

Reboxing Boxxer: ExGen Resources emerges as a low cost resource flipper

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Calgary, AB / TheNewswire / February 10 2015 / Boxxer Gold was played out. The company wasn't even really focused on gold anymore, having found itself working with an armful of copper options rather than the yellow shiny. The market was hurting, and they were hurting more than most because, well, copper.

Market cap? Just over \$4.8m. Share price? In the tank, from \$0.29 back in 2011, to \$0.015 today.

So what's a company in this situation gotta do to get some love in a down market?

Pivot.

Let's take a step back and play CEO for a moment. Imagine you're in this position: You have six mining projects. Nobody cares about gold, and nobody cares about your copper. In fact, your competitors are beaten down to nothing and the industry at large is susceptible to wide-scale takeover bids the moment life comes back to the market.

You could keep on drilling, take a salary and wait for the world to change. Lots of mining execs are comfortable with this option right now.

You could sell your assets in a fire sale and hope to get a few million bucks above market cap in a liquidation. There's been a few of those of late.

You could just sit. Most of Howe Street is doing this.

Or you could think outside the box.

Regular Ticker Trax readers will know Danny Deadlock as a columnist who likes to look for companies with an excess of cash and/or assets and a surprisingly low market valuation. We call it Vulture Capitalism, and Deadlock's methods have produced double after double for readers.

In talks with management at Boxxer late in 2014, it appeared they've been Deadlocking it; looking at a ton of market data, at the crushed valuations all around them in the mining space, and decided the time was right to quit building mines and start flipping them.

As part of this new thinking, Boxxer shook up management, went through a rebrand - the company is now ExGen Resources (TSX:V.EXG, Stock Forum), and is now moving towards a strategy of becoming a project incubator.

That is, finding under-funded, under-valued mining properties that can be had for a song (no shortage of those), before calling on a deep bench of ultra-experienced directors and managers and advisors who can get stuck in streamlining operations, putting out 43-101's, and boxing those properties up for a cash sale, royalty deals, joint ventures and, in some cases, low cost runs to production.

This strategy is not new, there's always been flippers in the business, but for a company to come right out and outline their strategy publicly, that's a change from the norm. And with the resource industry at large taking its lumps right now, and with the oil industry hurting so badly that many are looking for new places to put their investment dollar, the time is right to find value, make small improvements and either sell, JV, or aggressively advance small opportunities.

A lot of CEOs fall in love with their projects and ride them out until the flesh falls away, regardless of market opportunity. I've seen this a lot, especially at the small end of the market. The desire to bring a good return for shareholders often competes hard with the desire to keep the wage train rolling.

When I asked new ExGen CEO and director Jason Riley why any potential investor should feel his company would be any different he had a pretty snappy answer.

"Nobody here is earning a salary right now," says Riley.

"Come on. You're getting paid something," I say in reply. "Maybe not much but.."

"Nope," he replies. "Nothing. We're all in this for the long haul. We see great opportunities and we want to push our resources at those as hard and fast as we can."

In the months since we first talked, at my suggestion, Riley has begun paying his people a small salary.

"We found institutions looked at executives working for free on a company with six mining properties as being a sign of weakness, not enthusiasm. So we're paying ourselves a small amount, but keeping the cash burn to a minimum is still a major focus, and something we're really proud of."

"It's a tough market out there," says Riley, a UBC commerce grad who was CEO at Konnex Resources when Boxxer took that company over. He showed plenty of nous at Konnex, and more still at Boxxer, so when the reshift came, in no small part due to his ideas, he was the natural choice to run the show.

"We can be a company that sits and waits for the market to come back, or we can take advantage of the current lay of the land and find some good, undervalued deals," he says.

Riley likes both copper and gold over the next few years, but is actually making a big push to broaden the diversification across their project portfolio, from other base metals to uranium. As a standalone mining operation with six projects on the go, the current market cap makes Boxxer a ridiculously undervalued company as things stand today.

But while your Warren Buffett's of the world may look for unappreciated industries (like newspapers and railways), and your IAMGOLD's may go looking for opportunities to move a large resource to production, nobody is really looking at rolling up the opportunities at the microcap end of the market - yet.

Riley says his firm is grinding through data right now, looking not just for companies that have a streamline-able, flip-able, undervalued asset, but a share price that makes the buy-in easy, and (importantly, he says) a board and management that is actually ready to either team up or step aside.

"Some of these companies are run by people who are in their 80's now," he says. "It's not that they can't run a great mining company, quite the contrary as many of our targets are run by extremely successful management with incredible track records including some billion dollar M&A histories. But this prolonged down cycle has been punishing on everyone, so for the really great mining execs that are already well past retirement, it has become a legacy issue. They refuse to just abandon the companies that they have founded, so they continue to toil away, often thanklessly from a share price standpoint."

"Our approach is to offer a unique way out for these companies, where their shareholders can still participate in the go forward success. We are looking for that ideal scenario: 1) asset fit with our JV/royalty strategy, 2) management is open to more creative ways to drive forward, and 3) accretive valuations. These are the types of friendly deals that we are focused on for stage one. The plan is to build some real momentum and achieve critical mass to gain relevance in the institutional market. No one else is trying to do this right now because frankly everyone is just paralyzed by this market. We all know that valuations are crushed, but no one wants to be first to pull the trigger and do something."

ExGen is in a position where, realistically, they need to do something different to everyone else. And with the chaos swirling right now, and so many investors, funds, brokers and institutional boffins looking for somewhere to put their hard-earned, all this company really needs is one win to kickstart into a bold new future.

"Technology is changing, and new people are emerging with new plays and new sectors are gaining favour, like graphite, for example, and the market is weak, you need to be able to think laterally. So we're looking for that ideal scenario where the hand is up for someone to come help, and some strong hustle can turn a project around quickly."

And unfortunately for some companies in the Canadian mining space right now, management, the board, and owners are pretty much ready to go play golf. But maybe that's the angle here, especially if someone brings them a deal that does the work for them, and lets them keep a stake in the game.

ExGen has also begun to apply this same thinking to their own projects, with their first joint venture deal resulting in the Northwest BC DOK project getting a \$1M partner-funded drill program during summer 2014.

The company has also proved adept of late at acquiring such projects on the cheap, and has a fairly killer board in terms of experience and networking.

COO and Director Elmer Stewart has put five mines into production during a 35 year career that includes earning a Masters in Geology. The CFO, Brian Harder, has two and a half decades of accounting in his past, and was Controller at Eurasia Gold. On the board side, Dennis Thomas has four decades of experience in mining around the world as a CEO and Director, which opens up global networks to the company. Their Chairman Gerry Roe is a 40 year veteran of the oil industry who has taken multiple companies to \$100 Million plus and one that peaked over \$4 Billion market cap. There's mechanical engineering knowledge and agri-knowledge and marketing knowledge, and Riley says the company is looking to add more.

I point out that the ExGen model reminds me a lot of the tech world, where venture capitalists collect early stage startups by shooting them a little funding and a lot of networking, so that a big payday comes down the line. Riley says the comparison is not invalid, though he stresses that his company is hardly a VC.

"We see great value in the small end of the market, where a creative deal can bring you an asset that has been neglected, or forgotten about, or which could use the value that comes from being part of a bigger group with access to more financing or networking or knowledge. The other big play here relies on the portfolio effects of diversification and scale. As we add projects and joint venture partners we scale the company up to the level where we can get on the institutions radar. Just a couple of interested funds could dwarf the volume of our current retail trading," he says.

Straight talk now: I like Riley a lot. I've seen a lot of guys come into the Stockhouse boardroom with something to sell, or a reputation to build, or a play to promote. They all have their own 'style', but few come across as normal guys with a lot of knowledge and a play they truly believe in with a quiet confidence that they're onto something here.

Frankly, if I inherited a mining play and needed a CEO, Riley has all the elements you'd look for: Youth, enthusiasm, passion, knowledge, no bullshit and the ability to see a new tack and take it fast.

In the few months between when I first talked to him and today, he put together a brand new business plan, acquired some properties, put together a list of potential targets, geared down on his existing ventures, rebranded the company and got a team that had long been puttering about looking for something good to get behind him and then some.

If Riley is not legit, then he does a great job of hiding his tracks. He knows ALL the numbers, he has the data and wants to consume more, he clearly wants to yell about a bunch of the good things he's seeing and sitting on from the rooftops, but he's careful not to over-promise when the microphone is on.

You know that feeling that the CEO you invested in is off playing golf and charging fat lunches to you instead of advancing your share portfolio? This guy is the guy who drives past those other guys in his used car, grabbing a quick salad to get him through an afternoon of cold calling.

And he's doing a lot of cold calling.

"Let's be clear," he says, "This sort of proposal is not easy to pull off. Even in this market, most mine owners want an insane return on their asset, even if they're out of money and can't afford to move it to the next stage. They've lived for years waiting for the big payday and then you come along offering them a share buyout instead of the ten million bucks they were planning on, it's not always a welcome approach."

But that's kind of the point; and why everyone isn't doing it.

"If you identify 25 targets out of hundreds, and you can get three to say yes, well that's fantastic. That's three great opportunities," he says. "But it takes doing the work."

I ask him if he thinks this new business model will be a big deal going forward.

"Do I think this could be a big deal? Sure," he says. "But I know if we do the right things, the simple things, it will be a big deal because this business concept relies less on what you hope is out there and more on what you know is out there. Our job is to do the legwork, going through the numbers, making the calls. Instead of drilling into rocks and hoping we hit something, we're drilling into data and identifying some really interesting stuff that, frankly, takes the guesswork out."

He continues, "If we can buy a property or another junior company outright for shares and then find the right partner to farmout deals for cash, royalties and equity in something bigger, that's what we're looking for. We think that's very doable in the current market, and we believe as the market comes back, it will leave us in a

really strong position to take advantage as financing gets easier."

The first deal he put together was the acquisition of Konnex by Boxxer in September 2013, but the next deal will be the toughest, he says. "I am obviously very keen on this strategy and firmly believe that juniors need to combine to scale up, but finding other like minded management has proven more difficult than I initially anticipated."

But once ExGen management have shown what they can do, Riley thinks it will be the target companies coming to them.

"Right now, we're looking at companies without their knowledge. I expect, once the word gets out about what we're doing, that we may find opportunities walking in the door. A lot of companies out there could benefit from being part of a larger collaboration. There are cost savings involved, for sure. And we have a pretty unique model to get these deals done efficiently and on a tight budget."

Most reporters would, at this point in a story about a public mining company, go on an endless recitation of the details of each of their mines. I'm not going to do that, mostly because the info is all on their corporate presentation, but also because, for the love of Pete, do I hate terms like "geophysical chargeability targets" and "coincident large soil anomalies" and "magnetic susceptibility signature."

Having to spell 'porphyry' could actually be the lowest part of my day.

The ability of ExGen management to deliver on their plan will be down to whether they can 1) motivate other likeminded junior mining execs to combine into something larger, and 2) turn those deals around quickly

They say they're equipped to do both. And that, with any luck, upcoming news will demonstrate as much.

For long holders, there's nowhere to go but up. For those not yet in, a cent and a half presents an opportunity to ride significant multiples if Riley pulls off even a small part of what his team has lined up.

--Chris Parry

<http://www.twitter.com/chrisparry>

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About ExGen Resources Inc.

[ExGen Resources Inc.](#) is a Canadian junior resource company involved in the exploration for large poly metallic copper deposits in North America. ExGen Resources Inc. active projects include the Boss and Buena Vista copper projects in the state of Nevada, the Empire copper-gold-silver property in Idaho, the DOK copper-gold porphyry property in Northwest B.C., and the East Breccia copper-silver-molybdenum property in Ontario. [ExGen Resources Inc.](#) also has the Gordon Lake gold project located 110 kilometres north of Yellowknife NWT, Canada.

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