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Gold and camels in the Cariboo

As a general rule, the most successful man in life is the man who has the best information

From its headquarters at [York Factory](#) on Hudson Bay, the Hudson's Bay Company (HBC) controlled the fur trade throughout much of North America for several centuries.

Gold discoveries were not reported – it was good policy (as we shall see), on the part of Hudson's Bay, and other fur companies, not to talk about gold because protection of the fur trade was their overriding corporate interest.

"Small quantities of gold were reported by traders in the 1830s and at some posts became current in local trading, though not common or in quantity. Hudson's Bay Company policy, or the good judgement of the Chief Trader, kept news of such discoveries quiet until a large trove was brought into Fort Kamloops in 1856 by members of the nearby Tranquille tribe. When news of the find, and a large poke of gold dust brought to James Douglas, Chief Factor of the Columbia Department at Fort Victoria and also Governor of Vancouver Island, decided to ship it to San Francisco for smelting. Some historians have suggested he did so deliberately to spread news of the gold find so as to provoke a gold rush so as to force Britain's hand on the status of the British mainland north of the 49th parallel, which since the Oregon Treaty had remained unincorporated and had remained solely the domain of the fur company and its native clientele. American miners had been appearing more frequently on British soil and Douglas felt he had to take action." Wikipedia

The Gold Colonies

News of the gold discoveries in New Caledonia ([New Caledonia, today's north and central British Columbia](#), was a fur-trading district of the Hudson's Bay Company and was part of the British claim to North America) spread like wildfire. From 1858 to 1863, tens of thousands of miners and others, all

infected with 'gold fever', invaded the interior of B.C. - HBC's native fur-trading territory.

The first major gold find was 15 kilometers south of [Fort Yale](#) at Hill's Bar where miners worked alongside Chief Kowpelst and his people. During its heyday Yale was the largest town north of San Francisco and west of Chicago, hitting a peak population of roughly 16,000.

Two French miners raped a native girl near Lytton, they were caught, killed, and their beheaded bodies sent floating down the river as a warning. Several dozen miners and natives were killed before an accord was reached and the [Fraser Canyon War](#) ended.

On hearing of the atrocities Governor Douglas set into motion his plans to enforce British authority and sovereignty on the mainland. Douglas declared the Colony of British Columbia and was sworn in as its first Governor, on August 1, 1858. Also in 1858, at the age of 39, [Matthew Baillie Begbie, BC's famous hanging judge](#), was sworn in as a 'circuit' judge to bring British law to the colonies scattered mining communities.

Miners spread farther and further afield into the new colonies interior.

Discovery after discovery, gold rush after gold rush followed; Wild Horse Creek, Big Bend, Similkameen, Cassiar, Omineca, Tulameen, and of course the largest and most famous, the Cariboo.

Gold was discovered in 1859 on the Horsefly River by Peter Curran Dunlevey. Other strikes were on Keithley Creek and Antler Creek in 1860. Further strikes along Williams Creek in 1865 pushed the Cariboo Gold Rush into full swing.

From the Cariboo Sentinel comes the following:

- June 17th-July 29th 1865 - unparalleled yield of gold taken off Erikson claim in Cariboo. Above \$160,000 taken out in 7 weeks.
- Increase of Gold production of nearly 100% (or 1/2 million dollars) in one year. Production for June/July 1865 = \$950,648. Production for June/July 1864=\$475,158.

Barkerville was named after Englishman Billy Barker whose claim was the richest and most famous yielding 37,500 ounces of gold for the seven partners. At the peak of the gold rush Barkerville had about 10,000 residents.

All this activity focused attention on the mainland and led to increased development. Governor Douglas built, in response to the Cariboo Gold Rush, the 650-km [Cariboo Wagon Road](#) from Yale to Barkerville providing an important transportation route for further development of his newly created mainland colony.



The colony of Vancouver Island was also affected. Most miners, after sailing north from California, landed in Esquimalt Harbor not far from Fort Victoria to stock up on provisions and businesses

boomed.

"The search for gold is the single most dramatic event of British Columbia's early history. Although European settlement originally was founded on furs, it was the gold rushes of 1858 through the 1860s that changed the direction of development in this province for considerable time. These gold rushes not only brought a sharp increase in population and wealth but also initiated development of an early infrastructure of roads and services and directly influenced the shape of British Columbia's politics." Miners At Work, B. Griffin

Not for nothing was the Colony of Vancouver Island and the new mainland Colony of British Columbia called "the Gold Colonies".

Today, what is Canada's Province of British Columbia would very likely belong to the United States if it wasn't for Douglas, gold and prospectors.

Chasing the rainbow

Prospectors are today still scouring the bush, in remote, and not so remote places – chasing the rainbow and its pot of gold - looking for the next discovery. Canada's Province of British Columbia and Yukon Territory are still vast and underexplored places.

Prospecting is of course the integral first step in the process of discovery, walking the bush and hammering rocks means boots on the ground. It's people walking through the bush that have found the world's mines. A prospectors contribution to our society and to our overall economic well being is in their ability to find brand new mineral occurrences. These findings

are what leads us to new deposits, new mines and all the benefits that spring forth.

Old time prospectors are independent minded, bush savvy and, geologically speaking, very knowledgeable. Unfortunately for them they lack the wherewithal to advance their discovery and most often option their property, or project if you will, to a junior they hope will raise money and develop it to the point where a more senior company wants to get involved, or perhaps take it over outright.

Making a deal with a junior resource company, a vendor's agreement, is often the second step – the prospectors claims are turned over to be worked for shares and or cash and a one or two percent net smelter royalty (NSR) from a mine if the showing goes all the way. Being publically traded they have access to capital and expertise the prospector most often does not.

It's hard to invest in a prospector. Fortunately, if you want to invest in a potential discovery or the building of something of value – be in on the discovery of a mineral deposit and be there as the company moves it down the development path towards a mine there are quality public companies, to choose from. There exists enormous opportunities to back excellent management teams with your investment money. We too can dream of discoveries made and money hard won through prospecting success and drill programs. We too can chase the pot of gold at the end of the rainbow through our publically traded junior resource companies.

Juniors outperform majors

Mining is a self-depleting industry meaning mines have an inherently limited lifespan. Every day a mine operates, it is that much closer to running out of ore. The industry needs to find new deposits in order to replace these ever-depleting mines.

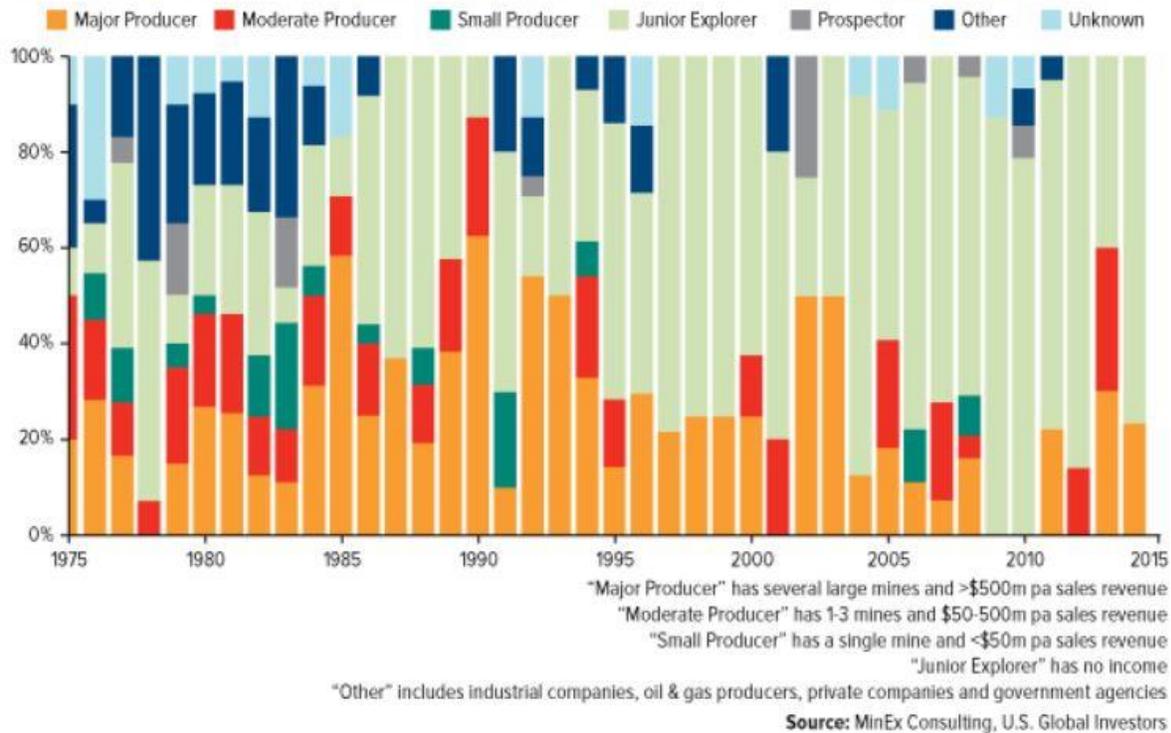
For the past decade, junior mining companies have outperformed senior miners at finding new mineral deposits and generating wealth for stakeholders.

"These are among some of the findings released in a study conducted by resource company strategist MinEx Consulting, which analyzed the performance of explorers and producers operating in Canada between 1975 and 2014. What the consultancy firm found is that, in the last decade, junior companies were responsible for more than three quarters of all new mineral discoveries and were approximately 30 percent more effective than senior companies at generating wealth..."

In 2009, 2010 and 2012 senior companies failed to make a single new discovery.

Juniors handily beat the seniors when it comes to the total number of discoveries. Of all the deposits found, over three quarters were made by junior miners.

In the Last Decade, 3/4 of All Mineral Discoveries in Canada Were Made by Junior Explorers



Gold juniors are going to be the most rewarding, the most lucrative way to garner the huge rewards from the coming freight train rush to gold. Those golden tracks are being laid today using the world's currencies as ballast - when your cash is trash your gold is shining.

There will be fierce merger and acquisition (M&A) competition for the juniors with stable safe gold ounces in the ground by producers having to replace their reserves in an extremely competitive environment. There aren't very many decent sized deposits, ones over two million ounces, left in politically stable countries.

Junior resource companies, not majors, own the world's future mines and juniors are the ones most adept at finding these future mines. They already own, and find more of, what the world's larger mining companies need to replace reserves and grow their asset base.

If I was looking for superior investment vehicles to take advantage of what I think I know regarding precious metals I'd be assembling a portfolio of junior producers, near term producers and companies that are in the post discovery resource definition stage with the occasional green field exploration play thrown into the mix.

Company stage – risk v. reward

Only you can decide the level of risk you can tolerate and how much patience you have to sit while developments, the story, plays out.

The most upside (and by far the greatest risk) comes from buying a junior when they are exploring and make an initial discovery. Great drill assay results can send a juniors share price skyrocketing. The reverse can also be true. Junior explorers, the green field plays, are the riskiest plays by far. Strike out on assay results and it could be goodbye to a share price rise for a very long time - till the company finds another project they can work on. If you're buying into this kind of play make sure the company has another fallback project in its portfolio.

My favorite stage junior is a junior in the post discovery resource definition stage (also known as brown field stage companies). These companies have all ready found something, the share price has settled back after the initial discovery and the [company is going in to see what they have and hopefully produce a 43-101 compliant resource estimate and build upon it.](#) The risk has been greatly reduced, the waiting time for a discovery non-existent and the reward very nice considering the much lower amount of risk.

For nearer term producers - for those further down the development path towards a mine - you have:

- Preliminary Economic Assessment (PEA) or scoping studies are done to examine potential mining scenarios and economic parameters - A PEA or scoping study is an important milestone for a mineral project, it's the first step in a company's economic and technical examination of a proposed mine
- Preliminary feasibility studies or pre-feasibility studies are more detailed than PEA's and are used to determine whether or not to proceed with a detailed feasibility study. They are also used as a reality check to determine areas within the project that require more attention

- Feasibility studies will determine definitively whether or not to proceed with the project. A feasibility study or bankable feasibility provides budget figures for the project and will be the basis for raising capital to build the mine

Remember all these different stage studies are only yes/no decisions on whether to move to the next stage. NONE of them mean you are going mining, there's no mine till every stage is completed, permits approved and the necessary financing has been arranged.

Because these companies are well advanced along the development path a lot of the guesswork about grade, size, costs and metallurgy have been taken out of the equation for us. They have done sufficient work to give investors a certain level of confidence that their project will successfully move towards being a mine.

The later stage companies (those doing feasibility, permitting and money raising) can have an excellent entry point for investors - they often enter a quiet period when they are doing the advanced studies and raising money to go into production. They often base (a flat share price) for quite a while through this period - possibly a good time for accumulation of their shares if you believe in the story. After the money is raised for production investors can see they are going mining - cash flow is just over the horizon - and the share price will often break out of its trading range.

With producers you have to look at the balance sheet, consider their plans for the future and judge for yourself the ability to meet those plans.

Remember cash flow is king, but can they grow that cash flow? These large well established producers have the least risk and the least upside. But gains could be steady and maybe they pay a dividend.

Remember, our junior resource companies, the same ones who today are so oversold and undervalued, are the present owners of the world's future gold supply.

"Richard Cantillon (died 1734) the Irish economist and financier who wrote one of the earliest treatises on modern economics and whose treatment of the theory of money was of pioneering importance give a pithy description why both these metals possess all the qualities needed in money. Gold and silver, wrote Cantillon, are alone of small volume, of equal goodness, easy of transport, divisible without loss, easily guarded, beautiful and brilliant and durable almost to eternity. Anne-Robert-Jacques Turgot (1727-81) the French economist was more adamant and asserted that gold and

silver became universal money by the nature and force of things, independent of all convention and law; consequently to proscribe either of them by law from being used as money is a violation of the nature of things.

It is because of this almost immutable law of value, recognized by most thinking people, that gold was not only the Ancient Metal of Kings but the future standard currency in a post-fiat money system." overlordschaos.com

Junior resource companies, the owners of the world's next precious metal mines, are soon going to have their turn under the investment spotlight and should be on every investor's radar screen.

Conclusion

A prospector's place in the resource sector food chain is to explore for and find mineral showings. A junior resource company's place is to acquire these showings and develop, to a certain point, the world's future mines. Nowhere are prospectors and juniors more important to mining than right here in British Columbia and the Yukon Territory. Both are vast and under explored treasure troves of minerals.

When was the last time you heard of a major mining company making a discovery? Prospectors/juniors find most deposits and prove them up to the point where a major would step in and buy them.

Today the relationship between juniors and majors is so inextricably linked that [it's doubtful a major mining company could replace its mined reserves, let alone grow them, without keeping a close eye on junior's activities and a check book handy.](#)

FACT - Without our prospectors and juniors many of today's operating mines would simply not exist.

"Without new exploration our mining industry will languish. Without mining and the encouragement to develop new and large mines, all industries that support it, such as transportation, utilities, banking, and the service sectors ranging from catering to equipment manufacturing and sales, will suffer immensely."

Perhaps the importance of prospecting and junior resource companies in the exploration and mine development food chain should be on all our radar screens. Are they on yours?

If not, they should be.

Richard (Rick) Mills
aheadoftheherd.com

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