

FIRST MINING GOLD CORP.

Finances Springpole to Construction with Repurchasable Silver Stream

EVENT

First Mining announced that it has entered into a funding agreement with First Majestic Silver Corp. (FR-TSX/AG-NYSE, not covered) whereby First Majestic will pay First Mining a total consideration of US\$22.5 MM for the right to purchase 50% of the payable silver produced from the Springpole Gold Project for the life of the Project.

BOTTOM LINE

Positive: The deal funds First Mining through 2023 which will allow it to complete the feasibility study and the Environmental Assessment process; the final hurdles before construction financing. The deal should not encumber the project as i) the stream is on silver; a minor by-product metal (~5% revenues); ii) the buy-back provision allows 50% of the stream to be repurchased which we expect will be exercised; iii) equity dilution is minimized which is prudent given that FF trades at a steep discount to NAV. With the near- to medium-term financial overhang removed, FF shares should trade higher towards our \$1.00/share target price (unchanged). We maintain our BUY rating.

FOCUS POINTS

- **Springpole Attractive:** Based on the 2019 PEA and our long-term gold price of US\$1,800/oz, we see the 36,000 tpd Springpole open pit operation producing 315koz of gold and 1.7Moz of silver annually with All-in Sustaining Costs of US\$647/oz driving an after-tax NPV7.5% of US\$1.1B and an IRR of 32%. Permitting and work towards a PFS is continuing.
- **Treasury Upside:** Pending sale of Goldlund to Treasury Metals (TML-TSX, not covered) for stock, warrants, royalty and milestone payments, FF will maintain exposure to the 3.1 M Moz combined Goldlund-Goliath development project.
- **Trades at a Discount:** First Mining currently trades at a risk adjusted P/NAV of 0.3x versus the peer average of 0.5x and on an EV/Resource basis at US\$14/oz M&I+Inf compared to peers at US\$48/oz.

Recommendation:

BUY

Symbol/Exchange:

FF-TSX

Sector:

Metals & Mining

All dollar values in C\$ unless otherwise noted.

Current price:

\$0.34

One-year target:

\$1.00

Target return:

199%

52-week Trading Range

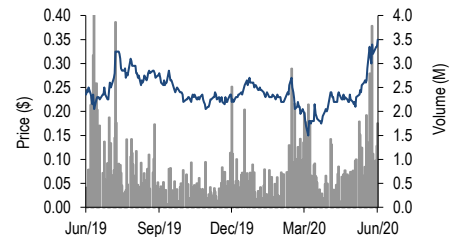
\$0.12 - \$0.36

Financial Summary

Market Cap (\$M)	219.1
Cash on hand (\$M)	10.7
Debt (\$M)	0.6
Basic Shares O/S (M)	654
Fully Diluted Shares O/S (M)	747
Avg. Weekly Volume (000s)	2,870

Company Wide Resources

Category	Mtonnes	Au g/t	Au Moz	AuEq Moz
Measured	3.4	2.74	0.3	0.3
Indicated	167.4	1.30	7.0	7.2
M&I	170.8	1.33	7.3	7.5
Inferred	52.9	2.16	3.7	3.7
Total (M&I)	223.7	1.52	11.0	11.2
EV/oz AuEq total				US\$14.10



Company Profile: First Mining has evolved from a holder of mineral assets to a project developer. The Company currently holds a portfolio of 24 mineral assets in Canada, Mexico and the United States with a focus on gold. Its Tier 1 assets include the Springpole Gold Project, the Goldlund Gold Project and the Cameron Gold Project, both located in Ontario, and the Hope Brook Gold Project in Newfoundland.

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See disclosure and a description of our recommendation structure at the end of this report.

STREAMING DEAL TO FUND SPRINGPOLE

First Mining First Mining announced that it has entered into a funding agreement with First Majestic Silver Corp. (FR-TSX/AG-NYSE, not covered) whereby First Majestic will pay First Mining a total consideration of US\$22.5 MM for the right to purchase 50% of the payable silver produced from Springpole Gold Project for the life of the Project. The transaction is expected to close in early July 2020. Below are the key terms of the Agreement.

Consideration: First Majestic will pay First Mining total consideration of US\$22.5 MM for the right to purchase 50% of the payable silver produced from Springpole Gold Project as follows:

- US\$10 MM on closing of the Agreement, with US\$2.5MM payable in cash and the remaining US\$7.5 MM payable in common shares of First Majestic based on the volume-weighted average trading price (VWAP) of the First Majestic Shares on the Toronto Stock Exchange for the 20 trading days up to the day immediately prior to the closing date;
- US\$7.5 MM upon First Mining publicly announcing the completion of a positive PFS for Springpole, with US\$3.75 MM payable in cash and US\$3.75 MM payable in First Majestic Shares (based on 20-day VWAP);
- US\$5 MM upon First Mining receiving approval of a Federal or Provincial Environmental Assessment for the Project, with US\$2.5 MM payable in cash and the balance in First Majestic Shares (based on 20-day VWAP);
- The First Majestic Shares shall be subject to a statutory four month and one day hold period pursuant to applicable Canadian securities laws.

Buyback Right: First Mining has the right to repurchase 50% of the Stream for US\$22.5 MM at any time prior to the commencement of commercial production at Springpole.

Warrant Issuance to First Majestic: As part of the Agreement, First Mining will issue 30 MM common share purchase warrants to First Majestic on the closing date. Each Warrant will entitle First Majestic to purchase one common share of First Mining at an exercise price of \$0.40 for a period of five years.

Future Silver Stream Cash Payments: First Majestic will make ongoing cash payments to First Mining equal to 33% of the lesser of the average spot price of silver for the applicable calendar quarter, and the spot price of silver at the time of delivery, subject to a price cap of US\$7.50/oz of silver. The Price Cap is subject to annual inflation escalation of 2%, commencing at the start of the third year of commercial production at the Project.

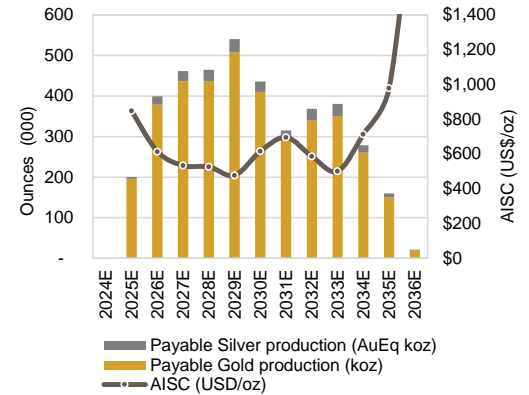
Technical Committee: First Mining and First Majestic will form a three-member technical committee comprised of two members from First Mining and one member from First Majestic. The Technical Committee will advise First Mining on metallurgical testing, process flow sheet development and through the completion of PFS and Feasibility studies for Springpole, leveraging First Majestic's operating experience, intellectual property, and infrastructure.

SPRINGPOLE GOLD PROJECT

We model Springpole based on the 2019 PEA and our long-term gold price of US\$1,800/oz. We see the 36,000 tpd Springpole open pit operation producing 315koz of gold and 1.7Moz of silver annually with All-in Sustaining Costs of US\$647/oz. This drives an after-tax project NPV7.5% of \$1.1B and an IRR of 32%. Permitting and work towards a PFS is continuing.

Exhibit 1: Springpole Gold Project Summary

Mine Life (years)	12
Throughput (tpd)	36,000
Head Grade (g/t gold)	1.0
Gold Recovery (%)	85%
Gold Production (koz/yr)	315
Silver Production (MM'oz/yr)	1.7
Cash Cost (US\$/t)	16.51
Cash Cost (\$US/oz)	602
AISC (\$US/oz)	647
Initial Capex (US\$ MM)	930
Sustaining (US\$ MM)	169
Total Capex (US\$ MM)	1,099
Post-tax NPV5% (US\$MM)	1,476
Post-tax NPV7.5% (US\$MM)	1,084
IRR	31.7%
LT Gold Price (\$US/oz)	1,800



Source: First Mining Gold Corp., Cantor Fitzgerald

VALUATION AND TARGET

We continue to value First Mining on a sum-of-parts NAV basis. For Springpole we apply a higher 7.5% discount rate discounted to today and a 0.4x discount multiple to capture the longer permitting timeline and steep project financing requirements (~US\$930 MM upfront). We capture the stream separately as a liability worth \$48.2MM and apply the US\$22.5MM in cash and shares to pro-forma cash. As a result, our price target remains unchanged at \$1.00 per share (Exhibit 2).

Exhibit 2: NAV Summary for First Mining Gold

(C\$ millions, unless otherwise indicated)

Mining Assets	Valuation	\$MM	\$/Sh
Springpole	NPV 7.5%	\$1,426.3	\$2.18
Multiple	0.4x		
Springpole Risk-Adjusted Value	0.4x NPV7.5%	\$570.5	\$0.87
Goldund	TML deal value	\$81.7	\$0.12
Other Tier 1 Projects	US\$5/oz	\$21.1	\$0.03
Tier 2 Projects	US\$5/oz	\$7.7	\$0.01
Total Mining Assets		\$681.1	\$1.04
Financial Assets			
Pro Forma Cash & Cash Equivalents*		\$26.8	\$0.04
Stream Liability		\$(48.2)	\$(0.07)
Long-Term Debt		\$-	\$-
Total Financial Assets		\$(21.4)	\$(0.03)
Net Asset Value		\$659.7	\$1.01
NAV per share (target price rounded)		\$659.7	\$1.00
Shares outstanding (MM)			654.0
Diluted Shares Outstanding (MM)*			654.0
Fully Diluted shares outstanding (MM)*			747.0

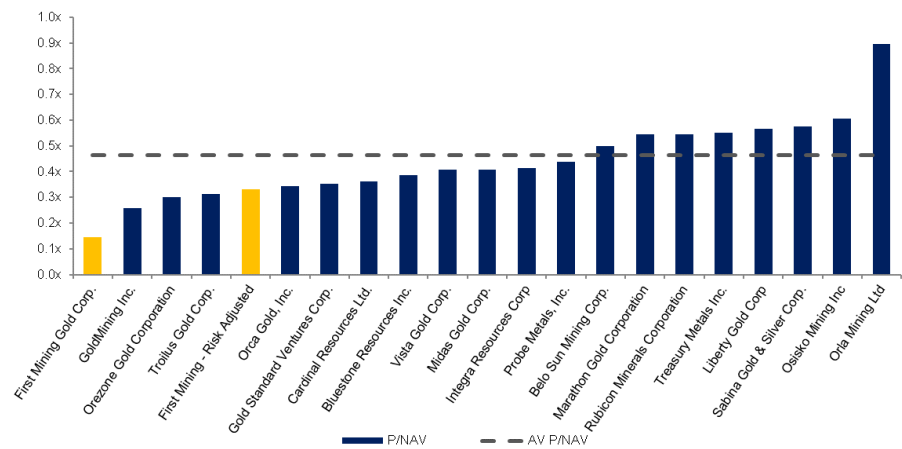
* Pro-forma cash & shares based on streaming agreement and spend over next 12-months

Source: Cantor Fitzgerald

PEER COMPARISON: FIRST MINING OFFERS VALUE

Good Value on P/NAV Basis: First Mining is trading at a discounted P/NAV multiple of 0.1x and a risk-adjusted P/NAV (based on our valuation) of 0.3x versus its developer peers at 0.5x (consensus). We expect First Mining to rerate higher now that the near- to medium-term financing overhang has been removed.

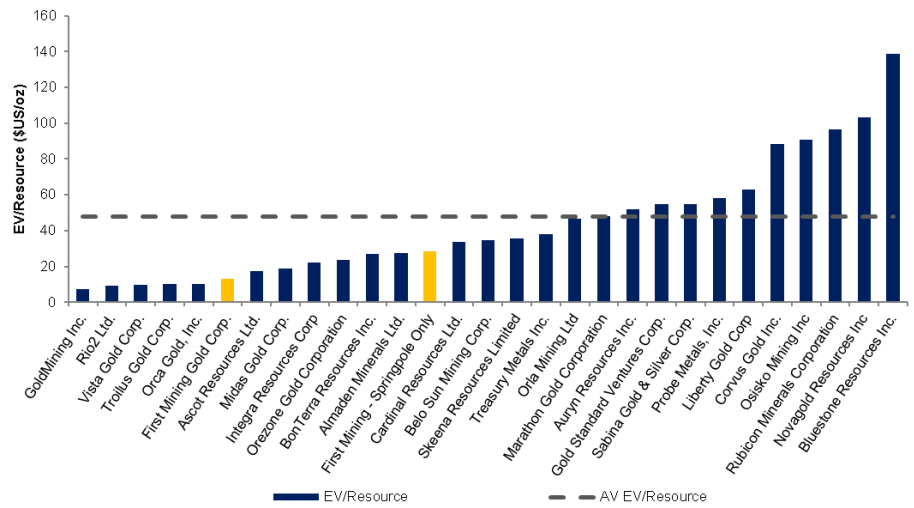
Exhibit 3: Relative P/NAV for Comparable Projects



Source: Cantor Fitzgerald, Consensus Estimates

Good Value on an EV/oz Basis: First Mining trades at an EV/resource of US\$14/oz when incorporating M&I plus Inferred which is among the cheapest in its larger peer group of gold developers at US\$48/oz (Exhibit 4). Based on the Springpole resource alone it trades at an EV/Resource of just US\$29/oz suggesting that the market is giving FF a significantly discounted value for Springpole and no value for the other assets in its portfolio that contribute 6.7Moz or more than half its 11.3Moz endowment.

Exhibit 4: Relative EV/Resource for Comparable Projects



Source: Cantor Fitzgerald, Company Reports

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The analyst responsible for this report *has* visited the material operations of First Mining Gold Corp. No payment or reimbursement was received for related travel costs.

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BUY (Speculative): The stock is attractively priced relative to the company’s fundamentals, however investment in the security carries a higher degree of risk.

HOLD: The stock is fairly valued, lacks a near term catalyst, or its execution risk is such that we expect it to trade within a narrow range of the current price in the next 6 to 12 months. The longer term fundamental value of the company may be materially higher, but certain milestones/catalysts have yet to be fully realized.

SELL: The stock is overpriced relative to the company’s fundamentals, and we expect it to decline from the current price over the next 6 to 12 months.

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