

# Golden Dawn Minerals Inc.

Canada / Mining  
 TSXV Exchange  
 Bloomberg: GOM CN  
 ISIN: CA3808957060

Update

**RATING** **BUY**  
**PRICE TARGET** **CAD 0.43**  
 Return Potential 115.0%  
 Risk Rating High

## TARGETING PRODUCTION FROM Q4 2018

Golden Dawn Minerals (GOM) has scheduled the start of gold production from its Lexington mine and Greenwood Processing Plant (GPP) for Q4 this year. Additional feed is expected from the Golden Crown mine from mid 2019. Combined run-of-mine output is estimated at 546,500 tonnes grading 6.6 g/t Au and 0.76% Cu corresponding to life-of-mine production of 100,100 oz. Au equivalent. All-in sustaining costs are put at USD786 per oz. Au. Mine life is estimated at five years but surface and drill hole samples indicate potential to extend this period. Production starts at both mines have been put back from the originally scheduled dates (Lexington: January 2018, Golden Crown: January 2019). Delays occurred in dewatering at Lexington because water volume was 3 times the expected level, and also in meeting new health and safety requirements. Dilution caused by these delays is the main reason for the reduction in our price target from CAD0.72 to CAD0.43. We maintain our Buy recommendation.

### Geological, engineering studies to ensure sound basis for mine operation

A total of 5,486 oz. gold, 3,247 oz. silver and 860,529 lb of copper was produced from the Lexington mine by a past operator between April and December 2008. Management has decided to undertake comprehensive geological, geotechnical and mining engineering studies before restarting production in order to provide a sound technical basis for the mine operation. We estimate that GOM will need to raise an additional CAD5-6m to bring the Lexington mine into production.

**Resource upside potential** Surface and drill hole samples suggest resource upside potential of 150,000-200,000 tonnes grading 5.0-7.0 g/t Au and 0.8%-1.2% Cu at Lexington and 65,000-80,000 tonnes grading 8-10 g/t Au and 0.4%-0.5% Cu at Golden Crown.

**Ore sorting test suggests potential for improved project economics** Pre-concentration testing of Lexington mine samples using the Steinert multi-sensor sorting system showed an increase in gold grade up to 12.6 g/t from 8.0 g/t.

## FINANCIAL HISTORY & PROJECTIONS

	2015	2016	2017	2018E	2019E	2020E
Revenue (CAD m)	0.00	0.00	0.00	3.21	21.72	35.55
Y-o-y growth	n.a.	n.a.	n.a.	n.a.	576.6%	63.7%
EBIT (CAD m)	-1.75	-4.26	-3.93	-1.34	8.77	18.15
EBIT margin	n.a.	n.a.	n.a.	n.a.	40.4%	51.1%
Net income (CAD m)	-1.47	-4.09	-5.23	-1.91	8.25	17.76
EPS (diluted) (CAD)	-0.11	-0.12	-0.09	-0.02	0.08	0.17
DPS (CAD)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (CAD m)	-1.30	-7.93	-9.64	-8.07	4.79	9.99
Net gearing	0.0	60.4%	68.3%	29.5%	-1.9%	-25.5%
Liquid assets (CAD m)	0.11	0.71	1.08	0.72	4.56	12.86

## RISKS

The main risks are a decline in the gold price and failure to reach planned levels of extraction and/or recovery rates.

## COMPANY PROFILE

During the mining sector downturn GOM acquired past producing mines, deposits and exploration targets in British Columbia's prolific Greenwood mining camp, becoming one of the largest land owners in the district. The company plans to start producing at two precious/base metal mine projects in the short term. Both projects are within 15 km of its 100%-owned modern processing facility.

## MARKET DATA

As of 18 Jun 2018

Closing Price	CAD 0.20
Shares outstanding	69.95m
Market Capitalisation	CAD 13.99m
52-week Range	CAD 0.16 / 0.67
Avg. Volume (12 Months)	141,826

Multiples	2017	2018E	2019E
P/E	n.a.	n.a.	2.5
EV/Sales	n.a.	6.1	0.9
EV/EBIT	n.a.	n.a.	2.2
Div. Yield	0.0%	0.0%	0.0%

## STOCK OVERVIEW



## COMPANY DATA

As of 28 Feb 2018

Liquid Assets	CAD 0.48m
Current Assets	CAD 1.47m
Intangible Assets	CAD 10.20m
Total Assets	CAD 18.11m
Current Liabilities	CAD 3.21m
Shareholders' Equity	CAD 9.04m

## SHAREHOLDERS

Wolf Wiese	7.0%
Dieter Benz	0.8%
Stephen Leahy	0.4%
Ralph Wintermantel	0.3%
Free Float	91.5%



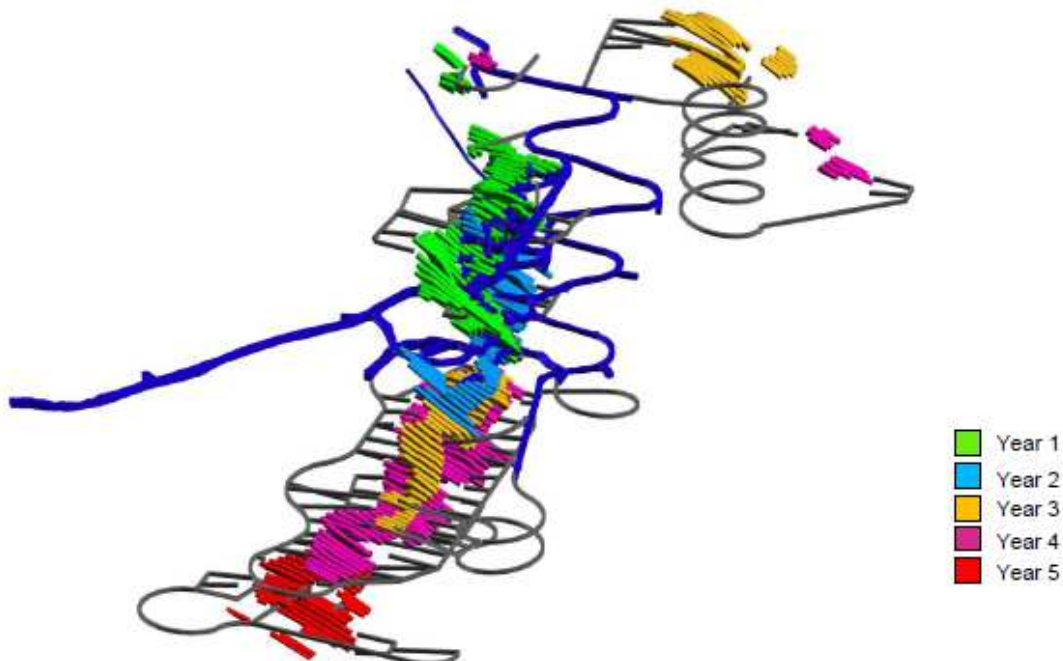
**Dewatering, new health and safety regulations, studies have delayed production start**

Mining was originally expected to begin at the Lexington mine in January 2018 but is now scheduled for Q4 this year. Delays occurred in dewatering because the volume of water was 3 times the expected level. Limited dewatering continues due to above-normal spring run-off following a heavy winter snowpack. The need to meet new health and safety requirements in order to maintain existing permits has been a further unexpected call on management time and company resources. In addition, management has decided to undertake comprehensive geological, geotechnical and mining engineering studies before starting production in order to provide a sound technical basis for the mine operation.

**Mapping and sampling intended to minimise feed dilution once production begins**

Since the end of January GOM has mapped 770 metres of walls within the mine. To date, 14 stope areas have been mapped out of a total of 17 which are accessible. A mining schedule (see figure 1) has been produced for each year of planned mine life showing ore grade by stope area (see figure 2). 339 individual rock chip samples have been collected so far. Composite channel sample results from the first batch of 206 samples sent for assay are shown in figure 3 overleaf. The results confirm the mineral resource reported in the 2017 preliminary economic assessment and will be used as a guide to minimise dilution of the mill feed when production begins.

**Figure 1: Lexington: planned stopes coloured by year scheduled**



Source: GOM

**Figure 2: Lexington: production schedule year 1-5**

Year 1		Year 2		Year 3		Year 4		Year 5	
Tonnes	Grade Au	Tonnes	Grade Au	Tonnes	Grade Au	Tonnes	Grade Au	Tonnes	Grade Au
mined	equivalent (g/t)	mined	equivalent (g/t)	mined	equivalent (g/t)	mined	equivalent (g/t)	mined	equivalent (g/t)
1,271	5.50	2,307	4.70	17,812	6.91	4,410	6.91	168	3.52
2,559	4.10	1,557	4.90	21,094	7.85	2,238	16.39	3,794	4.14
14,318	5.09	10,514	4.66	2,270	3.55	4,467	6.65	30,915	6.65
3,428	5.51	2,857	5.92	14,192	5.12	23,831	8.33	17,017	9.25
5,195	3.67	48,048	7.85	3,642	5.43	15,001	7.11	217	2.33
24,805	6.12	6,717	6.06	12,990	4.85	7,692	5.57	6,269	6.22
6,792	4.66					14,361	6.26	798	4.55
13,632	12.61							8,336	9.88

Source: GOM



Figure 3: Composite channel sample results

Sample Line	Length (m)	Au (ppm)	Cu (%)	Au Eq (g/t)
1166-112-1-LW-1	2.20	0.69	0.19	0.97
1166-112-1-LW-2	2.20	0.81	0.09	0.95
1166-112-1-LW-4	2.30	<b>6.25</b>	<b>0.93</b>	<b>7.65</b>
1166-112-1-LW-5	1.80	0.55	0.31	1.02
1166-112-1-RW-1	2.10	2.66	0.27	3.07
1166-112-1-RW-2	2.00	2.27	1.13	3.97
1166-112-1-RW-4	1.90	1.91	0.41	2.52
1166-112-1-RW-5	2.20	0.90	1.29	2.84
1166-112-2A-FACE	2.10	0.16	0.05	0.24
1166-112-2A-LW-1	3.40	2.60	1.12	4.28
1166-112-2A-LW-2	2.00	<b>4.35</b>	<b>0.85</b>	<b>5.63</b>
1166-112-2A-LW-3	2.30	0.47	0.47	1.17
1166-112-2A-RW	3.10	2.01	0.51	2.77
1166-112-2A-RW-2	1.60	0.14	0.04	0.20
1166-112-2A-RW-3	2.30	0.71	0.34	1.22
1166-112-3-LW-1	2.20	0.26	0.78	1.44
1166-112-3-LW-2	2.40	1.05	0.42	1.67
1166-112-3-RW	3.90	<b>13.41</b>	<b>2.08</b>	<b>16.54</b>
1166-112-3-RW-2	2.00	<b>3.40</b>	<b>1.19</b>	<b>5.20</b>
1166-112-OAC-RW-2	2.10	<b>5.19</b>	<b>0.53</b>	<b>5.99</b>
1210-128-2A-FACE	1.20	1.30	0.05	1.38
1210-128-2A-LW	2.10	<b>4.20</b>	<b>0.79</b>	<b>5.38</b>
1210-128-2A-RW	2.00	0.26	0.25	0.63
1210-128-2-FACE	1.40	<b>22.20</b>	<b>4.32</b>	<b>28.68</b>
1210-128-2-LW-2	2.00	2.18	0.71	3.24
1210-128-2-RW-2	2.10	3.20	0.25	3.59
1210-128-OAC-LW-3	2.10	<b>15.74</b>	<b>0.85</b>	<b>17.01</b>
1210-128-OAC-LW-4	1.80	<b>30.18</b>	<b>4.93</b>	<b>37.57</b>
1210-128-OAC-LW-5	2.00	<b>2.73</b>	<b>2.28</b>	<b>6.16</b>
1210-128-OAC-LW-6	2.20	2.62	0.18	2.89
1210-128-OAC-LW-7	2.20	0.84	0.27	1.25
1210-128-OAC-LW-8	2.40	1.96	0.98	3.43
1210-128-OAC-RW-2	2.90	2.41	0.80	3.61
1210-128-OAC-RW-3	2.90	<b>5.11</b>	<b>0.94</b>	<b>6.53</b>
1210-128-OAC-RW-5	2.60	2.88	0.41	3.50
1210-128-XCUT-LW-1	2.80	2.43	0.61	3.34
1210-128-XCUT-LW-2	2.40	0.32	0.12	0.50
1210-128-XCUT-LW-3	2.20	<b>6.71</b>	<b>0.48</b>	<b>7.43</b>
1210-128-XCUT-LW-4	2.20	<b>11.17</b>	<b>2.65</b>	<b>15.14</b>
1210-128-XCUT-LW-5	2.50	<b>11.41</b>	<b>2.81</b>	<b>15.63</b>
1210-128-XCUT-RW-1	2.30	1.29	1.04	2.85
1210-128-XCUT-RW-2	2.30	<b>26.67</b>	<b>1.77</b>	<b>29.33</b>
1210-128-XCUT-RW-3	2.00	<b>15.49</b>	<b>1.36</b>	<b>17.54</b>
1210-128-XCUT-RW-4	1.90	0.23	0.06	0.32
1210-128-XCUT-RW-5	2.40	1.47	0.17	1.72
1210-128-XCUT-RW-6	2.10	0.82	0.40	1.42
1210-132-OAC-LW	3.00	1.94	0.61	2.85
1210-132-OAC-RW	2.60	<b>17.04</b>	<b>3.42</b>	<b>22.16</b>

Source: GOM



Work to be completed before mining at Lexington can proceed includes the following:

- Rock bolting in existing drifts to secure ground support;
- Complete the West Portal refurbishment;
- Install mine ventilation and electrics;
- Re-establish the underground rescue station;
- Move power and compressed air to West Portal;
- Install new office trailer for technical staff;
- Install or refurbish larger mine dry;
- Complete wiring and insulating the mine maintenance shop;
- Acquire sufficient mine rescue equipment for full mining crew;
- Repair of underground explosives and detonator magazines, remobilization and stocking of surface explosives/detonator magazines

Work currently underway at the GPP includes:

- Installation of new offices and washroom trailers;
- Health and safety audits and programs;
- Updates to permit for Environmental Management, mine plan, closure plan and new installations;
- Review and approval of existing electrical and mechanical installations;
- Geotechnical design for permitting an upgrade of the facility to 400 tonnes per day
- Staffing;

## EXPLORATION POTENTIAL

The current resource estimates for Lexington and Golden Crown are shown in figures 4 and 5. Upside potential to these resource estimates has been identified at both properties.

**Figure 4: Lexington-Grenoble resource estimate (3.5 g/t AuEq cut-off)**

Category	Tonnes	Au g/t	Cu %	AuEq g/t	AuEq ozs
Measured	58,000	6.98	1.1	8.63	16,100
Indicated	314,000	6.38	1.04	7.94	80,200
Measured and Indicated	372,000	6.47	1.05	8.05	96,300
Inferred	12,000	4.42	1.03	5.96	2,300

Source: "Updated Preliminary Economic Assessment on the Greenwood Precious Metals Project, Greenwood, British Columbia, Canada", P&E Mining Consultants Inc. Signing Date May 5, 2017.

**Figure 5: Golden Crown resource estimate**

Category	Tonnes	Au g/t	Cu %	AuEq g/t	AuEq ozs
Indicated	163,000	11.09	0.56	11.93	62,500
Inferred	42,000	9.04	0.43	9.68	13,100

Source: "Updated Preliminary Economic Assessment on the Greenwood Precious Metals Project, Greenwood, British Columbia, Canada", P&E Mining Consultants Inc. Signing Date May 5, 2017.

The exploration targets shown below are based on grades established from surface and drill hole samples and estimates of dimensions that are too widely spaced or otherwise insufficient for mineral resource estimation; more details are provided in the preliminary economic assessment (PEA) report as filed on SEDAR on 19 June 2017. The potential tonnage and grades, expressed as ranges are as follows:

- 1) Lexington 150,000 - 200,000 tonnes, 5.0-7.0 g/t Au and 0.8-1.2% Cu
- 2) Golden Crown 65,000 - 80,000 tonnes, 8-10 g/t Au and 0.4-0.5 % Cu

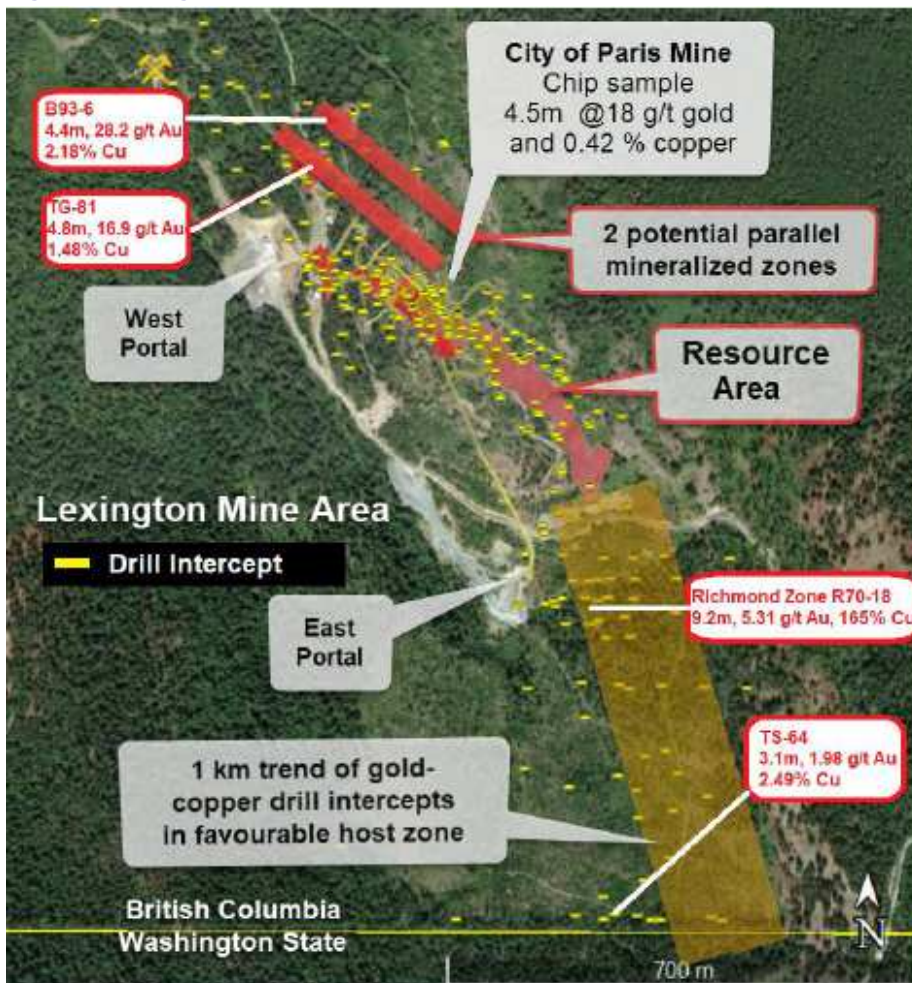


The potential quantity and grade of these exploration targets is conceptual in nature; there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the targets being delineated as a Mineral Resource. Figures 6 and 7 show the location of areas of exploration potential at Lexington and Golden Crown.

**ORE SORTING**

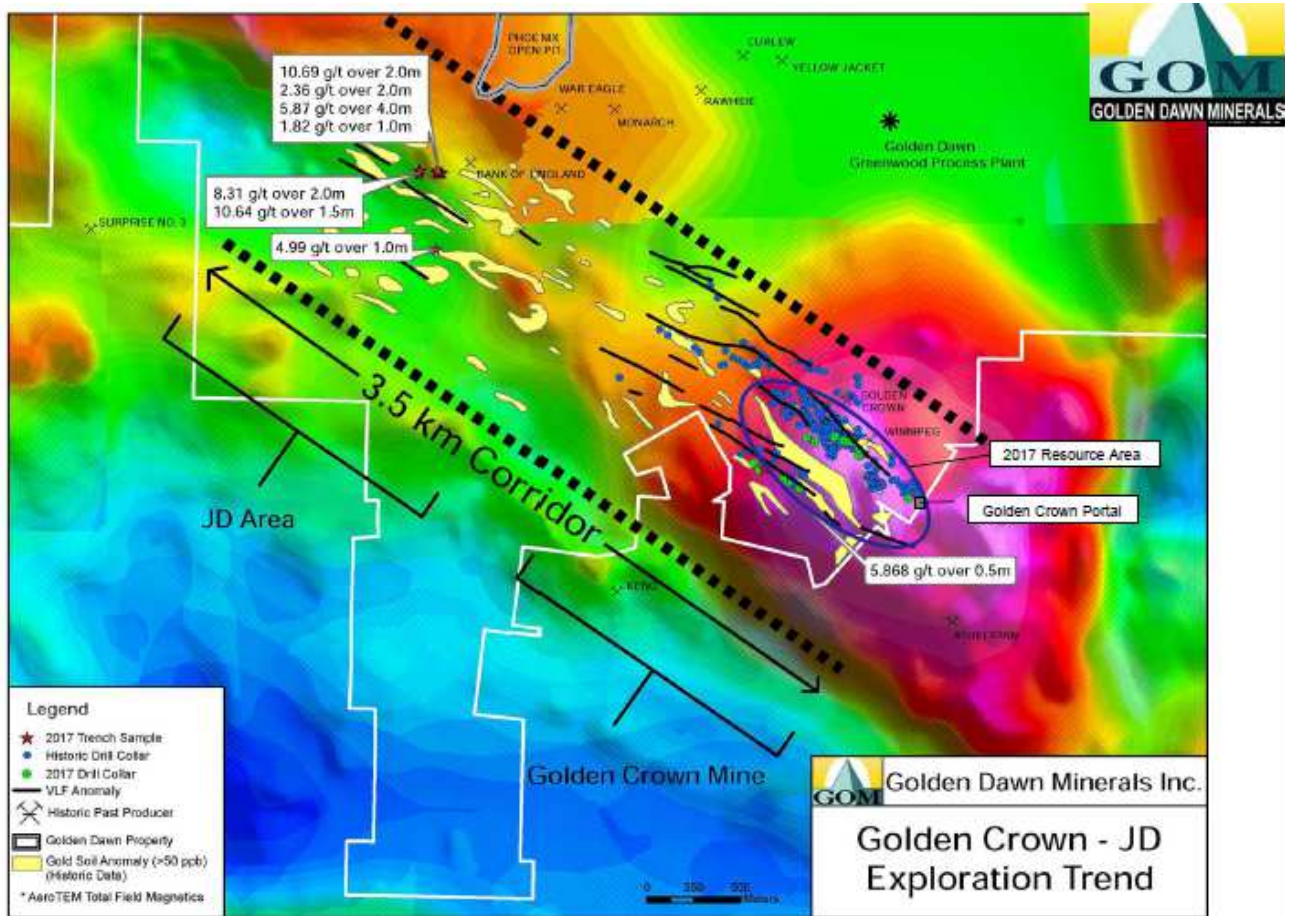
**Successful ore sorting would provide upside to our valuation** GOM has carried out test work to determine the potential of a Steinert Combined Sensor Sorting System to raise mill head feed grades. The machine separates high density and low density rock particles by measuring each rock particle’s X-ray attenuation. The denser material is typically better mineralised and the less-dense material is low-grade or waste material. 140kg of mineralised samples divided into two size fractions (-70 +30mm and -30 +10mm) were tested. For the smaller -30mm +10mm particle size, preliminary results showed an upgrading of the gold grade from 8.0 grams per tonne (g/t) to 12.6 g/t with a 90 % gold recovery and a mass rejection of 42%. For the larger -70mm +30mm sample, the gold grade was upgraded from 9.6 g/t to 11.6 g/t, with a gold recovery of 86% and a mass rejection of 29%. The results suggest potential to increase mining rates and/or improve mill head feed grades thereby improving project economics. GOM plans further evaluation of this process including additional sorting and related metallurgical test work on a bulk sample. Our current valuation is based on the mill head feed grades shown in the 2017 PEA and does not assume ore sorting.

**Figure 6: Lexington mine area exploration potential**



Source: GOM

Figure 7: Golden Crown mine area exploration potential



Source: GOM

### THE J&L PROPERTY

**Optioned J&L property has measured/indicated resource of 1.35m oz. AuEq.** In December 2017 GOM optioned the J&L Property from Huakan (formerly Merit Mining Corp.). The J&L Property is located 35 km north of Revelstoke in British Columbia, Canada. The property extends over 3,052 ha. and was explored intermittently during the 20th century by a number of operators. 311 drill holes (40,886 m) have been completed, together with about 3 km of underground development. Huakan acquired the property in 2010 after making payments totaling CAD10.79m. Huakan completed a Preliminary Economic Assessment (PEA) of the property in 2012 but ceased work in 2014 due to deteriorating market conditions. An updated resource estimate, first published in January 2018, is shown in figure 8 below.

Figure 8: Updated J&L resource estimate

Total all zones	Tonnes (000's)	Au (g/t)	Au (000's oz.)	Ag (g/t)	Ag (000's oz.)	Pb (%)	Zn (%)	AuEq. (g/t)	AuEq. (000's oz.)
Measured	1,337	6.19	266	63.3	2,721	2.21	4.12	9.69	417
Indicated	3,823	4.03	495	53.0	6,509	1.98	4.73	7.6	934
Meas. & Ind.	5,160	4.59	761	55.6	9,231	2.04	4.57	8.14	1,351
Inferred	4,808	4.35	672	60.6	9,367	1.84	2.55	6.95	1,075

Source: GOM



**Work on J&L on hold pending resolution of title dispute** At the time of the option agreement GOM issued 1m shares to Huakan worth CAD280,000. GOM then spent a further CAD50,000 on work on an updated PEA. However, work to be carried out by GOM under the terms of the option agreement is currently on hold pending resolution of a title dispute between Huakan and Armex Mining.

## FINANCIAL POSITION

**Figure 9: Net debt at end Q1 2018 (CADm)**

	Q1 2018
Net debt	5.7
of which:	
Cash & marketable securities	0.5
Restricted cash	0.6
Senior convertible loan (Lind Asset Management)	1.0
Promissory notes	0.6
Metal streaming interest (RIVI Opportunity Fund)	5.2

Source: GOM

As figure 7 above shows, GOM had net debt of CAD5.7m at the end of Q1 2018 (to end February). Since the end of February, GOM has repaid all outstanding senior convertible debt and interest owing to Lind Asset Management through the issue of shares and warrants.

**RIVI liability to be repaid directly from mine output** The liability to RIVI will be repaid directly from the output of the Lexington and Golden Crown Mines. Under the terms of the Gold Purchase Agreement with RIVI, RIVI shall be entitled to 13.5% of the total combined gross production of gold ounces from the Lexington and Golden Crown Mines, at the lesser of a gold-equivalent price per ounce of USD400 or 80% of the market price of gold for the life of the projects.

On 1 June GOM announced the issue of 2.72m non-flow through units at CAD0.27 raising CAD0.7m. We estimate that GOM will need to raise an additional CAD5-6m to bring the Lexington mine into production.

## VALUATION

### **Buy recommendation maintained but price target now CAD0.43 (previously: CAD0.72)**

Figure 10 below shows our valuation of GOM. We have valued forecast life-of-mine cashflows at the Lexington-Grenoble and Golden Crown mines using a discount rate of 10%. The valuation in our initiating coverage study of August 2017 was based on the 6% rate used in GOM's June 2017 PEA. However, given the delayed start to production, we now believe that a 10% discount rate is appropriate. Cashflows in the valuation model are shown net of the payments to RIVI.

We continue to value the GPP at CAD10m. It was booked at cost of CAD14.2m in Merit Mining's end March 2009 accounts. Given that the array of past producing mines, mineral deposits and showings (see our initiating coverage study) in the vicinity of the GPP is much more extensive than it was during the Merit era, we think CAD10m is a reasonable valuation.

After subtracting the RIVI gold purchase liability, which, as stated above is deducted from cashflows, as well as the above-mentioned recently repaid senior convertible debt, we use a net cash position of CAD0.5m for the purposes of our valuation. We have assumed that GOM issues shares worth an additional CAD6.5m to finance the remainder of the preproduction phase at the GPP and Lexington-Grenoble. We estimate this will give rise to 32.3m new shares. We also dilute the share count by all outstanding options and warrants exercisable below our price target. Our post-money per share valuation is CAD0.43 (previously: CAD0.72). Share capital dilution caused by the delay in starting production and the increase in our assumed discount rate explain the reduction in our price target. We maintain our Buy recommendation.



Figure 10: Golden Dawn valuation model

Year	-1	1	2	3	4	5
<b>Revenues from mines</b>		<b>19,335,994</b>	<b>33,673,440</b>	<b>44,995,596</b>	<b>44,681,528</b>	<b>26,289,979</b>
Operating costs		12,161,185	16,859,780	20,120,435	20,120,430	10,367,673
<b>Operating profit</b>		<b>7,174,809</b>	<b>16,813,660</b>	<b>24,875,161</b>	<b>24,561,098</b>	<b>15,922,306</b>
<b>NOPLAT</b>		<b>7,174,809</b>	<b>16,813,660</b>	<b>17,910,116</b>	<b>17,683,991</b>	<b>11,464,060</b>
Capital costs	-3,371,170	-2,941,010	-8,535,910	-8,537,174	-5,513,719	1,650,000
<b>Total</b>	<b>-3,371,170</b>	<b>4,233,799</b>	<b>8,277,750</b>	<b>9,372,942</b>	<b>12,170,272</b>	<b>13,114,060</b>
<b>Net present value @ 10%</b>	<b>-3,281,708</b>	<b>3,746,769</b>	<b>6,659,571</b>	<b>6,855,154</b>	<b>8,091,869</b>	<b>7,926,712</b>
<b>Total net present value @ 10%</b>	<b>29,998,366</b>					
Mill	10,000,000					
Net cash (debt)	466,230					
Net smelter return payment	-700,000					
Proceeds from option/warrant exercise	7,960,842					
Net proceeds from issue	6,455,778					
<b>Post money equity value</b>	<b>54,181,216</b>					
No. shares currently outstanding	69,952,317					
Option dilution	2,287,500					
Warrant dilution	20,703,998					
New shares issued	32,278,889					
<b>Diluted share count</b>	<b>125,222,704</b>					
<b>Post money equity value per share (CAD)</b>	<b>0.43</b>					
<b>Assumed gold price (USD/oz)</b>	<b>1,275</b>					
<b>Assumed copper price (USD/lb)</b>	<b>3.18</b>					
<b>Assumed USDCAD rate</b>	<b>1.30</b>					

Source: GOM, First Berlin Equity Research estimates





## INCOME STATEMENT

All figures in CAD	2015A	2016A	2017A	2018E	2019E	2020E
<b>Revenues</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,209,775</b>	<b>21,716,010</b>	<b>35,552,918</b>
General & administration	-1,294,181	-2,539,818	-2,862,116	-2,039,483	-2,260,000	-2,543,000
Share-based compensation	-396,481	-1,611,844	-947,020	-293,855	0	0
Transfer agent and filing fee	-55,953	-103,366	-125,708	-194,443	0	0
Mine operating costs	0	0	0	-2,018,757	-10,681,152	-14,858,049
<b>Operating profit</b>	<b>-1,746,615</b>	<b>-4,255,028</b>	<b>-3,934,844</b>	<b>-1,336,763</b>	<b>8,774,858</b>	<b>18,151,869</b>
Finance income/(expense)	-123,675	-348,365	-695,948	-573,304	-521,536	-389,886
Realised gain on marketable securities	4,586	0	1,650	0	0	0
Unrealised gain on marketable securities	0	354,578	-565,419	0	0	0
Foreign exchange loss	-24,232	0	123,733	0	0	0
Flow through share premium recovery	21,750	52,477	38,716	0	0	0
Reversal of provision for indemnity	0	155,907	0	0	0	0
Fair value adjustment on derivative liability	0	-465,468	-244,280	0	0	0
Recovery of property expenses	0	10,000	0	0	0	0
Gain on debt settlement	461,765	269,076	46,210	0	0	0
Write-off of accounts receivable	0	137,520	0	0	0	0
Writedown of exploration and evaluation assets, net of mining tax credits received	-65,000	0	0	0	0	0
<b>Net result and comprehensive net result</b>	<b>-1,471,421</b>	<b>-4,089,303</b>	<b>-5,230,182</b>	<b>-1,910,068</b>	<b>8,253,322</b>	<b>17,761,983</b>
Weighted no. shares, basic and diluted	13,320,270	33,049,004	55,777,128	102,231,206	102,231,206	102,231,206
Shares, end period	19,985,562	47,463,293	63,471,537	102,231,206	102,231,206	102,231,206
<b>Result per share, basic and diluted</b>	<b>-0.11</b>	<b>-0.12</b>	<b>-0.09</b>	<b>-0.02</b>	<b>0.08</b>	<b>0.17</b>
<b>Ratios</b>						
EBITDA margin on revenues	n.a.	n.a.	n.a.	-41.3%	47.1%	57.2%
EBIT margin on revenues	n.a.	n.a.	n.a.	-41.6%	40.4%	51.1%
Net margin on revenues	n.a.	n.a.	n.a.	-59.5%	38.0%	50.0%
Tax rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Expenses as % of revenues</b>						
General & administration	n.a.	n.a.	n.a.	63.5%	10.4%	7.2%
Mine operating costs	n.a.	n.a.	n.a.	62.9%	49.2%	41.8%
<b>Y-Y Growth</b>						
Revenues	n.a.	n.a.	n.a.	n.a.	576.6%	63.7%
Operating income	n.a.	n.a.	n.a.	n.a.	-756.4%	106.9%
Net income/ loss	n.a.	n.a.	n.a.	n.a.	-532.1%	115.2%



## BALANCE SHEET

All figures in CAD	2015A	2016A	2017A	2018E	2019E	2020E
<b>Assets</b>						
<b>Current assets, total</b>	<b>150,322</b>	<b>820,672</b>	<b>2,091,789</b>	<b>1,891,692</b>	<b>7,916,573</b>	<b>17,948,486</b>
Cash and cash equivalents	107,722	688,062	1,025,829	658,922	4,503,041	12,805,342
Short-term investments	0	21,000	59,000	59,000	59,000	59,000
Special warrants	0	0	640,030	640,030	640,030	640,030
Receivables	42,600	111,610	366,930	400,000	1,809,668	2,962,743
Inventories	0	0	0	133,741	904,834	1,481,372
<b>Non-current assets, total</b>	<b>1,592,337</b>	<b>10,243,563</b>	<b>15,076,846</b>	<b>20,572,343</b>	<b>22,052,790</b>	<b>28,397,855</b>
Special warrants	0	1,107,620	0	0	0	0
Restricted cash	63,952	528,602	608,402	608,402	608,402	608,402
Receivables from related party	324,813	32,994	78,126	78,126	78,126	78,126
Plant & equipment	16,528	5,571,254	5,783,609	5,773,109	7,253,556	13,598,621
Exploration and evaluation assets	1,187,044	3,003,093	8,606,709	14,112,706	14,112,706	14,112,706
<b>Total assets</b>	<b>1,742,659</b>	<b>11,064,235</b>	<b>17,168,635</b>	<b>22,464,035</b>	<b>29,969,363</b>	<b>46,346,342</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>2,049,019</b>	<b>5,421,100</b>	<b>3,576,761</b>	<b>1,884,412</b>	<b>2,084,412</b>	<b>2,384,412</b>
Accounts payable and accrued liabilities	660,840	900,883	1,167,919	1,200,000	1,400,000	1,700,000
Net revenue payment	0	700,000	0	0	0	0
Due to related parties	386,287	230,371	26,436	60,000	60,000	60,000
Convertible debenture	79,287	79,287	0	0	0	0
Senior convertible loan	0	2,767,955	1,197,412	0	0	0
Promissory notes	703,888	703,888	624,412	624,412	624,412	624,412
Provision for indemnity	155,907	0	0	0	0	0
Flow through share premium	62,810	38,716	560,582	0	0	0
Share-based compensation	0	0	0	0	0	0
<b>Long-term liabilities, total</b>	<b>0</b>	<b>655,294</b>	<b>5,863,341</b>	<b>5,775,971</b>	<b>4,827,976</b>	<b>3,142,972</b>
Metal streaming interest	0	0	5,152,316	5,064,946	4,116,951	2,431,947
Reclamation provision	0	655,294	711,025	711,025	711,025	711,025
<b>Shareholders' equity</b>	<b>-306,360</b>	<b>4,987,841</b>	<b>7,728,533</b>	<b>14,803,652</b>	<b>23,056,974</b>	<b>40,818,957</b>
<b>Total consolidated equity and debt</b>	<b>1,742,659</b>	<b>11,064,235</b>	<b>17,168,635</b>	<b>22,464,035</b>	<b>29,969,363</b>	<b>46,346,342</b>
<b>Ratios</b>						
Current ratio (x)	0.07	0.15	0.58	1.00	3.80	7.53
Quick ratio (x)	0.07	0.15	0.58	0.93	3.36	6.91
Net debt/(cash)	611,501	3,013,466	5,280,909	4,363,034	-429,080	-10,416,384
Net gearing	n.a.	60.4%	68.3%	29.5%	-1.9%	-25.5%
Book value per share (in CAD)	-0.02	0.11	0.12	0.14	0.23	0.40
Return on equity (ROE)	n.a.	-174.7%	-82.3%	-17.0%	43.6%	55.6%



## CASH FLOW STATEMENT

All figures in CAD	2015A	2016A	2017A	2018E	2019E	2020E
<b>Cash flow from operating activities</b>		0	0	0	0	0
<b>Result for the period</b>	-1,471,421	-4,089,303	-5,230,182	-1,910,068	8,253,322	17,761,983
non-cash items	0	0	0	0	0	0
Amortisation	0	0	9,417	10,500	1,460,563	2,190,845
Asset retirement obligation accretion expense			10,431			
Cost of financing activities			236,820			
Unrealised foreign exchange gain on metal streaming interest			-131,684			
Accrued interest on senior convertible loan	0	20,467	0	0	0	0
Unrealised foreign exchange loss	21,358	0	0	0	0	0
Unrealised gain on marketable securities	0	-354,578	565,419	0	0	0
Share-based compensation	396,481	1,611,844	947,020	0	0	0
Flow through shares premium recovery	-21,750	-52,477	-38,716	0	0	0
Fair value adjustment of senior convertible loan			244,280			
Fair value adjustment of derivative liability	0	747,676	0	0	0	0
Reversal of provision for indemnity	0	-155,907	0	0	0	0
Write-off of accounts payable	0	-137,520	0	0	0	0
Gain on sale of marketable securities	-4,586	0	-1,650	0	0	0
Gain on debt settlement	-461,765	-269,076	-46,210	0	0	0
Writedown of exploration and evaluation assets	65,000	0	0	0	0	0
Changes in non-cash working capital	346,720	-90,669	-619,401	-661,748	-1,980,761	-1,429,613
<b>Net cash flow from operating activities</b>	<b>-1,129,963</b>	<b>-2,769,543</b>	<b>-4,054,456</b>	<b>-2,561,315</b>	<b>7,733,125</b>	<b>18,523,214</b>
<b>Cash flow from investing activities</b>						
Investment in exploration and evaluation assets	-241,349	-1,614,040	-4,501,791	-5,505,997	0	0
Recoveries on exploration and evaluation assets	65,000	0	0	0	0	0
Proceeds on sales of marketable securities	24,086	0	1,765	0	0	0
Purchase of reclamation bond	0	0	0	0	0	0
Acquisition of plant and equipment	-17,000	-3,010,000	-941,820	0	-2,941,010	-8,535,910
Payment of Greenwood Instalment	0	0	0	0	0	0
Purchase of capital assets	0	-76,578	-60,915	0	0	0
Increase in restricted cash	0	-464,650	-79,800	0	0	0
<b>Net cashflows in investing activities</b>	<b>-169,263</b>	<b>-5,165,268</b>	<b>-5,582,561</b>	<b>-5,505,997</b>	<b>-2,941,010</b>	<b>-8,535,910</b>
<b>Cash flows from financing activities</b>						
Net proceeds from issuance of shares	1,484,512	6,719,175	6,823,836	8,985,187	0	0
Proceeds from senior convertible loan	0	2,281,484	1,305,990	0	0	0
Repayment of senior convertible loan	0	0	-3,007,221	-1,197,412	0	0
Repayment of convertible debenture	0	0	-79,287	0	0	0
Repayment of promissory notes	0	0	-79,476	0	0	0
Share subscription received in advance	55,000	0	15,000	0	0	0
Due to related parties	-124,902	-485,508	-57,562	0	0	0
Short term loan replacement	-77,750	0	0	0	0	0
Short term loan receipts	70,000	0	0	0	0	0
Repayment of promissory notes			-73,152			
Proceeds from metal streaming interest	0	0	5,047,180	-87,370	-947,995	-1,685,004
<b>Net cash flows provided by financing activities</b>	<b>1,406,860</b>	<b>8,515,151</b>	<b>9,895,308</b>	<b>7,700,405</b>	<b>-947,995</b>	<b>-1,685,004</b>
<b>Net increase in cash</b>	<b>107,634</b>	<b>580,340</b>	<b>337,767</b>	<b>-366,907</b>	<b>3,844,120</b>	<b>8,302,300</b>
<b>Cash beginning of period</b>	<b>88</b>	<b>107,722</b>	<b>688,062</b>	<b>1,025,829</b>	<b>658,922</b>	<b>4,503,041</b>
<b>Cash end of period</b>	<b>107,722</b>	<b>688,062</b>	<b>1,025,829</b>	<b>658,922</b>	<b>4,503,041</b>	<b>12,805,342</b>
<b>Y-Y Growth</b>						
Operating cash flow	n.a.	n.a.	n.a.	n.a.	-401.9%	139.5%
Free cash flow	n.a.	n.a.	n.a.	n.a.	-159.4%	108.4%
EBITDA/share	n.a.	n.a.	n.a.	n.a.	-871.7%	98.7%

## FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	2 August 2017	CAD0.54	Buy	CAD0.72
2	Today	CAD0.20	Buy	CAD0.43

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Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy <sup>1</sup>	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

<sup>1</sup> The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

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- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

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