G4G Capital's stock surges with option on Shawn Ryan's claims

The Yukon River in the White Gold district in the Yukon. Photo courtesy of Shawn Ryan.

Renowned Klondike prospector Shawn Ryan and his wife and business partner Cathy Wood require little introduction. The Yukon-based couple made it big finding two large gold deposits near Dawson City, and launching the largest staking rush the Yukon has seen in 100 years. They optioned their first discovery — the White Gold project, 95 km south of Dawson City — to Underworld Resources in 2007. Three years later, Underworld was acquired by **Kinross Gold** (TSX: K; NYSE: KGC) in a cash and stock deal worth $139 million. Ryan and Wood optioned their second discovery, the Coffee gold project, 130 km south of Dawson City, to Kaminak Gold Corp. in mid-2009. **Goldcorp** (TSX: G; NYSE: GG) acquired Kaminak earlier this year for $520 million. (Ryan and Wood were named *The Northern Miner*'s "Mining Persons of the Year" in 2010 for their groundbreaking work.)

With a track record like that — and Ryan's belief that he can find a third, if not a fourth gold deposit elsewhere on his claims — it's no surprise that in September, when he agreed to option all of his remaining properties in the White Gold district (that were not in current joint ventures with third parties) to **G4G Capital** (TSXV: GGC), the junior exploration company's shares surged 178% to 50¢. When the deal was finalized on Oct. 28, G4G Capital's shares rose 30% to 92¢. Today its shares trade in the $1.11 range.

The option agreement covers Ryan and Wood's 12,301 quartz claims spanning 2,490 sq. km in the White Gold district. The properties range from grassroots targets where ridge and spur soil geochemical sampling could be used for follow-up exploration, to more advanced targets where grid soil geochemical sampling, mapping, geophysical surveys and limited drill campaigns have been conducted, all to the tune of $25 million.

Under the deal, G4G Capital will pay Ryan and Wood $3.5 million in cash payable in tranches over four years, and give them 7 million shares in the company. The properties are subject to a 2% net smelter return royalty and Ryan will be appointed chief technical advisor for five years.

G4G Capital is a junior exploration company backed by the **PowerOne Capital Group**, a diversified merchant bank in Toronto founded by financier Pat DiCapo. On a fully diluted basis, DiCapo would own 29% of the company and Ryan 12%. G4G Capital plans to change its name to **White Gold Corp.** at a special meeting on Dec. 19.

David D'Onofrio, PowerOne Capital's chief financial officer, told *The Northern Miner* in an interview that the deal with Ryan makes G4G Capital the largest landholder in the White Gold district.

"We believe what we're doing here is pretty special," he says. "It's the opportunity to be one of the biggest players in one of the hottest areas of the world. To be able to accumulate this type of a land position in such a highly prospective area is pretty rare. The reality is that there's not much good ground left. We bought what Shawn had."

DiCapo, PowerOne Capital's CEO, also notes that having worked with Ryan previously, the group "was excited to back him on his next opportunity to build an exceptional company.

"We had a great experience with one another in the past," DiCapo says. "When Shawn decided to consolidate his entire White Gold claims, we knew we were the right financial partner. It's not every day you get to back a world-class prospector like Shawn, and we have made a long-term commitment to him."

The Northern Miner caught up with Ryan in Toronto on the sidelines of the Mines and Money conference in September to talk about the deal with G4G Capital, and his confidence that he can repeat his earlier successes in the White Gold district.

The Northern Miner: *How did you end up with so many of your claims back?*

Shawn Ryan: I had a portfolio of claims that came back to me when the market turned. People had spent $8 million on one project, $5 million on another — a lot of money was spent, but it was like building a race car and you get it three quarters built and they ran out of money before they could get an engine in, or a tire put on it. They've all folded or disappeared. They all rolled in at the height in 2010 and 2011, and when it crashed they said they had to walk. So I said: 'OK, bring all those horses back to the stable.'

TNM: *You also did all the soil work for the juniors who had options with you.*

SR: Yes. If you optioned ground from me, I allowed my ground teams to work for you, but if you didn't option the ground from me, I wouldn't let them work for you. That allowed us to take over 250,000 soils across this district, and I got to keep the master database because I owned the claims. So we have the haystacks outlined now.

TNM: *What is the plan with all of the targets you've identified?*

SR: We've got lots of land, we've got a method, and we've got a business plan. That's what is unique about G4G Capital compared to other juniors. We're going in with a mission to process these targets left and right. Our goal is to find a mine, not milk the market. It's to get in there and find the answers. Because we have so many targets, we're not afraid to drill six targets each year.

TNM: *What's the method?*

SR: The magic here is that a lot of companies do 20 drill holes in a season, but we have a budget to do 200 holes every season for the next three years. Instead of doing four or five diamond drill holes, we're going to carpet-bomb it with rotary air-blast (RAB) holes.

RAB is so cheap. Our rough RAB drilling cost is $10,000 per hole and a diamond drill hole is $50,000. We've lined up three years' worth of exploration — we're looking at $14 million — and I want to drill 600 holes. I'm drilling at 22¢ on the dollar, so I get five RAB holes for every diamond drill hole. It's like going hunting with a bow, you get more arrows to shoot, so you increase your probability.

The Hemlo discovery in the 1980s was Hole 76. Nobody is ever going to drill 76 diamond drill holes looking for something up there, because they always run out of money by hole five or six.

We start with the haystack and then we hone down, down, down looking for the needles. Sometimes we're down to 5-metre spacings in soils. The analogy I like to use is that it's like kissing a lot of frogs to find there are a couple of princes in there. We've got to kiss them and do it right, and if it's not there, it's not there. It's mother nature. But let's do a good job, because you can miss a deposit by five feet.

We've now found two targets where previous companies that had my ground missed the zone by 10 metres because they drilled this way instead of 90 degrees. The actual drill was sitting on the zone but they jumped too quick. My biggest drive is that I don't want to miss anything. You could be from here to the wall away and miss these things if you're not on the ball.

Shawn Ryan (far right) carrying early spring staking in the Yukon. Photo by Shawn Ryan.

TNM: *How many targets do you have?*

SR: We have 18 targets to drill, although some of them need polishing. Six targets to drill next year, six targets to drill in 2018 and another six in 2019. I don't believe there are deposits everywhere, but there should be one or two.

TNM: *You grew up in Timmins where your dad worked for the Kidd Creek mine, and he helped you get a job on the mine's geophysics exploration team after high school. How would you compare the Timmins camp and the emerging White Gold district in the Yukon?*

SR: It's kind of like the Timmins camp 50 years ago. It's a new district. Kinross has moved in, Goldcorp is there. So now the camp is becoming a camp. That's how camps are formed, one discovery at a time. This is brand-new. Although people didn't realize there is 20 million oz. placer gold from here already. In the Timmins camp where I came from, a good gold prospect is 1,200 feet below surface. This is *on* surface. It's a unique situation. We're just skimming the top 300 feet.

TNM: *Most people can only dream of finding one deposit. You've already found two.*

SR: I believe the science. I'm not a geologist and have no formal background, but what I do understand is a little bit of statistics. If I'm a prospector walking through the bush and I grab a rock and I assay that rock, and it has no gold in it, I get discouraged and move on. But if I take a soil sample, it's like a hand grenade — I get a 25-metre radius. If there's any smell of gold in there I'll pick it up.

One soil on the Coffee was the Latte. The White was three soils. We're talking 250,000 soils and one or two soils are the winners. Each one has to be done exactly like the other ones and you compare them with the same precision. In 2011 we ran the largest geochemical sampling program ever on the planet. It was 170,000 soils. It was 9,000 km of traverses.

TNM: *How did you manage that?*

SR: I actually spent a quarter of a million dollars training the crew for a three-week, army-type training program. How to take a soil, how to jump out of a helicopter, how to use a chain saw, how to use an axe, how to deal with grizzly bears, how to take a picture, how to set up a satellite dish, and most of all, how to take quality soil. We had 80 guys going in and out of the bush every day. Everybody thought we were going to land on our face, but it worked because it was well-thought-out, even down to the frozen dinners.

TNM: *What kept you going in the early years?*

SR: When I started this, it was like Sasquatch hunting. People would say: "What are you talking about?" and I would say "We've seen all this placer gold, but we don't know where it came from, so that's like Sasquatch tracks." But you have to believe it exists, and most people don't. That's the difference with a prospector. He believes. That's the first thing.

I still remember the White. I was going over this big mountain and I asked myself whether I really thought there was gold on the other side of the ridge. I still remember climbing the hill and it was hot, it was over 28 degrees Celsius or something, and I was sweating away, and I'm halfway up the hill and I'm questioning myself, "Should I go back to the boat? It's nice down there." But I thought "No, no, no, you've thought about this, finish the plan." So I climbed over the ridge and sampled the other side, and got a hit there. Wow! That was White Gold. Now we have a helicopter to move me around, but back then it was all on foot with an old boat.

A granite tor known as "The Granite Man," which sticks out on the landscape of the G4G claim block, north of Goldcorp's nearby Coffee gold deposit in the Yukon. Photo by Shawn Ryan.

TNM: *GroundTruth Exploration, which is owned by your wife Cathy, Isaac Fage and Tao Henderson, has developed or adapted technologies to improve the way exploration is done, and gives you the biggest bang for your buck. You use drones to survey the ground and direct-current (DC) resistivity surveys, allowing up to 830 metres of line to be surveyed a day — the system uses 84*

electrodes at 5-metre spacings. The company also uses portable GT probes that are designed to drive a cased hole to the bedrock interface and collect a rock sample to test for mineralization, and uses a portable XRF to detect mineralization.

SR: We're fine-tuning all these things. That's the beauty of everything we're doing — we don't need a permit to do any of this work now because we made the drill small enough, less than five-feet wide. They're not using water, and they're on rubber tracks. We don't need to cut big trees because all of our gear can go around them. You used to have to cut lines in the bush to know where you are, now we use GPS. We also use a downhole survey tool called an optical televiewer to map out the structure. We hardly even need a helicopter, we get airlifted in for a week. We can walk the remote control drills, we can put the compressor in one spot and we can lay flat hose up to 500 metres away with it.

We're going to do an 80- to 100-metre hole a day. We can process the data, beam it back to Dawson by satellite and the geologist can get it by midnight, and then make decisions right away.

TNM: *You can also work all year, right?*

SR: Yes. That was the big hindrance we used to have, it freezes up. If someone wanted a sample in March I'd say I couldn't get in there with a hoe until the middle of June, when it thaws up. Now if they say we need the data on Thursday, I can get the data on Wednesday for them. Instead of hoeing, I have this hammer drill — the GT Probe — that pounds down through the permafrost with a smaller-diameter pipe. We tested it at 35 degrees Celsius below zero. What we could never get to before, now takes us a minute to get through the first five feet of dirt.

TNM: *The mining industry is often criticized for sticking to old ways and never innovating.*

SR: What we're going through right now is a crossover. The people in the industry are basically in their late 50s and early 60s. They've been doing it the same way for 30 years. For example, everyone has been doing fire assays for the last 30 years. A standard fire assay costs $25. But inductively coupled plasma mass spectrometry [ICPMS] is half the cost and 80–90% as good, and if you find something you can fire-assay it.

A foggy day in the Yukon's White Gold district. Photo by Shawn Ryan.

Instead of assaying for three or four elements with a fire assay, you can get 36 elements with ICPMS. The next thing that came out was the GPS that allowed me to tag that soil in the bush with the assay with 5-metre accuracy. The third thing that came out was the geographic information system program, where I looked at all 36 elements in seconds or minutes, versus days. Now I can do 50,000 or 100,000 soils in seconds, and I can look at all 36 elements in less than 10 minutes.

I love doing case studies and showing people how I'm doing it, even if they're my competition. I'll show them what I'm doing mostly because if they screw up using a big hoe and make a big mess, I get painted with the same brush. If they can see better techniques, that's good for all, because a high tide lifts all boats.

TNM: *GroundTruth has trademarked its Drones to Drills program. Can you tell readers more about it?*

SR: Drones to Drills is a program where we run everything from drones to gather imagery, to new geophysical techniques (i.e., direct current resistivity) to the GT probe for bedrock interface sampling, and finishing off the program with RAB drilling. It's an all-in-one package that answers the question with the least cost and the least environmental disturbance — it's a win-win for everyone. The drone is made out of foam and it comes from Switzerland.

We were the first guys in Canada to run with it commercially. The first one we used cost $35,000, but they're cheaper now. The pictures triangulate down to 4 by 4 cm pixels, so you can tell the tops of the trees from the bottom of the trees.

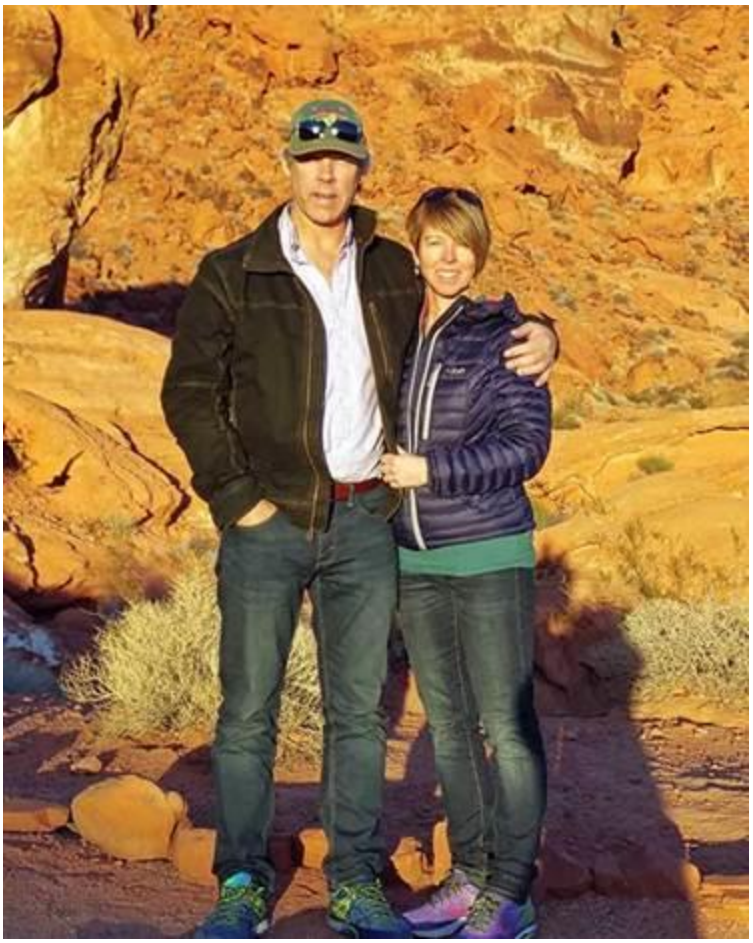
TNM: *It must be fun.*

SR: It is. It's like an Easter egg hunt. But the beauty of it is that it's history. I tell my guys to take a lot of pictures because they're going to be talking about this in a hundred years. They're probably going to be talking about it in 10 years. It's like finding a mushroom patch, where there is one, there's more, and nobody knows about it yet.

TNM: *Some people hate their jobs.*

SR: I used to say, 'I don't want a wage.' I find deposits right where the other guy stopped because they didn't have to climb the hill because the helicopter was going to pick them up. I don't work on greed, I work on fear. I don't want to be the guy saying "Crap, I was almost there and I gave up." I'll walk three mountain ranges because I don't get a wage and it makes you hungry.

Even right to this day I don't touch the money. My lovely wife does. She's in charge of that because I like to feel hungry. It makes you dig a little bit deeper.



Prospector Shawn Ryan and his wife and business partner Cathy Wood in the Valley of Fire State Park, near Las Vegas, Nevada. Photo courtesy Shawn Ryan.

TNM: *You describe the Yukon as "the land of opportunity."*

SR: Everyone knew about the Klondike and what we've found is not the source of the placer gold, but we now see what the source might look like. The White is 500 metres long by 500 metres wide, and it's 50 metres thick — it's a slab. It comes into a saddle in the hill on the ridge. But it stayed hidden. These things are hiding in there. In the Klondike there's only 2–3% outcrop exposure.

Most prospectors you see in the pictures have a rock hammer. But if the probability is one in 10,000 that you'll find something in an outcrop, and you're only looking at 2–3% of the Dawson area, what's the probability of finding that one in 10,000 in that 2–3%? That's crazy. You might as well go and get a real job. But soils are how we did it because it's non-glaciated. Like placer gold, the heavy metals in the soils percolated through the ground because it was never glaciated. So you actually had to use a soil auger — it looks like a tulip planter — and you just go down 2.5 to 3 feet and bang, you hit the response zone, and that's where it lights up. This is so unique because we're in the top-three feet here.

TNM: *You've said that sometimes you get a sixth sense that you're close to finding something*.

SR: When we first started in 1996, we boated 100 miles up the river, parked the boat, set up camp on an island and prospected from that location for a month. My wife was seven months pregnant. I didn't know what I was doing then. But we were literally 600 to 700 metres from the White deposit, not knowing it. Six or seven years later we got back to the same area and found it. I find that kind of interesting — that there was a "spidey sense" somehow, that it looked like a good spot.

TNM: *Do you plan to write a book?*

SR: Yes. And this is just Chapter 18 or 20. If everybody was impressed with what they've seen in the last five years, they haven't seen anything yet!

Now we have faster, better and more efficient tools, and we have all the haystacks lined up. I don't have to go looking for them, I know where they are. We just have to go and tweak them. This is going to be a fun run for the next three years.

TNM: *And PowerOne?*

SR: I have given them an area of influence. I'm telling Pat to enjoy this ride. This is history in the making. You'll never see this again. When we're done in five years, people will wonder how this happened so quickly. The real trick was being patient and understanding the land, kind of like mushroom picking, but with a bigger prize.