to economically support an independent railway to the project. Champion has also increased and upgraded the project’s Global Mineral Resource to 3.567 billion tonnes on the CFLN project, which compares with a prior resource of 746 metric tonnes upon which a PEA was completed. Based on current information, FNC’s 1.5% NSR on Champion’s CFLN project should translate into annual royalty payments in the neighborhood of ~\$6.5 million with a 20 million tonne per year operation. It should be noted that the upcoming Feasibility Study is considering the potential at 20 Mtpa. However, it is also important to note that production is likely to be at least five years into the future. ***With Champion’s shares trading at around \$0.35, the current market value of this investment is around \$5.26 million. In addition, the 1.5% NSR figures to be of considerable value once the project is put into production, five years or so into the future.***

- 2) **Six million shares (representing 4.5%) of Argex Titanium Inc. (TSX-RGX) plus 2% to 4% NSR.** Argex has a patented and proprietary titanium extractive technology it plans to take to industrial production. It is the only TiO₂ process that can effectively extract TiO₂ from ores containing different contaminants such as MgO, V, Cr, etc. Argex also has a couple of properties that originated from FNC.V, including the La Blache Fe-Ti-V property in Quebec where the current combined initial NI 43-101 compliant mineral resource estimate totals 30.88 Mt grading 18.78% TiO₂, 63.29% Fe₂O₃ and 0.45% V₂O₅ in the measured and indicated categories with an additional 2.87 Mt grading 18.67% TiO₂, 63.06% Fe₂O₃ and 0.43% V₂O₅ in the inferred category. FNC.V had 9 million shares of RGX and sold 3 million of its position last year for \$2.1 million. FNC.V owns a 2% NSR on La Blache, rising to 4% two years after production. This 2014 FNC.V is entitled to and expected to receive \$100,000 in advanced royalty payments from RGX in 2014. ***With Argex Titanium selling at \$0.82, the current market value of FNC’s equity holdings in Argex Titanium is approximately \$4.92 million. In addition, the 2% to 4% royalty interest should provide added value.***

- 3) **43 million shares of Lamelee Iron Ore Ltd. (TSX-LIR) plus a 1.5% NSR.** This company (formerly Gimus Resources) is the subject of recent a reverse takeover performed by FNC. LIR is advancing the Lamelee South Iron Property in Quebec. In Q2-2013 FNC released an initial resource estimate on Lamelee South revealing Inferred Resources of 520Mt @ 39.5% Fe₂O₃ (27.6% FeT). The Lamelee South deposit is interesting from an economic point of view as it has a lot of iron formation squeezed into a relatively small area. A study indicates 100% of the Inferred Resources are in the pit shell (the area where the mining is expected to take place) (Note: DDH LS-12-23 yielded 333 m @ 41.7% Fe₂O₃ (29.1% FeT)). The team tasked with advancing Lamelee are the same individuals that started up the Consolidated Thompson’s iron ore operation at Bloom Lake. They advanced that project to buy-out

and in the process they brought the stock of Consolidated Thompson up to where they sold it for \$17 per share in 2011. The plan is to replicate that success at Lamelee Iron Ore Ltd. The immediate plan for Lamelee is to delineate the deposit further, conduct metallurgy, and conduct a PEA, which should lead toward Feasibility in 2014, with a target of production in 36-48 months. FNC has retained a royalty of 1.5% of the net sales price of minerals extracted from the Lamelee Iron Property. ***The current price of LIR is approximately \$0.17. Thus the current market value of FNC's holdings in this company is approximately \$17.31 million. In addition, it holds a 1.5% NSR on any future production.***

The current equity holdings alone are worth approximately \$17.5 million, compared to the company's recent market cap of around \$14 million. As exploration and development continues, more value may well be added going forward. ***Suffice it to say, based on equity holdings alone in these three companies, with zero value given for future cash flows from royalties or the many other properties the company owns that it is in the process of farming out to other firms, this stock is currently undervalued.***

Other Assets

Koper Lake Project, Ring of Fire – Ontario. This property is adjacent to Noront Resources Eagle's Nest Discovery FNC is the original claimholder and is vendor to *Bold Ventures Inc.*, which has an earn-in option agreement for up to 100% working interest on the Koper Lake Project. If Bold fulfills all its requirements, the deal will generate \$16.5 million cash to FNC.V and a Gross Metal Royalty (GMR) on the project of total revenue from the sale of all metals and mineral products. *The Inferred Mineral Resources sits at 46.5 million tonnes grading 38.8% dichromium trioxide at 20% cut-off, and on-going metallurgical work shows chromite amenable to reduction into metalized chrome and iron using natural gas. Bold and its partner KWG Resources are advancing the project, having announced plans to spend \$2M to drill down-dip extension of the resources. FNC is owed \$500K this year from Bold and will have a remaining ~\$15 million due as the deal progresses. FNC holds a 2% royalty on this property, which is scaleable up to 4% under certain conditions.*

A 47% ownership in Magpie Mines Inc., a private company advancing toward a spin-off into a public company. The Magpie Iron-Titanium-Chromium-Vanadium deposit in Quebec is considered to be among the world's largest undeveloped titaniferous magnetite deposits. NI 43-101 Mineral Resource released in 2012 sits at 928.4 Mt @ 42.3% Fe(T), 11.2% TiO₂, 2.6% Cr₂O₃, 0.3% V₂O₅. Resource growth potential appears readily achievable as the current compliant resource is only on one section of a larger historically-known deposit. The deposit has significant relief (a mountain rising from the ground) and appears ideal for an open-pit scenario. In Q4 2013 the Company signed a Memorandum of Understanding ("MOU") with the Pangang Group of China that included the possibilities of technology exchanges with respect to Pangang's smelting and beneficiation processes and their possible applications for the Magpie deposit. Metallurgical work performed in 2013 by a scientific group from China, interested in perusing the Magpie deposit, has dramatically upgraded the economics of the project. Metallurgical test work from SGS Lakefield and Sichuan Non-Ferrous Metallurgical Institute of China has yielded a TiO₂-grade to ~98%, and meets the specifications for marketable synthetic rutile products. In addition, a three-stage grinding/magnetic separation produced acceptable results for Fe-concentrate with a grade of 55% Fe and recovery rate of 89.5%. Further metallurgical test work will be performed on Vanadium and Chrome in the pig iron, as well as improvement on the aforementioned TiO₂ beneficiation test results. Another 47% of Magpie is owned by The Sheridan Platinum Group Ltd, which participated in its staking. FNC's objective is to spin out the entity in the next 12 months, obtaining cash, shares, and royalties, as per its business model.

Uracan Resources Ltd. Turgeon Lake Uranium Deposit -- The deposit also goes by the name "North Shore Project" in Quebec. The current NI 43-101 Mineral Resource sits at Indicated of 21.5Mt @ 0.014% U₃O₈ and an Inferred resource of 140.7 Mt @ 0.012% U₃O₈. FNC owns a 1.5% NSR for the first two years of commercial production, increasing to 2.5% thereafter.

Desolation Lake Polymetallic Project. FNC holds an 80% interest in this project with The Sheridan Platinum Group holding a 20% interest. The project is being advanced toward a spin-off. It hosts a 15 km magnetic trend located in James Bay Lowlands and has potential of substantial mineralization. Recent drilling has yielded impressive numbers, including 422 m @ 28.6% Fe(T), or 40.9% Fe₂O₃. FNC.V has plans to perform further exploration to delineate the size of the mineralized system and produce a NI mineral resource on Iron, Limestone. FNC's objective is to spin out the entity, obtaining cash, shares, and royalties, as per its business model.

MANAGEMENT

PETER H. SMITH, PhD, P.Eng. CHAIRMAN OF THE BOARD – Director and Founder of Fancamp Exploration Ltd., Consultant. Former Director, Prospectors and Developers Association of Canada, Member CIM and Member of Professional Engineers Ontario. Director since 16/01/1986.

JEAN LAFLEUR, M.Sc., P.Geo, PRESIDENT AND CHIEF EXECUTIVE OFFICER – Over 30 years of experience in exploration, project development and strategic corporate planning. Director since 19/01/2012.

MEL DE QUADROS, PhD., P.Eng. – Varied experience in exploration and development of mineral resources in Canada, USA, Latin America and Africa. Presently a Director of four exploration companies with projects in BC., Ontario and Quebec. Director.

GILLES DUBUC - Former manager of accounting, Union Carbide, businessman. Has served on boards of other public companies. Director.

THE BOTTOM LINE – This stock on the basis of its holdings in Champion Iron Mines, Argex Titanium, and Lamelee Iron Ore alone, is undervalued by approximately 15%. But if you allow value for future cash flows from royalties and the many other holdings this company has in eastern Canada, even in a continuing lackluster market like the current one, a case could be easily made for a double in this stock from its current price. Longer term as production nears and risk is reduced, it is not unrealistic to anticipate much higher valuations. Perhaps upwards to a four-fold increase over current values could be enjoyed by shareholders as the market begins to discount very sizeable future royalty cash flows. My only reservation in not adding this stock to my list now is my relatively bearish macroeconomic view on the global economy. That is why I favor gold and silver shares over base metal and industrial metal companies. If you disagree with that outlook or if you think my view is wrong, you may want to consider adding these undervalued shares into your portfolio simply as portfolio insurance through diversification. As for now, I will keep a watchful eye on this company, which under less stressful times would without doubt make it on my list as a buy.

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