

# Sun Valley Asks: How Long Will Canagold Make Excuses for Demolishing Shareholder Value and Stagnating New Polaris?

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- In their July 5, 2022 press release, Mr. Cooke and the Canagold Board continued their tired script of endless excuses for why New Polaris cannot move into feasibility, despite making a commitment to do so 25 years ago.
- Canagold completely ignores a 98% decline in shareholder value since 1994 and a cumulative deficit of over US\$51 million in their assessment of so-called value creation, yet continues to push for 20% option plan to reward their team.
- Both Mr. Cooke and the Board remain silent on Mr. Cooke's inexplicable trading activity.
- Institutional Shareholder Services Inc., the world's leading provider of corporate governance and responsible investment solutions and leading proxy advisor, recommends Canagold shareholders vote FOR change on Sun Valley's BLUE proxy only.
- Vote only the BLUE proxy FOR Sun Valley's nominees by 5:00 p.m. on Thursday, July 14, 2022. To vote, contact Kingsdale Advisors at 1-888-213-0093 or at [contactus@kingsdaleadvisors.com](mailto:contactus@kingsdaleadvisors.com).

Sun Valley Investments ("Sun Valley"), a strategic and long-term focused investor of [CanaGold Resources Ltd.](#) (TSX: CCM) ("Canagold" or the "Company"), urges shareholders to stop the value destruction at Canagold by Mr. Bradford Cooke and the entrenched board of directors (the "Board"). Canagold's potential has been crippled by decades of business and financial mismanagement at the hands of Mr. Cooke and the incumbent Board. It's time for a new chapter - it's time for The New Canagold.

## CANAGOLD'S 'RINSE AND REPEAT' STORY FOR STAGNATING NEW POLARIS

### Canagold's Feasibility Fable

In their July 5, 2022 press release, Canagold claimed that New Polaris "has not been stagnant" and the Company produced a laundry list of excuses for not advancing this critical project. Canagold also claimed they will "prepare for the feasibility study" and that they are "on the path to feasibility."

Shareholders have heard this story before. Canagold has been "on the path to feasibility" since 1997, when Mr. Bradford Cooke, then president and CEO of Canagold (then Canarc), claimed:

"Our aggressive feasibility program appears to be paying dividends &hellip; the base case for production, which provides Canarc with an attractive return on investment and would make Canarc an intermediate size gold producer in the next 2½ years&hellip;." - March 3, 1997, press release

In that same 1997 press release, Canagold also stated:

"the goals of the current work program are to &hellip; complete a feasibility study in 1998."

Canagold recycled this story again in 2004, when the Company (then Canarc) claimed:

"Canarc now plans to move ahead with a more aggressive development program at New Polaris as part of management's focus to accelerate growth in shareholder value. The goals of the development program will be to complete the in-fill drilling and a feasibility study." - October 13, 2004, press release

So, for 25 years, Canagold has been telling shareholders that a feasibility study is imminent. This is simple and clear proof of total stagnation.

Yet there is no credible rationale for why New Polaris has not advanced in 28 years. Canagold's claim that the project could not advance for 20 years until they "discovered" BIOX is just their latest excuse.

In 1998, the excuse for delay was due to lack of financing, caused by the BRE-X scandal:

"the Bre-X fiasco caused Canarc to lose the additional financing needed to complete feasibility." - May 27, 1998, press release

In 2002, the excuse for delay was due to the gold price:

"The New Polaris project has been on care and maintenance since 1997 pending higher gold prices." - February 4, 2002, press release

This new excuse is equally implausible, as Institutional Shareholder Services Inc. ("ISS") stated:

"it seems inappropriate to write off the majority of the company's history, the decline in share value as a result of multiple decades of financings, and the speed at which it has been able to advance its core asset as being due to a case [of] technology needing to catch up to asset complexity"

This is clearly the case as during the last 25 years, while Mr. Cooke and Canagold did nothing, approximately 20 other projects built processing plants for refractory ore - most of them using BIOX.

Add to this that instead of moving forward to feasibility, in the last 15 years Canagold has conducted five preliminary economic assessments ("PEA") or updates to them.

Do Mr. Cooke and Canagold define "success" as doing nothing or as doing the same thing over and over again without any results?

#### Canagold's 'Knowledge' of Feasibility and Standards

In their July 5, 2022 press release, Canagold claimed that "Management's Project Plan Follows Industry Standards" and that "A feasibility study can't be started without reserves!"

Those two statements are contradictory. Canagold should be following CIM standards that are an integral part of NI 43-101. These standards define a mineral reserve as:

"A Mineral Reserve is the economically mineable part of a measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at pre-feasibility or feasibility level as appropriate that include application of Modifying Factors."

This means that you cannot have reserves without feasibility studies and, as it is the feasibility study that defines the reserves, almost all projects start the study without reserves.

Canagold's statement that you can't start a feasibility study without reserves indicates a lack of understanding of standards and of the purpose of a feasibility study, or perhaps they are confusing resources and reserves.

#### Sun Valley's Plan for the Project vs Canagold's

Canagold claimed "The Dissident's "Strategic" Plan is Fatally Flawed, and Displays Their Ignorance of Industry Standards as Compared to Canagold's Superior Project Plan".

They seemed to claim this for two reasons: 1) the totally erroneous idea that you can't do a feasibility study without reserves (as discussed above), and 2) because the environmental baseline won't be completed until late next year.

Our schedule was based on the timelines given by Canagold. On November 24, 2020, Canagold stated that:

"Initial site preparation work has been completed to facilitate the environmental baseline study and infill drilling required to advance to a feasibility study&hellip;"

"Canarc has contracted Hemmera Envirochem Inc. and they have initiated twelve months of environmental baseline studies required to submit an Environmental Assessment Certificate application"

The baseline studies should have been completed by the end of 2021. However, without explaining the delay, Canagold did indicate on January 12, 2022, that the studies would be completed this year.

"2022 Plans:

Complete baseline studies, summarize and analyze baseline sampling results and complete geotechnical and engineering work needed to support the Environmental Assessment application."

We are somewhat surprised to hear that what was originally a one-year study vital to starting the permitting will now take three years without Canagold actually explaining the massive delay in this critical task to shareholders.

Canagold's 'Superior Project Plan' Shows Zero Knowledge of Canadian and International Standards

Canagold claims they will do "a more detailed mine plan and carry out an interim economic study to convert measured and indicated resources to proven and probable reserves" and that their "plan follows best practices and industry standards on the path to feasibility".

Again, these statements are totally contradictory and show zero understanding of Canadian and international standards, as well as zero understanding or willingness to deliver what the project needs.

An "interim economic study" does not exist in NI 43-101, CIM or CRIRSCO standards and CANNOT POSSIBLY lead to reserves, because these standards all clearly state that reserves must be defined in a pre-feasibility or feasibility study.

This means Canagold's 'plan' is to conduct more useless, non-standard studies, or maybe "interim economic study" is a euphemism for yet another PEA, and to be "on the path to feasibility". This is the same old "advancing towards feasibility" promises that they have been making since at least 2015. This is a promise of a long and winding path to nowhere.

The project needs what it has needed for years, it needs management that:

- will stop making excuses for lack of progress
- will stop making plans for more PEAs or undefined "interim economic" studies
- will DO a feasibility study

CANAGOLD DISPUTES THAT A NEGATIVE 98% RETURN IS NOT VALUE DESTRUCTION

Canagold stated that the Company has invested \$33.6 million directly into New Polaris and that under "Mr. Cooke's guidance, the New Polaris gold mine project &hellip; has an estimated after tax Net Present Value of US\$333 million."

Money spent does not equate to progress and a Net Present Value is not a return on investment.

The truth is, Canagold has destroyed shareholder value for 28 years, with a negative 98% return and an accumulated deficit of US\$51 million. This is not progress.

Despite Canagold's misleading claims of progress, it is clear that buyers and sellers of Canagold's stock disagree as shares are only worth \$0.285 per share or less than \$25 million for the entire Company.<sup>1</sup> In contrast, Sun Valley has offered and is still offering premium financing at whichever is the higher of:

- \$0.32 per common share and \$0.42 in respect of the issuance of flow-through common shares, or
- A premium to the weighted average trading price for the 20 trading days before the closing of the private placement of 20% per common share or a 60% in respect of the issuance of flow-through common shares.

Canagold is bleeding yet Mr. Cooke and the Board rejected multiple, premium financing offers so as to maintain control of the Company.

#### MR. COOKE AND THE BOARD DISMISS GOOD GOVERNANCE WHILE REWARDING THEMSELVES AT THE EXPENSE OF SHAREHOLDERS

Despite the decades of underperformance and ongoing shareholder value destruction, Mr. Cooke and the Board have rewarded themselves and the Company's executives with hefty payouts:

- Mr. Cooke was rewarded with over \$2.6 million in cash
- The Board increased 2021 executive compensation plans, with increases ranging from 173% to 355%
- In 2021, the Board also gave themselves an 1,127% increase in the value of directors' fees. Mr. Cooke's director fees increased by a whopping 685% to \$199,497 from \$25,400. Now, the Board is looking to reload their stock option plan and dilute shareholders by 20% - a plan that ISS recommended shareholders vote AGAINST.
- Canagold's Compensation Committee reviews the compensation of senior officers and management, and the Board provides approvals, without any formal objectives, criteria and analysis. Mr. Cooke sits on the Compensation Committee, contrary to good corporate governance practices.

This is the same Board that has refused to discuss Sun Valley's premium financing offer for the benefit of all shareholders and has ignored Mr. Cooke's inexplicable trading activity, where he sold Canagold shares ahead of a major private placement opportunity in 2020 then repurchased shares shortly after at a deeply discounted price - a practice he appears to have done more than once.

#### SUN VALLEY'S PLAN TO PUT CANAGOLD AND NEW POLARIS ON THE RIGHT TRACK

Canagold stated that the Company "requires an independent and experienced Board" - and we agree. That's why Sun Valley nominated three outside, highly-experienced, respected and diverse industry leaders. Our nominees - Dr. Carmen Letton, Ms. Sofia Bianchi and Mr. Andrew Trow - bring combined expertise in metals and mining, strategy and leadership, operations, corporate governance and finance.

Once elected, Dr. Letton, Ms. Bianchi and Mr. Trow will provide the much-needed independent oversight to advance New Polaris as fast as reasonably possible for the benefit of all shareholders.

The aim is to:

- Ensure Canagold is funded quickly with financing at a premium to the current values
- Initiate the feasibility study without further delay
- Initiate the permitting process in Q2 2023

- Increase the resource base with a view of moving inferred resources to indicated resources
- Restructure the Board with highly qualified directors in mining and governance and focused on shareholders.

#### VOTE ONLY THE BLUE PROXY TODAY

Sun Valley has the right plan and the resources to turn Canagold around. As announced on July 7, 2022, ISS recommends Canagold shareholders vote FOR change using Sun Valley's BLUE proxy only.

Don't wait, voting is fast and easy. Please vote well in advance of the proxy voting deadline of Thursday, July 14, 2022, at 5:00 p.m. ET. If you have questions or need help voting, contact Kingsdale Advisors at 1-888-213-0093 or at [contactus@kingsdaleadvisors.com](mailto:contactus@kingsdaleadvisors.com).

#### Advisors

Kingsdale Advisors is acting as strategic shareholder and communications advisor to Sun Valley. McMillan LLP is acting as legal counsel to Sun Valley.

#### About Sun Valley

Sun Valley is a private equity firm focussed on the precious metals industry with portfolio companies and branch offices in the Americas, Europe and Asia. Sun Valley seeks to invest in sustainable development projects and operations with growth potential, low cash costs of production, or the operating flexibility to insulate against volatility in the commodity markets.

#### Cautionary Statement Regarding Forward-Looking Statements

This press release contains forward-looking information within the meaning of applicable securities laws. In general, forward-looking information refers to disclosure about future conditions, courses of action, and events. All statements contained in this press release that are not clearly historical in nature or that necessarily depend on future events are forward-looking, and the use of any of the words "anticipates", "believes", "expects", "intends", "plans", "will", "would", and similar expressions are intended to identify forward-looking statements. These statements are based on current expectations of Sun Valley and currently available information. Forward-looking statements are not guarantees of future performance, involve certain risks and uncertainties that are difficult to predict, and are based upon assumptions as to future events that may not prove to be accurate. Sun Valley undertakes no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by applicable securities legislation.

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<sup>1</sup> As of close on Friday, July 8, 2022.

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