Trickle Research

Every raging river, every great lake, every deep blue sea starts … with a trickle

# Price Target Upgrade

**Report Date: 02/08/2018**

**12- 24 month Price Target: *$.30**

**Allocation: 5**

**Closing Stock Price at Initiation (01/18/17): $.115**

**Closing Stock Price at Allocation Increase (06/19/17): $.115**

**Stock Price @ Close on 02/07/17: $.165**

# New Jersey Mining

(Stock Symbol - Other OTC: NJMC)
http://newjerseymining.com/

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Early this week New Jersey Mining ("NJMC") made the following announcement. As a high-level summary, the announcement speaks to the likely expansion of the project, something we have suggested, and now provides a basis for some conclusions therein. We have provided some of those conclusions below, following the text of the announcement:

***New Jersey Mining Company Trenching Results Support Pursuit of Second Open Pit at Its Golden Chest Mine GlobeNewswire•February 5, 2018***

*COEUR D'ALENE, Idaho, Feb. 05, 2018 (GLOBE NEWSWIRE) -- New Jersey Mining Company (NJMC) ("NJMC" or the "Company") today announced results from its recent exploration trenching program at its Golden Chest Mine in Northern Idaho.*

*The Company completed 14 trenches, totaling 653 meters, which were designed to test for near-surface, open-pittable gold mineralization in areas where the Idaho Fault and its associated vein set project to the surface. Trenches were completed in three target areas: the area just north of the currently producing Golden Chest pit, and within the Klondike Ridge and Katie-Dora ore shoots.*

*At the Golden Chest pit, trenching successfully uncovered the Idaho Vein and the Stevens Split Vein with resulting assays of 9.2 grams per tonne (gpt) gold over 3 meters and 7.6 gpt gold over 3 meters, respectively - supporting the possible expansion of the Golden Chest pit by more than 30 meters to the north. The Company will continue to evaluate the possibility of expansion as the pit is advanced.*

*Past drilling has demonstrated that the Idaho Fault and its associated vein set exit the Golden Chest Ore Shoot just north of the current open pit, leading to an area of weaker mineralization before the vein set enters the next ore shoot to the north, the Klondike. The trenching program sought to more precisely define the northern boundary of the Golden Chest Ore Shoot and to test the viability of developing a second pit near Klondike Ridge, about 370 meters north of the current operations, along the Idaho Fault.*

*NJMC CEO and President John Swallow commented, "The collective experience of Grant, Rob and John Etienne (NJMC Senior Geologist) exploring, developing, and producing gold from the Golden Chest property continue to validate our approach at the Golden Chest as we assess the potential for expanding our operations and strategically building a land position throughout the Murray Gold Belt. Concurrent with our expansion efforts at the Golden Chest, Del has been leading efforts to augment our Central Idaho holdings as part of our continued focus on historic past producing mining districts in Idaho and Montana."*

*Trenching assay results and a short drill program provided the other major highlights of the 2017 program. Six exploration trenches exposed gold-quartz veins at surface that returned high-grade assays with several intervals returning values well above the current open pit cut-off grade. Highlights included Trench #12, which returned 8.3 gpt gold over 6.1 meters, and Trench #9, which returned 65 gpt gold over a narrow 20-centimeter vein. Assay results from the drill program are pending.*

*NJMC VP of Exploration Rob Morgan remarked, "Our earlier work re-defined the alignment of the Idaho Fault and the trenching program definitively located the Idaho Fault and its associated high-grade gold-quartz veining. These results, combined with known historic gold mining in this area, support our belief that there may be sufficient mineralized material at surface to support development of an open pit in the Klondike area and possibly the Katie-Dora."*

*Of the five trenches excavated in the northern Katie-Dora area, three intercepted hanging-wall veins, while the other trenches successfully uncovered the Idaho Fault location. Trenches #4 and #14 both exposed the same 20-centimeter banded vein (assaying more than 20 gpt gold) associated with Idaho Fault. This area will be targeted with additional trenching in 2018.*

*The Golden Chest Mine is currently producing gold from both open pit and underground operations, with all ore shipped to the nearby New Jersey Mill for processing. Management believes the property has long-term district-scale production potential, not only near their recently constructed mines but in areas of past exploration and historic production.*

*About New Jersey Mining Company*

*New Jersey Mining Company is headquartered in north Idaho, where it is currently in production at its Golden Chest Mine. It is deploying its mining and milling expertise to build a portfolio of advanced-stage assets with near-term cash flow potential and leverage to higher gold prices.*

*NJMC is 100-percent owner of the Golden Chest Mine where it has both open pit and underground operations.*

*NJMC also holds a 50-percent interest in the fully-permitted Butte Highlands Gold Project.*

*NJMC built and is majority owner and operator of the New Jersey Mill, a 360-tonne per day flotation mill and cyanide leach plant.*
*Company assets were developed with more than $50-million of investment dollars from New Jersey and other companies. Management owns more than 17-percent of NJMC stock and has participated in prior financings and made purchases in the open market.*

*The Company's common stock trades on the OTC-QB Market under the symbol "NJMC."*

*For more information on New Jersey Mining Company go to www.newjerseymining.com or call:*

*Monique Hayes, Corporate Secretary/Investor Relations*
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*(208) 625-9001*

*Forward Looking Statements*

*This release contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended that are intended to be covered by the safe harbor created by such sections. Such statements are based on good faith assumptions that New Jersey Mining Company believes are reasonable but which are subject to a wide range of uncertainties and business risks that could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such factors include, among others, the Company's, results of operations, the risk that the company is able to expand the Golden Chest operations or open-pit, the risk that the mine plan changes due to rising costs or other operational details, risks and hazards inherent in the mining business (including risks inherent in developing mining projects, environmental hazards, industrial accidents, weather or geologically related conditions), changes in the market prices of gold and silver and the potential impact on revenues from changes in the market price of gold and cash costs, a sustained lower price environment, as well as other uncertainties and risk factors. Actual results, developments and timetables could vary significantly from the estimates presented. Readers are cautioned not to put undue reliance on forward-looking statements. NJMC disclaims any intent or* *obligation to update publicly such forward-looking statements, whether as a result of new information, future events or otherwise.*

As we alluded to above, this is not surprising news to us or anyone else following the story, but it is highly topical to our assessments of the value of the Company and represents a necessary validation for us to provide those assessments.

Recall, a few months ago we provided an update regarding our site visit to NJMC's Golden Chest project. We spent most of that visit with consulting geologist Rob Morgan who has since taken the position of VP-Exploration for New Jersey. During the visit, Rob outlined his view of the district and the Company's opportunities for expansion within it, as well as some near-term drilling/trenching endeavors that were underway during and after our visit. We assume, those results had something to do with the announcement above regarding the expansion of their open pit opportunities. In any event, from our perspective, this is a highly topical and positive data point.

One of our general concerns about NJMC's longer term prospects, has been focused on the idea that they had delineated a relatively finite open pit resource, which left much of the growth beyond that with the underground operations. To sum that up, our model assumptions and associated targets have been constrained by our perception of the limits to production *growth* the existing open pit could afford. That is, we have not been able to model much production growth, which negatively impacts the NPV assumptions especially in conjunction with the typically higher discount rates we assume with most of our (microcap) research companies.

In addition to the above, while we are not comfortable modifying our assumptions about forward gold prices just yet, they have been maintaining levels higher than our model assumptions of $1,250/ounce. We continue to believe that advancing gold prices are a conceivable basis for upside surprises and potential valuation catalysts in NJMC shares.

As a result of the improved visibility, we have added some production to our model (albeit beyond calendar 2018), and those additions have impacted our DCF and corresponding target assessments. As a result of that math (along with the fact that we are one year into the initial coverage), we are establishing a new 12-24 month price target of *$.30 representing a 43% increase over our prior target of $.21. We are maintaining our allocation of 5. Lastly, we believe the potential for further delineation of (and eventual production from) the resource leaves the story open-ended. That is, we think it may provide a basis for expansion of the 43-101 resource base and perhaps additional valuation/target increases in the future.

# <u>Projected Operating Model</u>

| New Jersey Mining | | | | | | |
|---|---|---|---|---|---|---|
| **Projected Operating Model** | | | | | | |
| **By: Trickle Research LLC** | | | | | | |
| | (actual) | (actual) | (actual) | (estimate) | (estimate) | (estimate) |
| | 03/31/17 | 06/30/17 | 09/30/17 | 12/31/17 | **Fiscal 2017** | **Fiscal 2018** |
| **Revenues:** | | | | | | |
| Gold Sales | $ 689,318 | $ 1,262,690 | $ 1,266,139 | $ 1,358,483 | $ 4,576,631 | $ 9,150,684 |
| Contract services revenue and other | | | | | $ - | $ - |
| Milling revenue | $ - | $ - | $ - | $ - | $ - | $ - |
| Total revenue | **$ 689,318** | **$ 1,262,690** | **$ 1,266,139** | **$ 1,358,483** | $ 4,576,631 | $ 9,150,684 |
| **Costs and expenses:** | | | | | | |
| Mining | $ 234,587 | $ 607,007 | $ 526,169 | $ 634,400 | $ 2,002,163 | $ 3,686,400 |
| Transportation | $ 125,000 | $ 77,061 | $ 86,285 | $ 103,680 | $ 392,026 | $ 629,760 |
| Milling | $ 168,179 | $ 179,809 | $ 201,331 | $ 241,920 | $ 791,240 | $ 1,469,440 |
| Exploration | $ 18,652 | $ 17,328 | $ 68,989 | $ 100,000 | $ 204,969 | $ 641,053 |
| Net loss (gain) on sale of equipment | | | | | $ - | $ - |
| (Gain) on forfeiture of milling advance | | | | | $ - | $ - |
| Impairment of mineral property | | | | | $ - | $ - |
| Depreciation and amortization | $ 27,280 | $ 32,711 | $ 40,597 | $ 40,411 | $ 140,999 | $ 209,285 |
| Management | $ 42,557 | $ 37,550 | $ 35,678 | $ 33,500 | $ 149,285 | $ 174,000 |
| Professional services | $ 65,633 | $ 32,889 | $ 33,232 | $ 35,000 | $ 166,754 | $ 140,000 |
| General and administrative expenses | $ 92,290 | $ 61,722 | $ 51,135 | $ 57,085 | $ 262,232 | $ 305,507 |
| Total operating expenses | **$ 774,178** | **$ 1,046,077** | **$ 1,043,416** | **$ 1,245,996** | $ 4,109,667 | $ 7,255,445 |
| Operating income (loss) | **$ (84,860)** | **$ 216,613** | **$ 222,723** | **$ 112,487** | $ 466,964 | $ 1,895,239 |
| **Other (income) expense:** | | | | | | |
| Timber revenue | $ - | $ - | $ - | $ - | $ - | $ - |
| Timber expense | $ 73 | $ 73 | $ 5,231 | $ - | $ 5,377 | $ - |
| Royalties and other income | $ 12,044 | $ - | $ - | $ - | $ 12,044 | $ - |
| Gain on sale of marketable equity security | | | | | $ - | $ - |
| Gain on remeasurement of previously held equity interest | | | | | $ - | $ - |
| Interest income | $ 20,226 | $ 16,948 | $ 16,070 | $ 7,738 | $ 60,982 | $ 30,284 |
| Interest expense | $ 20,226 | $ 16,948 | $ 16,070 | $ 7,738 | $ 60,982 | $ 30,284 |
| Amortization of discount | $ 14,518 | $ 11,756 | $ 8,925 | $ - | $ 35,199 | $ - |
| Forward Gold Sales Obligations | $ 143,214 | $ (1,618) | $ 76,865 | $ 75,000 | $ 293,461 | $ 225,000 |
| Total other (income) expense | $ 189,318 | $ 32,215 | $ 94,115 | $ 81,680 | $ 397,328 | $ 244,132 |
| Income tax (provision) benefit | $ - | $ (16,274) | $ - | $ - | $ (16,274) | $ - |
| Net loss | $ (274,178) | $ 200,672 | $ 128,608 | $ 30,807 | $ 85,909 | $ 1,651,107 |
| Net loss attributable to non-controlling interests | $ (11,033) | $ - | $ (15,799) | $ - | $ (26,832) | $ - |
| Net loss attributable to New Jersey Mining Company | $ (263,145) | $ 200,672 | $ 144,407 | $ 30,807 | $ 112,741 | $ 1,651,107 |
| **Other comprehensive loss:** | | | | | | |
| Net loss | | | | | $ - | $ - |
| Unrealized gain (loss) on marketable equity security | | | | | $ - | $ - |
| Reclassification of realized gain on marketable equity security | | | | | $ - | $ - |
| Comprehensive loss | | | | | $ - | $ - |
| Comprehensive loss attributable to non-controlling interests | | | | | $ - | $ - |
| Comprehensive loss attributable to New Jersey Mining Company | | | | | $ - | $ - |
| Net gain (loss) per common share-basic and diluted | $ (0.002) | $ 0.002 | $ 0.001 | $ 0.000 | $ 0.001 | $ 0.014 |
| Weighted average common shares outstanding-basic and diluted | 108,562,831 | 109,698,060 | 109,805,242 | 116,114,727 | 116,114,727 | 117,619,559 |

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Portions of this publication excerpted from company filings or other sources are noted in *italics* and referenced throughout the report.

**Rating System Overview:**

There are no letters in the rating system (Buy, Sell Hold), only numbers. The numbers range from 1 to 10, with 1 representing 1 "investment unit" (for my performance purposes, 1 "investment unit" equals $250) and 10 representing 10 investment units or $2,500. Obviously, a rating of 10 would suggest that I favor the stock (at respective/current levels) more than a stock with a rating of 1. As a guideline, here is a suggestion on how to use the allocation system.

Our belief at Trickle is that the best way to participate in the micro-cap/small cap space is by employing a diversified strategy. In simple terms, that means you are generally best off owning a number of issues rather than just two or three. To that point, our goal is to have at least 20 companies under coverage at any point in time, so let's use that as a guideline. Hypothetically, if you think you would like to commit $25,000 to buying micro-cap stocks, that would assume an investment of $1000 per stock (using the diversification approach we just mentioned, and the 20-stock coverage list we suggested and leaving some room to add to positions around allocation upgrades. We generally start initial coverage stocks with an allocation of 4. Thus, at $1000 invested per stock and a typical starting allocation of 4, your "investment unit" would be the same $250 we used in the example above. Thus, if we initiate a stock at a 4, you might consider putting $1000 into the position ($250 * 4). If we later raise the allocation to 6, you might consider adding two additional units or $500 to the position. If we then reduce the allocation from 6 to 4 you might consider selling whatever number of shares you purchased with 2 of the original 4 investment units. Again, this is just a suggestion as to how you might be able to use the allocation system to manage your portfolio.

**For those attached to more traditional rating systems (Buy, Sell, Hold) we would submit the following guidelines.**

**A Trickle rating of 1 thru 3 would best correspond to a "Speculative Buy" although we would caution that a rating in that range should not assume that the stock is necessarily riskier than a stock with a higher rating. It may carry a lower rating because the stock is trading closer to a price target we are unwilling to raise at that point. This by the way applies to all of our ratings.**

**A Trickle rating of 4 thru 6 might best (although not perfectly) correspond to a standard "Buy" rating.**

**A Trickle rating of 7 thru 10 would best correspond to a "Strong Buy" however, ratings at the higher end of that range would indicate something that we deem as quite extraordinary..... an "Extreme Buy" if you will. You will not see a lot of these.**