



MINING SECTOR UPDATE

Precious Metals Developers – Ripe for the Picking

We are reiterating our investment thesis on a collection of precious metals focused developers which we believe all screen well as potential acquisition targets based on merits that we feel acquirers are looking for when entering into M&A transactions.

In this report, we assess attributes attractive for potential acquirers such as IRR (internal rate of return), payback (vs. modelled LOM + construction period), and LOM. We also evaluate upfront Capex and timeline to production, with a focus on companies that offer near-term production (attractive to acquirers). While these attributes vary for each developer, we see a combination of each underpinning our investment thesis for each company profiled in this report.

Whilst we assume that the five developers profiled in this report will develop their flagship projects to production (and ascribe value accordingly) we also screen each company to gauge attractiveness from an acquirer’s perspective. We assess companies using a “buy and build” approach that rewards developers with a 30% takeout premium (realistic in the current market, we believe), and acquirers with a 15% IRR (also realistic, we believe). Four of the five companies screen as attractive acquisition candidates (currently satisfying this outcome from a buyer and seller perspective) at metal prices below current Spot. We see this as encouraging, potentially signalling the onset of a new round of M&A.

All five companies offer primary exposure to gold, with market capitalizations ranging from C\$131M to C\$221M.

In a sector that remains starved of new discoveries and development opportunities, we see companies that are advancing projects that screen well as potential acquisition candidates (five of which are profiled in this report) as providing important building blocks for growth for larger companies (with technically strong and proven management teams). Further, we see companies such as OceanaGold (OGC-TSX), B2Gold (BTO-TSX), Endeavour Mining (EDV-TSX), SSR Mining (SSRM-TSX), Kirkland Lake Gold (KL-TSX) and Pan American Silver (PAAS-TSX) – all under coverage by PI Financial – with better access to the capital markets as on the hunt for choice acquisitions.

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Exhibit 1: Developer Buy & Build Summary

	Orezone	Midas Gold	Barkerville Gold	Bonterra Resources	Nighthawk Gold
Ticker	ORE-V	MAX-T	BGM-V	BTR-V	NHK-T
Target Price	C\$1.35	C\$1.40	C\$1.00	C\$3.50	C\$1.00
Buy & Build Implied Au Price	US\$1,356	US\$1,433	US\$1,334	US\$1,526	US\$1,453
Construction Decision	Q4/19E	Q4/20E	Q3/20E	Q3/20E	Q4/20E
Upfront Capex (\$M)	US\$216	US\$1,000	US\$320	US\$76	US\$400



We gauge each company's attractiveness from an acquirer's perspective using a simple "buy and build" approach that tests for the metal price that rewards acquirers with a 15% IRR (realistic, we believe) after they complete and fund construction of flagship assets and pay developers a 30% takeout premium (realistic in the current market, we believe, see Exhibit 1).

We note that the five companies profiled in this report rank, as follows:

- **Barkerville Gold Mines (BGM-TSXV):** 100% ownership of the Cariboo Gold project (British Columbia), consisting of 4.4Moz of underground resources while a recent PEA only utilized ~2.1Moz leaving plenty of upside upon further infill drilling and feasibility level work. Osisko Gold Royalties and Osisko Gold own 32% and 16% of the outstanding shares, respectively. Implied Au price for takeout is US\$1,334/oz, or 12% below spot (US\$1,510/oz Au);
- **Orezone (ORE-TSXV):** 90% ownership of the Bomboré project (Burkina Faso), host to one of the largest undeveloped oxide gold deposit in West Africa. Implied Au Price for takeout is US\$1,356/oz Au or 10% below Spot (US\$1,510/oz Au);
- **Midas Gold (MAX-TSX):** 100% ownership of the Stibnite project (Idaho), host to the eighth largest gold reserve and fourth highest grade open pit deposit in the USA. Barrick owns 19.8% of MAX. Implied Au Price for takeout is US\$1,433/oz Au or 5% below Spot (US\$1,510/oz Au);
- **Nighthawk Gold (NHK-TSX):** 100% ownership of the Indin Lake land package which includes the past producing Colomac mine. Nighthawk has made strides discovering high-grade zones across the Colomac sill which is expected to provide resource growth and a grade boost in 2020. Kinross Gold and Osisko Gold Royalties own 9.9% and 8.6%, respectively. Implied Au price for takeout is US\$1,453/oz or 4% below spot (US\$1,510/oz Au);
- **Bonterra Resources (BTR-TSXV):** 100% ownership of the Gladiator, Barry and Moroy deposits in addition to the permitted Urban-Barry mill. All assets are situated within the rapidly evolving Urban-Barry gold camp. With further exploration and mill expansion efforts, Bonterra is capable of becoming a bona-fide stand-alone junior producer. Kirkland Lake Gold owns 13% of Bonterra. Implied Au price for takeout is US\$1,526/oz or 1% above spot (US\$1,510/oz Au).

Investment Highlights

Midas Gold (MAX-TSX)

Rating: BUY | Target: C\$1.15

To derive our target we apply a 100% weighting on a 0.5x NAV. In our view, our valuation adequately captures the value of MAX's assets and the development opportunity presented by Stibnite.

We see MAX trading at a discount to gold developer peers on an Adj. NAV multiple basis relative to peers (~0.19x vs. peers at ~0.4x) (See Appendix A on page 11 for valuations vs. Pl's gold developer peer group).

We believe that MAX screens well as a potential acquisition target based on merits that we feel acquirers are looking for when entering into M&A transactions. These include LOM (modelled) at 12 years, IRR (24%), Payback of ~30% (as a % of the modelled LOM + construction period), and exploration upside (potential to add value through resource growth and discovery). We see an additional benefit coming from an extensive reclamation and remediation program (of the brownfields site), something that would occur during construction and/or relatively early in Stibnite's mine life.

Exhibit 2: MAX Snapshot

Midas Gold														
Rating: Buy, \$1.40 Target price														
Market Capitalization & Enterprise Value:			IRR: 24%			Payback (% modelled LOM + Construction Period) 30%								
Market Cap: ~C\$175.8M EV: ~C\$166.7M														
NAV:			Modelled vs. Defined Resources											
PNAV: ~C\$1180.0M (C\$2.73/share)			LOM (Modelled) 12.0 years			M & I Coverage (Modelled / M & I oz) 69%			Global Coverage (Modelled / M & I + I oz): 59%					
Balance Sheet²:			Production & Costs (LOM Av.):											
Cash C\$32.8M Debt C\$26.0M Net Debt C\$-6.8M			344 Koz Au/year (Av)						AISC ¹ (US\$/oz): \$766					
			Initial Capex (US\$M): \$1,000			LOM Sustaining Capex (US\$M): \$154								
Metal Value (LOM):			Development Timeline:											
Gold: 94% Silver: 1%, Antimony: 5%			H1/18	H2/18	H1/19	H2/19	H1/20	H2/20	H1/21	H2/21	H1/22	H2/22	H1/23	H2/23
			Permitting		FS		Permitting		Construction					

Notes: 1 AISC (PI's Definition)
2 As of 30-Jun-19

Source: PI Financial Corp

Whilst we see most of MAX's near-term news flow comprising development updates we see 2019 as a critical period for MAX, specifically from a permitting perspective in preparation for the delivery of a final Record of Decision (ROD) in 2020. We see a revised FS in H2/19 as confirming Stibnite's scope and economic potential (see Exhibit 3).

Exhibit 3: MAX Catalysts & News Flow

Midas Gold		2H19	2020
• Q2/19 Cash (C\$M) ¹ :	\$33		
• Q2/19 Debt (C\$M) ¹ :	\$26		
• Stibnite: EIS + Ongoing environmental studies + Ongoing community & Government relations		X	X
• Stibnite: USFS issue of Draft EIS & FS (Q4/19)		X	
• Stibnite: Final EIS & Draft Record of Decision (ROD) (Q2/20)			X
• Stibnite: Final Record of Decision (ROD)(Q4/20)			X
• Stibnite: Preparing for construction (2021)			

Notes: ¹ As of 30-Jun-19

Source: PI Financial Corp

We also define valuation “bookends” for MAX. Supported by Stibnite's potential to deliver an attractive LOM (modelled) at 12 years, IRR (24%), Payback of ~30% (as a % of modelled LOM + construction period), and exploration upside (potential to add value through resource growth and discovery), the upper valuation “bookend” (C\$2.12/ share) reflects a 0.6x NAV 5% at spot metal prices (US\$1,510/oz Au). The lower valuation “bookend” (C\$0.79/ share) reflects our current model but run using a 10% discount rate, and our long-term metal price assumptions (US\$1,400/oz Au), and a US\$0.75/C\$ foreign exchange rate (see Exhibit 4). We feel these bookend values represent the upper and lower bounds of a take-out price that an acquirer might pay.

We see ~US\$1,433/oz as the “Implied Au price for Takeout” for MAX, satisfying a “win-win” outcome for both the acquirer and Midas. A US\$1,433/oz gold price would allow an acquirer to earn a 15% IRR on the Stibnite project after paying a 30% takeout premium to MAX shareholders and funding construction to production.

While we see MAX as a potential takeout candidate for the standalone Stibnite operation, we see MAX screening more attractively as a potential acquisition target for ABX. We see ABX as the logical acquirer given the potential for a rescoped Stibnite project to produce a high-grade sulphide concentrate which would be oxidized and leached at Barrick Nevada's Goldstrike operation, reducing the project Capex and operating costs while enabling the processing of Goldstrike's low



sulphide stockpiles (see our Dec-17-18 Report: [A True Synergy Opportunity to Help ABX Boost Bottom Line: Food for Thought C\\$0.77](#)).

We note strategic investor Barrick Gold holds a ~17% stake in MAX. If we assume a simplistic buy and build analysis on a sulphide concentrate scenario and ignore any gain in realizable value from ABX's Goldstrike stockpiles we see an implied gold price of US\$1,398/oz satisfying ABX's payment of a 30% takeout premium for MAX whilst still realizing a 15% IRR on the Stibnite project, discounted at 5% to today.

Exhibit 4: MAX Valuation Bookends & Implied Metal Price

Midas Gold					
Valuation Bookends		Implied Metal Price			
Upside: 5% Disc, 0.6x NAV at Spot	\$2.12 /share	226%	Spot Au Price	\$ 1,510 /oz Au	
Target Price: 5% Disc, 0.5x NAV at PI Deck	\$1.40 /share	115%	Implied Au Price for Takeout	\$ 1,433 /oz Au	-5%
Downside: 10% Disc, 0.5x NAV at PI Deck	\$0.79 /share	21%	PI Base Case LT Estimate	\$ 1,398 /oz Au	-7%
Market Price	\$0.65 /share				

Source: PI Financial Corp

Orezone Gold (ORE-TSXV)

Rating: BUY | Target: C\$1.35

To derive our target we apply a 100% weighting on a 0.5x project NAV. In our view, our valuation adequately captures the value of ORE's assets and the development opportunity presented by Bomboré. We have incorporated ORE's Q2/19 financial results into our model, and adjusted our valuation accordingly.

We see ORE trading at a discount to gold developer peers on an Adj. NAV multiple basis relative to peers (~0.31x vs. peers at ~0.4x, see Appendix A on page 11 for valuations vs. PI's gold developer peer group).

We believe that ORE screens well as a potential acquisition target based on merits that we feel acquirers are looking for when entering into M&A transactions. These include LOM (modelled) at 14 years, IRR (44%), Payback of ~23% (as a % of the modelled LOM + construction period), and exploration upside (potential to add value through resource growth and discovery). At Bomboré, we model significantly fewer in-situ oz than those hosted in M & I (oxide + transitional) resources and global (oxide + transitional) resources (M & I & Inferred) (see Exhibit 5). We see this as a reflection of additional development upside.

Exhibit 5: ORE Snapshot

Orezone Resources														
Rating: Buy, \$1.35 Target price														
Market Capitalization & Enterprise Value:			IRR: 44%			Payback (% modelled LOM + Construction Period) 23%								
Market Cap: ~C\$162.1M EV: ~C\$131.9M														
NAV:			Modelled vs. Defined Resources											
PNAV: ~C\$439.7M (C\$1.92/share)			LOM (Modelled) 13.5 years			M & I Coverage (Modelled / M & I ³ oz) 95%			Global Coverage (Modelled / M & I + I ³ oz) 84%					
Balance Sheet²:			Production & Costs (LOM Av.):											
Cash \$22.7M Debt \$0.0M Net Debt \$-22.7M			113 Koz Au/year (Av)			AISC ¹ (US\$/oz): \$817								
Metal Value (LOM):			Initial Capex (US\$M): \$216			LOM Sustaining Capex (US\$M): \$78								
Gold: 100%			Development Timeline:											
			H1/18	H2/18	H1/19	H2/19	H1/20	H2/20	H1/21	H2/21	H1/22	H2/22	H1/23	H2/23
				RFS	FS			Construction			Production			

Notes: 1 AISC (PI's Definition)
2 As of 30-Jun-19
3 Oxide + Transitional

Source: PI Financial Corp

Whilst we see most of ORE's near-term news flow comprising development updates and corporate announcements concerning management additions we see 2019 as a critical period for ORE as the Company lays out its finalized and optimized operating plan for Bomboré, underpinned by a H1/20 resource update (see Exhibit 6).

Exhibit 6: ORE Catalysts & News Flow

Orezone		2H19	2020
• Q1/19 Cash (C\$M) ¹ :	\$27		
• Q1/19 Debt (C\$M) ¹ :	\$0		
• Bombore: Management team updates.			
• Bombore: Revised resource update (including Restricted Zones, P175) + Revised FS (Sulphides, revised throughput of 5.2Mtpa) (announced late June).			
• Bombore: Permitting (sulphide expansion + P175 satellite deposit, EISA approval anticipated by year-end) + Early works engineering + resettlement + main access roads + camp improvements (2019 Budget: US\$25.2M).		X	
• Bombore: Arrange project funding		X	
• Bombore: Construction of TSF and the Off-Channel Reservoir to satisfy the project's production water needs (Q1/20) before rainy season (May - Oct)			X
• Bombore: Process plant construction (Q1/20).			X
• Bombore: Commissioning and plant start up (Q2 - Q3/21).			

Notes: ¹ As of 31-Mar-19

Source: PI Financial Corp

We also define valuation “bookends” for ORE. Supported by Bomboré’s potential to deliver an attractive LOM (modelled) at 13.5 years, IRR (44%), Payback of ~23% (as a % of modelled LOM + construction period), and exploration upside (potential to add value through resource growth and discovery). The upper valuation “bookend” (C\$1.95/ share) reflects a 0.75x NAV8% using spot pricing (US\$1,510/oz Au), and including a US\$28/oz Au (2% of LT price assumption) credit for the unmined sulphide resource. The lower valuation “bookend” (C\$0.98/ share) reflects a 1.0x NAV15%, assuming our base case metal price assumptions (US\$1,400/oz Au), with no credit given for unmined ounces (see Exhibit 7). We feel this lower bookend is justified, as below that price ORE would do better to raise required capital to fund and construct Bomboré itself.

We see ~US\$1,356/oz as the “Implied Au price for Takeout” for ORE, which satisfies a “win-win” outcome for both the acquirer and target company (ORE), rewarding a potential acquirer with a project (Bomboré) that can deliver a 15% IRR after paying a 30% takeout premium to ORE shareholders and funding construction to production.

Exhibit 7: Valuation Bookends & Implied Metal Price

Orezone Resources				
Valuation Bookends			Implied Metal Price	
Upside: 8% Disc, 0.75x NAV at Spot, Incl. Sulph. Credit	\$1.95 /share	157%	Spot Au Price	\$ 1,510 /oz Au
Target Price: 8% Disc, 0.5x NAV at PI Deck	\$1.35 /share	78%	PI Base Case LT Estimate	\$ 1,400 /oz Au -7%
Downside: 15% Disc, 1.0x NAV at PI Deck, No Sulph. Credit	\$0.98 /share	30%	Implied Au Price for Takeout	\$ 1,356 /oz Au -10%
Market Price	\$0.76 /share			

Source: PI Financial Corp

Whilst we assume that ORE will develop Bomboré to production, we view the project (which is fully permitted) as an attractive acquisition target for a West African focused intermediate gold producer with French West African operating experience.

We see Bomboré as ideally located adjacent (~25 km NW) to West African Resources’ (WAFTSXV) feasibility stage Sanbrado project. We also note B2Gold’s (BTO-TSX) emerging Toega prospect near its Kiaka deposit, located ~15 km to the south of Bomboré.



Barkerville Gold Mines (BGM-TSXV)

Rating: BUY | Target: C\$1.00

To derive our target we apply a 100% weighting on a 0.8x NAV. In our view, our valuation adequately captures the value of BGM's assets and the development opportunity presented by the Cariboo Gold project.

We see BGM trading at a discount to its gold developer peers on an Adj. NAV multiple basis relative to peers (~0.3x vs. peers at 0.4x) (See Appendix A on page 11 for valuations vs. PI's gold developer peer group). In our view, this discount is due to Cariboo's higher capital requirements for development and uncertainty surrounding use of ore sorting and floatation methods prior to mill and lack of infill drilling prior to completion of a feasibility study, which all enhance project risk. However, with a permitted and functioning mill 100% owned by Barkerville, we address that a large capital consuming and permitting component is alleviated.

We believe that BGM screens well as a potential acquisition target based on merits that we feel acquirers are looking for when entering into M&A transactions. These include LOM (modelled) at 16 years, IRR (PEA) at (28%), Payback of ~6% (vs. modelled LOM + construction period), and exploration upside (potential to add value through increased resource confidence and growth). At Cariboo, we model significantly more in-situ oz than those hosted in M & I resources, due in large part to Cariboo's large Inferred resource base that was omitted from the modelled operating scenario in the recently delivered PEA and expect M & I resources to increase after inclusion of the 2019 ~110,000m infill drill program in the next resource update in mid-2020 (see Exhibit 8).

Exhibit 8: BGM Snapshot

Barkerville Gold Mines	
Rating: Buy, \$1.00 Target price	
Market Capitalization & Enterprise Value:	IRR: 44% Payback (% modelled LOM + Construction Period) ~6%
Market Cap: ~C\$225.0M EV: ~C\$209.6M	
NAV:	Modelled vs. Defined Resources
PNAV: ~C\$776.2M (C\$1.25/share)	LOM (Modelled) 16.3 years M & I Coverage (Modelled / M & I oz) 156% Global Coverage (Modelled / M & I + I oz): 115%
Balance Sheet²:	Production & Costs (LOM Av.):
Cash C\$22.5M Debt C\$0.0M Net Debt C\$-22.5M	198 Koz Au/year (Av) AISC ¹ (US\$/oz): \$710 Initial Capex (US\$M): \$320 LOM Sustaining Capex (US\$M): NA
Metal Value (2018E):	Development Timeline:
Gold: 100%	H1/18 H2/18 H1/19 H2/19 H1/20 H2/20 H1/21 H2/21 H1/22 H2/22 H1/23 H2/23 Exploration PEA Exploration/FS Exploration / FS Permitting Construction Production

Source: PI Financial Corp

We see most of BGM's near-term news flow comprising exploration updates related to its infill drill program in addition to various advancements on efforts related to its feasibility study and receipt of underground operating permits. We see the delivery of a resource update in mid-2020 as the foundation for the feasibility study expected later in the year (2020) to early 2021 (see Exhibit 9).

Exhibit 9: BGM Catalysts & News Flow

Barkerville Gold Mines	2H/19	2020
• 2Q19 Cash: C\$22.5M		
• 2Q19 Debt: C\$0M		
• Cariboo Gold Project: Expand resource to 650m with 50m step outs down dip of high-grade vein corridors	X	
• Cariboo Gold Project: Receipt of Mine Permits for Cow and Island Mountain Mine	X	X
• Cariboo Gold Project: Commence Feasibility Study	X	
• Cariboo Gold Project: Drill results from remainder of 2019 110,000m program	X	X
• Cariboo Gold Project: 43-101 Resource Estimate Update to incorporate new drilling		X

Source: PI Financial Corp



We also define valuation “bookends” for BGM. Supported by Cariboo’s potential to deliver an attractive LOM (modelled) at 16 years, IRR in the PEA of 28%, Payback of ~6%, and exploration upside (potential to add value through increased resource confidence and growth), the upper valuation “bookend” (C\$2.08/ share) reflects peer group valuations for junior gold producers (currently trading up to ~0.6x NAV at base case metal prices). The lower valuation “bookend” (C\$0.51/ share) reflects our current valuation but at no premium to NAV, assuming current Spot metal prices at US\$1,510/oz Au, and a US\$0.75/C\$ foreign exchange rate (see Exhibit 10).

We see ~US\$1,334/oz as the “Implied Au price for Takeout” for BGM and satisfies a “win-win” outcome for both the acquirer and target company (BGM), rewarding a potential acquirer with a project (Cariboo) that can deliver a 15% IRR after paying a 30% takeout premium to BGM shareholders and funding construction to production.

Exhibit 10: BGM Valuation Bookends & Implied Metal Price

Barkerville Gold Mines				
Valuation Bookends			Implied Metal Price	
Upside: 5% Disc, 1.0x NAV at Spot	\$2.08 /share	420%	Spot Au Price	\$ 1,510 /oz Au
Target Price: 8% Disc, 0.8x NAV at \$1,400/oz & EV/oz	\$1.00 /share	150%	PI Base Case LT Estimate	\$ 1,400 /oz Au -7%
Downside: 10% Disc, 0.5x NAV at PI Deck	\$0.51 /share	28%	Implied Au Price for Takeout	\$ 1,334 /oz Au -12%
Market Price	\$0.40 /share			

Source: PI Financial Corp

Bonterra Resources (BTR-TSXV)

Rating: BUY | Target: C\$3.50

To derive our target we apply a 50/50 weighting on our modelled operating scenario for Bonterra’s trio of assets and an EV/oz metric of US\$50/oz (on a 3.25Moz resource assumption) plus a C\$60M credit to its 100% owned Urban-Barry mill. With this weighting and a 0.75x multiple to NAV, we believe our valuation adequately captures the value of BTR’s assets and the development opportunity presented within the Urban-Barry camp.

We see BTR trading at a premium to gold developer peers on an Adj. NAV multiple basis relative to peers (0.6x vs. peers at 0.4x) (See Appendix A on page 11 for valuations vs. PI’s gold developer peer group). In our view, this premium is due to Bonterra’s exploration upside, location (in Quebec with favourable flow-through exploration deductions), strong shareholder base, and a permitted and 100% owned milling facility – the only mill within the Urban-Barry camp.

We believe that BTR screens well as a potential acquisition target based on merits that we feel acquirers are looking for when entering into M&A transactions. These include LOM (modelled) at 9.5 years, IRR (90%), Payback of ~11%, and exploration upside (potential to add value through resource growth and discovery). At Urban-Barry, we conservatively model on the light side for in-situ tonnage side based on the existing resource. However, an aggressive drill campaign is expected for the winter of 2019/20 to complete additional infill and step-out drilling to demonstrate the robust potential of the various deposits. We see a focus by management to be hinged on resource growth and grade confidence in preparation to either a) advanced underground exploration at Gladiator and Barry, or b) the sale of the Company to a bona-fide producer as a bolt-on operation.

Exhibit 11: BTR Snapshot

Bonterra Resources Rating: Buy, \$3.50 Target price												
Market Capitalization & Enterprise Value:	Market Cap: ~C\$164.2M EV: ~C\$93.8M	IRR: 49%	Payback (% modelled LOM + Construction Period) ~11%									
NAV:	Modelled vs. Defined Resources											
PNAV: ~C\$65.5M (C\$7.46/share)	LOM (Modelled) 16.5 years	M & I Coverage (Modelled / M & I oz) 237%	Global Coverage (Modelled / M & I + I oz): 127%									
Balance Sheet²:	Production & Costs (LOM Av.):											
Cash C\$30.0M Debt C\$0.0M Net Debt C\$-30.0M	181 Koz Au/year (Av) Initial Capex (US\$M): \$76		AISC ¹ (US\$/oz): \$852 LOM Sustaining Capex (US\$M): \$132									
Metal Value (2018E):	Development Timeline:											
Gold: 100%	H1/18	H2/18	H1/19	H2/19	H1/20	H1/20	H1/21	H2/21	H1/22	H2/22	H1/23	H2/23
	Exploration		Exploration/Permitting		Permitting		Construction		Production			

Source: PI Financial Corp

We see most of BTR's near-term news flow comprising exploration updates in preparation of a more aggressive winter drilling campaign to utilize frozen ground in regions of more wet ground – particularly regionally at Gladiator testing for satellite targets and/or sub-parallel veins.

Exhibit 12: BTR Catalysts & News Flow

Bonterra Resources	2H/19	2020
• 3Q19 Cash: C\$30M		
• 3Q19 Debt: C\$0M		
• Gladiator: Magnetic and Induced Polarization (IP) program	X	
• Gladiator: On-going permitting process for underground decline	X	
• Gladiator: Underground exploration and In-fill drill program		X
• Barry: Drill results from on-going exploration	X	
• Moroy: Drill results from on-going exploration	X	
• Urban Barry Mill: On-going permitting process for mill expansion	X	

Source: PI Financial Corp

We also define valuation “bookends” for BTR. Supported by Urban Barry’s potential to deliver an attractive LOM (modelled) at 9.5 years, IRR 90%, Payback of 11%, and exploration upside (potential to add value through resource growth and discovery), the upper valuation “bookend” (C\$7.03/ share) reflects peer group valuations for junior gold producers (currently trading up to ~0.6x NAV at base case metal prices). The lower valuation “bookend” (C\$2.54/ share) reflects our current valuation but at no premium to NAV, assuming current Spot metal prices at US\$1,510/oz Au, and a US\$0.75/C\$ foreign exchange rate (see Exhibit 13).

We see ~US\$1,526/oz as the “Implied Au price for Takeout” for BTR. Under our analysis, US\$1,526/oz satisfies a “win-win” outcome for both the acquirer and target company (BTR), rewarding a potential acquirer with a project (Urban-Barry) that can deliver a 15% IRR after paying a 30% takeout premium to BTR shareholders and funding remaining exploration, underground development, and mill expansion towards production. We acknowledge that this implied gold price is above current spot prices but reiterate our conservative modelled operating scenario for Bonterra at this time until economic studies and resource expansion efforts confirm a more solidified vision for the project moving forward.

Exhibit 13: BTR Valuation Bookends & Implied Metal Price

Bonterra Resources					
Valuation Bookends		Implied Metal Price			
Upside: 5% Disc, 1.0x NAV at Spot	\$7.03 /share	160%	Implied Au Price for Takeout	\$ 1,526 /oz Au	1%
Target Price: 50/50 of 5% Disc, 0.75x NAV at \$1,400/oz & EV/oz	\$3.50 /share	30%	Spot Au Price	\$ 1,510 /oz Au	
Downside: 8% Disc, 0.5x NAV at PI Deck	\$2.54 /share	-6%	PI Base Case LT Estimate	\$ 1,400 /oz Au	-7%
Market Price	\$2.70 /share				

Source: PI Financial Corp

Nighthawk Gold (NHK-TSX)

Rating: BUY | Target: C\$1.00

To derive our target we apply a 50/50 weighting on our envisioned operating scenario at Colomac, and our EV/oz in-situ estimates. Based on drilling completed since the last resource update and the evolving geological interpretation, we believe our valuation adequately captures the value of the development opportunity presented at Colomac while leaving regional prospects such as Damoti Lake as options or upside on the project.

We see NHK trading at a slight premium to gold developer peers on an Adj. NAV multiple basis relative to peers (~0.5x vs. peers at 0.4x) (See Appendix A on page 11 for valuations vs. PI's gold developer peer group). In our view, this premium is due to Colomac's geographic location being situated in Canada, its key technical partnerships/shareholders, and its potential to exceed 3Moz Au.

We are attracted to NHK given its vast land package, regional prospects, and simplicity of its flagship Colomac deposit. We believe that NHK screens well as a potential acquisition target based on merits that we feel acquirers are looking for when entering into M&A transactions. These include LOM (modelled) at 13 years, IRR (27 %), Payback of ~8% (vs. modelled LOM + construction period), and regional exploration upside.

Exhibit 14: NHK Snapshot

Nighthawk Gold														
Rating: Buy, \$1.00 Target price														
Market Capitalization & Enterprise Value:			IRR: 27%			Payback (% modelled LOM + Construction Period) ~8%								
Market Cap: ~C\$131.0M EV: ~C\$106.5M														
NAV:			Modelled vs. Defined Resources											
PNAV: ~C\$316.8M (C\$1.37/share)			LOM (Modelled) 12.8 years			M & I Coverage (Modelled / M & I oz) N/A			Global Coverage (Modelled / M & I + I oz): 115%					
Balance Sheet²:			Production & Costs (LOM Av.):											
Cash C\$19.4M Debt C\$0.0M Net Debt C\$-19.4M			178 Koz Au/year (Av)			AISC ¹ (US\$/oz): \$685								
			Initial Capex (US\$M): \$400			LOM Sustaining Capex (US\$M): \$97								
Metal Value (2018E):			Development Timeline:											
Gold: 100%			H1/18	H2/18	H1/19	H2/19	H1/20	H1/20	H1/21	H2/21	H1/22	H2/22	H1/23	H2/23
			Exploration		Exploration		Exploration / FS		Permitting		Construction		Production	

Source: PI Financial Corp

We see NHK's near-term news flow comprising exploration updates from efforts related to its 2019 ~40,000m drill program which is shortly coming to an end. Data is expected to be compiled and tabled into an updated resource estimate by mid-2020.

Exhibit 15: NHK Catalysts & News Flow

Nighthawk Gold		2H/19	2020
• 2Q19 Cash: C\$19.4M			
• 2Q19 Debt: C\$0M			
• Colomac Gold Project: Domaining out High-grade Zones and Elevating to Indicated Resource Level		X	
• Colomac Gold Project: Discovery and Delineation of Additional High-Grade Domains		X	
• Colomac Gold Project: Additional Met-Work to generate statistical framework for Heap Leach opportunity		X	
• Colomac Gold Project: Complete Internal Scoping study to provide basis for any future PEA			X
• Colomac Gold Project: Deliver updated Resource estimate for Colomac			X
• Regional Targets: Maiden Resource at Damoti Lake Gold Deposit		X	
• Regional Targets: Drill high-priority regional targets to advance them up the value chain		X	
• Regional Targets: On-going regional exploration and prospecting work to identify new targets		X	

Source: PI Financial Corp

We also define valuation “bookends” for NHK. Supported by Colomac’s potential to deliver an attractive LOM (modelled) at 13 years, IRR (27%) and exploration upside (potential to add value through resource growth and discovery), the upper valuation “bookend” (C\$2.08/ share) reflects peer group valuations for junior gold producers (currently trading up to 1.0x NAV at Spot metal prices and 5%). The lower valuation “bookend” (C\$0.65/ share) reflects our current valuation but at no premium to NAV, assuming current Spot metal prices at US\$1,510/oz Au, and a US\$0.75/C\$ foreign exchange rate (see Exhibit 16).

We see ~US\$1,453/oz as the “Implied Au price for Takeout” for NHK satisfying our buy and build acquisition scenario. At ~US\$1,453/oz in our model, this satisfies a “win-win” outcome for both the acquirer and target company (NHK), rewarding a potential acquirer with a project (Colomac) that can deliver a 15% IRR after paying a 30% takeout premium to NHK shareholders and funding construction to production.

Exhibit 16: NHK Valuation Bookends & Implied Metal Price

Nighthawk Gold				
Valuation Bookends			Implied Metal Price	
Upside: 5% Disc, 1.0x NAV at Spot	\$2.28 /share	307%	Spot Au Price	\$ 1,510 /oz Au
Target Price: 50/50 of 5% Disc, 0.75x NAV at \$1,400/oz & EV/oz	\$1.00 /share	79%	Implied Au Price for Takeout	\$ 1,453 /oz Au -4%
Downside: 8% Disc, 0.5x NAV at PI Deck	\$0.65 /share	16%	PI Base Case LT Estimate	\$ 1,400 /oz Au -7%
Market Price	\$0.56 /share			

Source: PI Financial Corp

Appendix A: PI Mining Coverage Universe

Company	Ticker	Share Price	Target Price	Stock Rating	CFPS		P/CF		TP/CF		NAV			Analyst
					2019 E	2020 E	2019 E	2020 E	2019 E	2020 E	NAVPS	P/NAV	TP/NAV	
Intermediate Gold Producers														
Kirkland Lake Gold	KL.TO	C\$62.47	C\$55.75	NEUTRAL	C\$4.17	C\$4.90	15.0x	12.7x	13.4x	11.4x	C\$29.45	2.06x	1.84x	PK/AA
B2Gold	BTO.TO	C\$4.42	C\$5.60	BUY	C\$0.55	C\$0.80	8.0x	5.5x	10.2x	7.0x	C\$3.46	1.28x	1.63x	CT/JS
OceanaGold	OGC.TO	C\$3.15	C\$5.70	BUY	C\$0.62	C\$0.77	5.1x	4.1x	9.2x	7.4x	C\$4.26	0.75x	1.32x	CT/JS
Endeavour Mining	EDV.TO	C\$24.98	C\$32.00	BUY	C\$3.28	C\$4.19	7.6x	6.0x	9.8x	7.6x	C\$19.77	1.20x	1.47x	CT/JS
SSR Mining	SSRM.TO	C\$20.54	C\$24.50	BUY	C\$1.22	C\$1.50	16.8x	13.7x	20.1x	16.4x	C\$19.18	1.09x	1.37x	CT/JS
Group Average							10.5x		12.5x		1.28x			1.53x
Junior Gold Producers														
Wesdome Gold Mines Ltd.	WDO.TO	C\$6.64	C\$5.65	NEUTRAL	C\$0.55	C\$0.43	12.2x	15.5x	10.3x	13.2x	C\$3.78	1.80x	1.53x	PK/AA
K92 Mining	KNT.V	C\$1.93	C\$3.00	BUY	C\$0.24	C\$0.55	7.9x	3.5x	12.3x	5.4x	C\$2.94	0.63x	1.02x	CT/JS
Alio Gold Corp	ALO.TO	C\$0.93	C\$1.15	NEUTRAL	C\$0.14	C\$0.15	6.8x	6.2x	8.4x	7.6x	C\$1.97	0.33x	0.47x	PK/AA
Superior Gold Inc.	SGI.V	C\$0.80	C\$1.55	BUY	C\$0.12	C\$0.67	6.5x	1.2x	12.6x	2.3x	C\$1.75	0.44x	0.88x	PK/AA
Jaguar Mining Inc.	JAG.TO	C\$0.24	C\$0.20	NEUTRAL	C\$0.08	C\$0.11	3.1x	2.2x	2.6x	1.9x	C\$0.28	0.82x	0.68x	PK/AA
Group Average							7.3x		9.3x		0.80x			0.92x
Silver Producers														
Pan American Silver	PAAS.TO	C\$23.41	C\$25.25	BUY	C\$1.77	C\$3.50	13.2x	6.7x	14.2x	7.2x	C\$19.36	1.24x	1.35x	CT/JS
Fortuna Silver	FVI.TO	C\$4.87	C\$7.10	BUY	C\$0.55	C\$0.96	8.8x	5.1x	12.8x	7.4x	C\$6.44	0.76x	1.10x	CT/JS
Endeavour Silver	EDR.TO	C\$3.54	C\$3.00	NEUTRAL	C\$0.04	C\$0.25	100.1x	14.1x	84.8x	11.9x	C\$2.78	1.31x	1.09x	CT/JS
Excellon Resources	EXN.TO	C\$1.07	C\$1.15	NEUTRAL	C(\$0.02)	C\$0.27	n.m.	3.9x	n.m.	4.2x	C\$1.28	0.84x	0.90x	PK/AA
Group Average							54.4x		48.8x		1.04x			1.11x
Royalty & Streamers														
Maverix Metals	MMX.TO	C\$6.49	C\$7.00	BUY	C\$0.23	C\$0.32	28.7x	20.5x	31.0x	22.1x	C\$3.68	1.88x	2.04x	JS/CT
Metallia Royalty	MTA.V	C\$1.23	C\$1.50	BUY	C\$0.02	C\$0.01	65.5x	89.9x	79.9x	109.7x	C\$1.02	1.21x	1.50x	JS/CT
Group Average							47.1x		55.4x		1.55x			1.77x
Gold Developers														
Gold Standard Ventures	GSV.TO	C\$1.34	C\$2.60	BUY	-	-	n.m.	-	n.m.	-	C\$3.32	0.39x	0.78x	CT/JS
Victoria Gold	VIT.V	C\$0.60	C\$0.90	BUY	C\$0.03	C\$0.14	21.2x	4.4x	31.7x	6.6x	C\$0.87	0.75x	1.03x	CT/JS
Midas Gold	MAX.TO	C\$0.68	C\$1.40	BUY	-	-	n.m.	-	n.m.	-	C\$2.86	0.20x	0.47x	CT/JS
Barkerville Gold	BGM.V	C\$0.40	C\$1.00	BUY	-	-	n.m.	-	n.m.	-	C\$1.25	0.31x	0.80x	PK/AA
Orezone Gold	ORE.V	C\$0.80	C\$1.35	BUY	-	-	n.m.	-	n.m.	-	C\$2.09	0.32x	0.61x	CT/JS
Bonterra Resources	BTR.V	C\$2.76	C\$3.50	BUY	-	-	n.m.	-	n.m.	-	C\$4.69	0.54x	0.72x	PK/AA
Nighthawk Gold	NHK.TO	C\$0.59	C\$1.00	BUY	-	-	n.m.	-	n.m.	-	C\$1.36	0.38x	0.71x	PK/AA
Bluestone Resources	BSR.V	C\$1.26	C\$2.40	BUY	-	-	n.m.	-	n.m.	-	C\$2.87	0.42x	0.83x	PK/AA
Integra Resources	ITR.V	C\$1.30	C\$1.75	BUY	-	-	n.m.	-	n.m.	-	C\$2.07	0.61x	0.84x	PK/AA
INV Metals	INV.TO	C\$0.42	C\$1.40	BUY	-	-	n.m.	-	n.m.	-	C\$3.17	0.12x	0.43x	CT/JS
Treasury Metals	TML.TO	C\$0.37	C\$0.60	BUY	-	-	n.m.	-	n.m.	-	C\$1.19	0.32x	0.52x	PK/AA
Group Average							0.40x		0.70x					
Silver Developers														
MAG Silver	MAG.TO	C\$15.50	C\$19.50	BUY	-	C\$0.09	n.m.	-	n.m.	-	C\$16.83	0.91x	1.18x	CT/JS
SilverCrest Metals	SIL.TO	C\$7.32	C\$9.50	BUY	-	-	n.m.	-	n.m.	-	C\$7.93	0.92x	1.22x	PK/AA
Group Average							0.91x		1.2x					
Explorers														
Auryn Resources	AUG.TO	C\$1.65	C\$2.50	BUY	-	-	n.m.	-	n.m.	-	C\$2.53	0.63x	0.99x	PK/AA
GT Gold	GTT.V	C\$0.99	C\$2.25	BUY	-	-	n.m.	-	n.m.	-	C\$4.34	0.20x	0.50x	CT/JS
Troilus Gold	TLG.TO	C\$0.65	C\$1.45	BUY	-	-	n.m.	-	n.m.	-	C\$2.46	0.23x	0.57x	PK/AA
Revival Gold	RVG.V	C\$0.69	C\$1.05	BUY	-	-	n.m.	-	n.m.	-	C\$1.73	0.38x	0.59x	PK/AA
Group Average							0.36x		0.66x					
Base Metals														
ERO Copper	ERO.TO	C\$21.60	C\$22.50	NEUTRAL	C\$1.94	C\$1.79	11.1x	12.1x	11.6x	12.6x	C\$14.84	1.41x	1.47x	PK/AA

Notes: BUY - Buy NEUT - Neutral SELL - Sell R - Restricted | AVG - Average ABV - Above Average SPEC - Speculative | CT - Chris Thompson PK - Phil Ker JS - Justin Stevens AA - Akinwale Akinwale

Source: Thomson Reuters Eikon, PI Financial Corp

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<u>Company</u>	<u>Disclosure</u>	<u>Particulars</u>
Barkerville Gold Mines	3, 4	
Bonterra Resources	3, 4	
Gold Standard Ventures	3, 4	
Midas Gold	4, 9	
Nighthawk Gold	3, 4	
Orezone Gold	4	

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