

A Brief History of Stardust

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By: Malcolm Shaw

(Disclosure: The following represents my opinions only. I am not receiving any compensation for writing this article, nor does Hydra Capital have any business relationship with companies mentioned in this post. I am long SUNM.V)

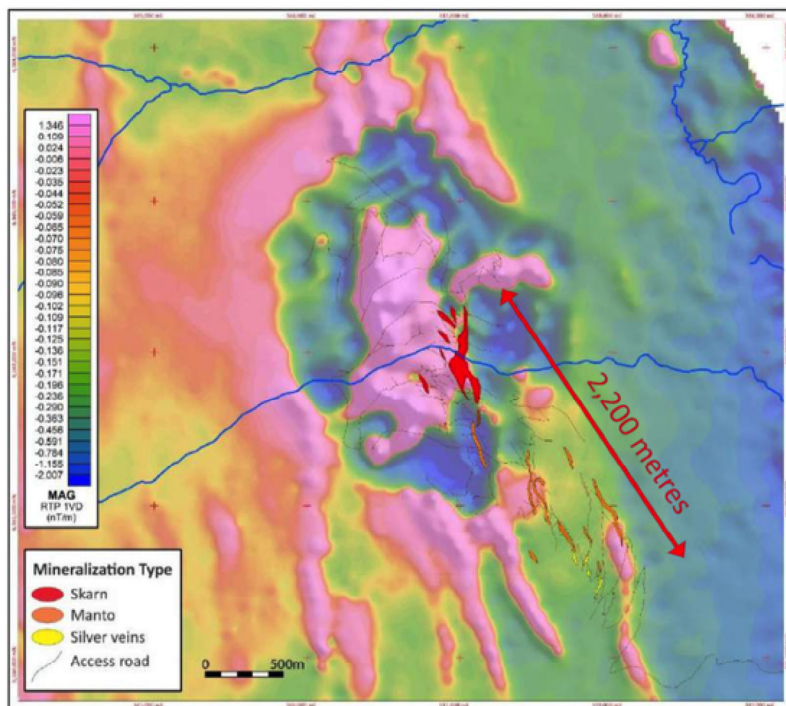
Those who read this blog regularly will know that **Sun Metals (SUNM.V, last at \$0.29)** first came onto my radar last fall when the company drilled the deep discovery hole (#421) at its Stardust project in central B.C. That hole ended up finding a 100-metre intersection of 5% copper-equivalent rock (100m of 2.5% Cu, 3 g/t Au, 52 g/t Ag, and 0.4% Zn) in a completely new CRD-skarn discovery deeper than anything drilled before on the property. As Peter Megaw put it, the hole represented “new territory” in the mineralized system. This was the best hole I’d seen from a junior mining company in a long time, and [seeing Dr. Peter Megaw bounce around the core boxes](#) like a kid in a candy store (and invoking the phrase “may be a game changer”) in a corporate video did little to deter my view of the potential significance of the find.

The Stardust copper-gold skarn is “hanging” off an intrusive body marked by a classic

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thumbprint magnetic signature (see below) that has a circumference of around 8-10km, which makes for a decent-sized “plug” of magma from which to scavenge metals and drive a robust, multi-phase history of mineralizing fluid flow. Those mineralized fluids would ultimately create a complete CRD system that, over the years, has been traced back to the intrusion that sourced both the metals and the heat. This is, quite literally, textbook CRD geology; Megaw wrote the book on CRD systems based largely on his evolving knowledge of Stardust over his career and he is recognized as a foremost expert on this deposit type. Only relatively recently did the project attract Sun Metals, who saw the potential for, well, exactly what they have found...



The initial reaction to hole 421 was positive. The stock basically doubled in the weeks after the initial announcement, which was eventually followed by a strategic investment from **Teck Resources (TECK.B, last at \$21.62)** who bought 12.5 million shares of the company as the sole back-end buyer of a charity flow-through financing for about \$5 million. Teck didn't just randomly invest in Sun Metals, they have in-house expertise in CRD systems and knew what they were looking at... a new, high grade, CRD-skarn deposit that had produced an impressive intercept on its first poke. After that, a long and boring winter set in that saw SUNM consolidate 100% interest in the property through the acquisition of its partner Lorraine Copper. The share price climbed into the 50-to-60-cent range for a while leading into drilling, which the market assumed would lead to ever-higher prices on ever-more-exciting assays. Things are seldom so simple.

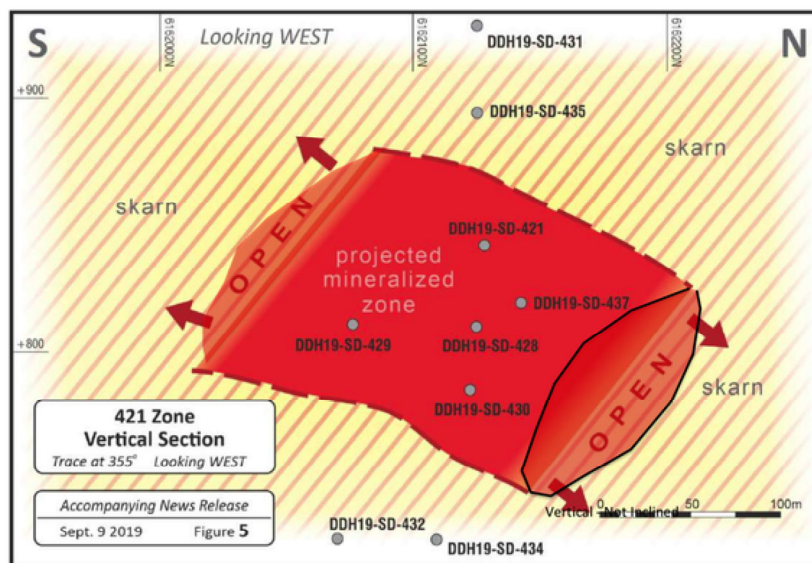
When the first follow-up holes were reported, they included one hole that hit 142 metres of 2.4% CuEq and another that hit 107 metres of 3% CuEq (I'm excluding a "minor" hit of 22 metres of >2% CuEq uphole in that hole) on the same section as 421. Another hole, drilled 50m to the south, hit 90 metres of 2.2% CuEq. All of those holes also included higher-grade sub-intervals ranging from 5 to 58 metres of 4.6-10% CuEq material. The next reported hole showed results from a pad 25 metres north (the other direction) with hole 437 finding 86 metres of 3% CuEq, including 21 metres of 5.4% CuEq. None of this impressed the market. After all, only 75 metres of strike had been tested and none of the holes matched the grade-thickness of hole 421. I suppose that when the initial bar is set so high, it may take some time

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for rational thought to take over. No miner would describe any of the mineralized holes as being somehow "unworthy" and surely the market understands that you can only drill and get assays as fast as you can drill and get assays, right? Apparently not. SUNM is trading under 30 cents as I type this, with a circa \$35 million market cap; hardly a lofty valuation for a 100% interest in a large scale CRD-skarn system, the guts of which SUNM is actively honing in on as it marches north with the drills.

I think that the sections in the [SUNM presentation](#) may not allow those who are more spatially challenged to properly visualize the deposit, so I've created my own version of one of SUNM's slides here (see below). The view is looking at the "side" of the deposit, which I've tried to illustrate as being tube-like in shape, open to expansion at both ends. If you are in that "plumbing", you are in heavily mineralized rock. You can follow it to the south and to the north, but observations in drill core have led SUNM to indicate that the "footprint and intensity" of alteration is increasing to the north. Hence the "Go North, young man" reference in my most recent post on this story.



Tonnage is the question. As I like to say, I'll tell you the tonnage when the last hole is drilled. All I know right now is that SUNM is pulling thick, high-grade holes out of a serious fluid-feeder pathway and that drilling appears to be heading towards the source/guts of the system as the company marches north. That mineralized body in the above figure is going to grow and, when the assays actually come back, the market will continue to see the deposit take shape. Because this is a fluid flow pathway, its shape will be "organic" (irregular) and simply needs to be followed with careful stepouts in the early days. There is no shortcut to this process. Metallurgical testing also needs to be carried out in due course, but that's true of any discovery at this stage and surely the company will have enough material after this drilling program to start some preliminary met work.

Recently – possibly in order to reassure the market that all was well in the drilling to the north – SUNM announced that it plans to add a third rig and drill through the winter at Stardust. If that was the case, that announcement may have backfired on them as it served to highlight the need for additional funding, which in mining market circles is like putting blood into shark infested water. Given the quality of this project, I have little doubt that SUNM will find the dough it needs. Maybe that money comes before results, maybe after, maybe before and after, or maybe after some results and again after some more. Everything is on the table, and in this business, one hole can change everything in the market's eye. For that reason, I can't pay

heed to market gyrations that I can't control, while seeing indications that the company is doing exactly what it should be doing; i.e., growing the deposit with the drill bit as it chases the mineralization back to its source.

At the end of the day, only results will prove whether or not SUNM is worthy of the attention it has enjoyed thus far from a relatively eager retail shareholder base and start to see institutional backing from those who see the same potential that Teck did. Last year, if you'd have told me that SUNM had produced the holes it has, combined with such strong signaling that drilling to the north was indeed heading source-ward, I would not have guessed in a million years that the stock would be trading at these levels. Live and learn I suppose, but in the end the drill results are what will matter, so bring them on. So far, Stardust has absolutely nothing to be embarrassed about and I would find it shocking if the company had drilled its best hole on its first (blind) poke into this "new territory" of the CRD-skarn system. Today, sellers at these levels would seem to be heavily discounting SUNM's future prospects, but in the junior exploration business that can turn on a dime...

As always, time will tell.

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