

**Recommendation: Buy (S)**  
**Target Price: C\$1.20**

**◆ First Mining Gold Corp. (FF-TSX)**  
**Unlocking Significant Value In The Portfolio**

Current Price	C\$0.485	Shares Outstanding (MM)	
52 Wk High	C\$0.520	Basic	632.6
52 Wk Low	C\$0.115	Diluted	747.7
Cash (MM)	C\$9.6	Mgmt. & Dir.	19.6
LT Debt (MM)	C\$0.0		
NAVPS	C\$3.00	Market Cap.	C\$306.8
P/NAV	0.16x	EV	C\$297.2
NAV (spot)*	C\$3.70		
P/NAV (spot)*	0.13x	Reserves	0.00 MMoz
Target Return	147.4%	Total Resource	11.14 MMoz
EV/Reserve			n/a
EV/Resource			\$20/oz

\* Cormark deck is \$1,600/oz; spot gold is \$1,798/oz

Unless otherwise denoted, all figures shown in US\$

**Investment Thesis:**

First Mining offers investors a diverse portfolio of gold projects with the flagship assets being the 4.90 MMoz Springpole project in northern Ontario. While the permitting and development timeline for Springpole is relatively long-dated, the extremely attractive valuation makes for a compelling opportunity for investors with an appetite for risk and a bullish long-term outlook on the gold price.

**Highlights:**

- Eventful H1/20 Paves Way For Share Price Gains in H2/20**  
 For First Mining, H1/20 was an eventful six months that saw two non-core assets partially monetized and a streaming deal on the flagship Springpole project that will effectively fund all corporate G&A for the next 3.5 years as the project is permitted. Management should be commended on the creative deal structures that turned the Pickle Crow and Goldlund assets into a combined current value of approximately C\$190 MM (cash, shares, royalties, project interests, future payments) that effectively represents 62% of the current market capitalization before even considering value for Springpole.
- Maintain Buy (S) Rating, Increasing Target Price To C\$1.20 From C\$1.00**  
 Despite recent share price outperformance (stock up 56% since June 2 versus 10% for GDXJ), First Mining still trades at just 0.16x NAV and an EV/oz of total resource of \$20/oz, valuation levels that rank among the lowest in our coverage universe. When compared with the valuations ascribed to the senior, and mid-tier producers, it is clear that the longer-term value of the Springpole asset would be massively accretive to NAVs for larger companies looking for assets in safe jurisdictions. We believe First Mining is an ideal name for risk-tolerant investors looking for exceptional, long-term value in the gold sector.

**Company Description:**

First Mining is a gold developer with a diverse portfolio of early and advanced stage gold projects primarily in Canada. The flagship asset is Springpole, a 4.9 MMoz open-pit project in northern Ontario.



Source: BigCharts.com, July 10, 2020 (Chart C\$)

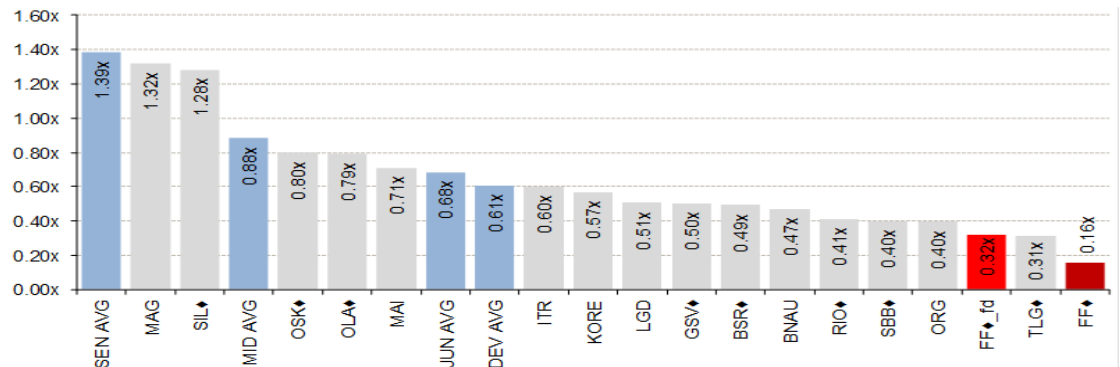
◆ During the past twelve months, Cormark Securities Inc. provided financial advice regarding the stock market insight and financial analysis regarding potential transactions for First Mining Gold Corp.

Our disclosure statements are located on the second last page of this report

**Eventful H1/20 Paves Way For Share Price Gains in H2/20.** For First Mining, H1/20 was an eventful six months that saw two non-core assets partially monetized and a streaming deal on the flagship Springpole project that will effectively fund all corporate G&A for the next 3.5 years as the project progresses through the permitting process. Management should be commended on the creative deal structures that turned the Pickle Crow and Goldlund assets into a combined current value of approximately C\$190 MM (cash, shares, royalties, project interests, future payments) that effectively represents 62% of the current market capitalization before even considering value for Springpole.

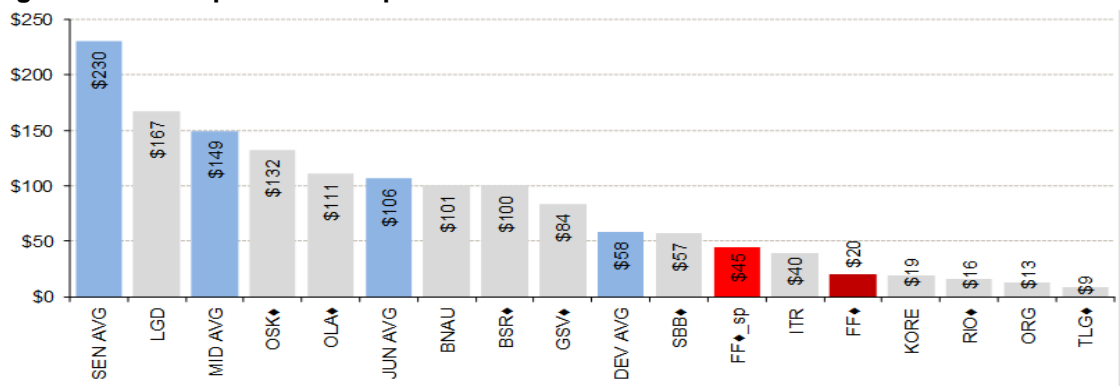
**Still Among Cheapest in Developer Universe.** After a relatively modest start to the year (stock was up 22% from January 1 to June 2 versus the GDXJ up 14% over the same period), First Mining shares have increased 56% since (compared to the GDXJ up 10%), as investors have recognized the value being created and the considerable upside that the Springpole project in the current higher gold price environment. Despite the recent share price outperformance, First Mining still trades at just 0.16x NAV and an EV/oz of total resource of \$20/oz, valuation levels that rank among the lowest in our coverage universe (Figures 1-2). When compared with the valuations ascribed to the senior, mid-tier, and junior producers, it is clear that the longer-term value of the Springpole asset would be massively accretive to NAVs for larger companies looking for longer-dated assets in safe jurisdictions.

**Figure 1: Gold Explorer/Developer P/NAV**



FF<sub>fd</sub> - multiple based on the full-funded NAV of C\$1.50; for comparison purposes only  
 Source: Cormark Securities Inc., Thomson Eikon

**Figure 2: Gold Explorer/Developer EV/Oz Resource**



FF<sub>sp</sub> - multiple based on just the 4.90 MMoz resource at Springpole; for comparison purposes only  
 Source: Cormark Securities Inc., Thomson Eikon

◆ During the past twelve months, Cormark Securities Inc., either on its own or as a syndicate member, participated in the underwriting of securities and /or provided financial advice regarding the stock market insight and financial analysis regarding potential transactions and/or received a fee for the non-brokered placement of securities for these companies

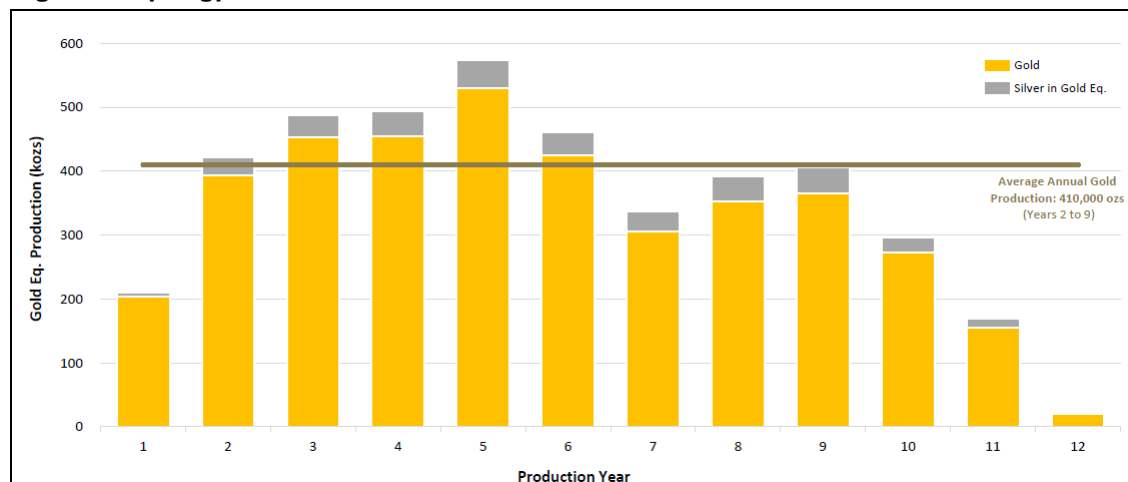
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**Springpole Streaming Deal.** In June, First Mining entered into a funding agreement whereby First Majestic Silver (FR-TSX; Buy – C\$16.00 target) will pay First Mining \$22.5 MM in cash and shares for a silver stream on the Springpole project. This agreement effectively funds First Mining’s corporate G&A through the end of 2023 with minimal equity dilution and leverages the silver revenues in the project but leaves the gold unencumbered, leaving Springpole as one of the largest undeveloped gold projects in Canada. The details of the agreement include:

- First Majestic will purchase 50% of the payable silver that will be produced from Springpole for the life of the project for a price equal to 33% of the spot silver price up to a price cap of \$7.50/oz. 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.
- First Majestic will pay:
  - \$10 MM on closing of the agreement, with \$2.5 MM payable in cash and the remaining \$7.5 MM payable in FR shares
  - \$7.5 MM on completion of a positive PFS for Springpole, with \$3.75 MM payable in cash and \$3.75 MM payable in FR shares
  - \$5.0 MM upon First Mining receiving approval of a Federal or Provincial Environmental Assessment, with \$2.5 MM payable in cash and \$2.5 MM in FR shares
- First Mining has the right to repurchase 50% of the stream for \$22.5 MM at any time prior to the commencement of commercial production at Springpole
- First Mining will issue 30 MM warrants to First Majestic on the closing date (each warrant will entitle First Majestic to purchase one share of First Mining at C\$0.40 for a period of five years)

**Silver Stream Sale Reduces NPV by Only 3%.** According to the 2019 PEA, average silver production from Springpole in years 2-9 of the mine plan is expected to be 2.4 MMoz of silver per year (Figure 3). A total of 22 MMoz of silver is expected to be recovered over the life of the project, of which 50% would be purchased by First Majestic under the streaming agreement. At a silver price of \$17.00/oz, we estimate the silver stream has an NPV<sub>5%</sub> of \$49 MM, or C\$66 MM (Figure 3), which for First Mining reduces the NPV<sub>5%</sub> of the project by only 3% (to C\$1.87 BB). We believe it is highly likely that First Mining will buyback 50% of the silver stream for \$22.5 MM before commercial production is declared at the eventual mine.

**Figure 3: Springpole Production Profile**



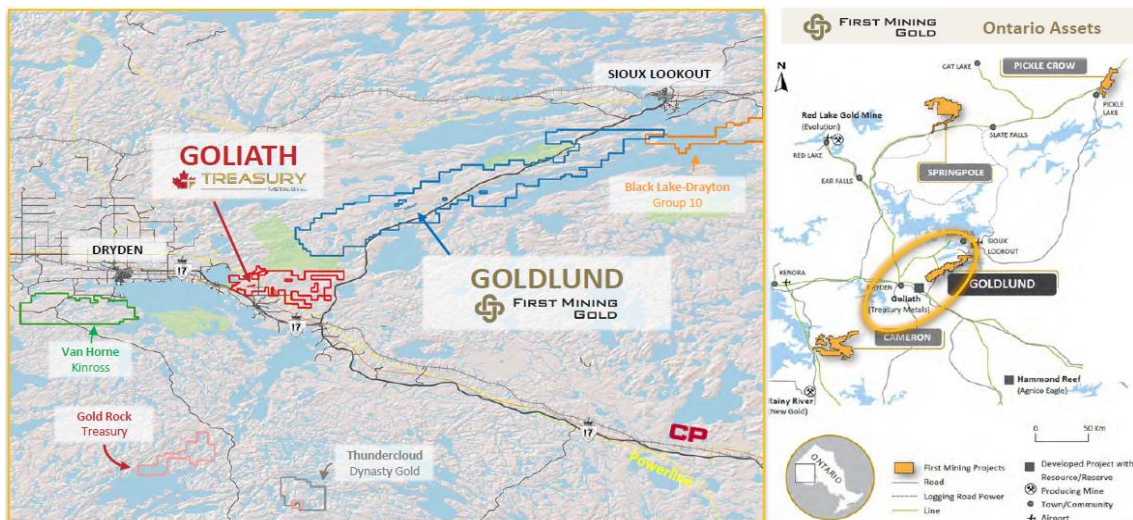
Source: Company reports

**Goldlund Transaction.** In early June, First Mining has agreed to sell the Goldlund project in northern Ontario to Treasury Metals (TML-TSX; not rated) for the following consideration:

- 130 MM shares of Treasury that has a value of C\$44 MM at the time of the transaction and have a current value of C\$73 MM after a 65% increase in Treasury's share price over the last six weeks. The shares make First Mining the largest shareholder of Treasury at 39% interest.
- 35 MM warrants that have an exercise price of C\$0.50 for a three-year term.
- 1.5% NSR on the Goldlund project, of which 0.5% of which can be bought back by Treasury for C\$5.0 MM.
- C\$5.0 MM in milestone payments, including C\$2.5 MM upon receipt of a mining lease to extract material from an open-pit mine at Goldlund and C\$2.5 MM upon 300,000 tonnes of ore being extracted from a mine at Goldlund.
- We estimated the total consideration was worth approximately C\$68 MM based on share values at the time of the announcement of the transaction and is worth C\$102 MM based on current share values. This value is significantly higher than the \$17 MM (based on in-situ value of just C\$10/oz) we ascribed to the Goldlund project prior to this transaction, highlighting the value-creating cleverness of the deal.
- First Mining indicated it plans to distribute up to 70 MM shares of Treasury and all 35 MM Treasury warrants within 12 months of closing. First Mining would retain 60 MM shares, leaving the company with a significant 19.9% holding of Treasury.

**Combined Goldlund-Goliath Project Has Significant Synergies.** This transaction will combine the 1.7 MMoz of resources at Goldlund with the 1.4 MMoz at Treasury's Goliath project located 25 km away to create a district-scale gold project (3.1 MMoz) positioned for advancement towards construction in a favourable mining jurisdiction (Figure 4). The potential synergies that these two assets share are significant, given their regional proximity, the fact that the Goliath project has existing Federal Environmental Assessment approval to build a mine, mill and tailings facility, and the strong existing infrastructure at site. The value of the combined assets will be determined as integration studies are completed, but we believe this value could be multiples of the current C\$186 MM market capitalization of Treasury Metals, suggesting further upside for First Mining and its shareholders.

**Figure 4: Goldlund/Goliath Map**



Source: Company reports

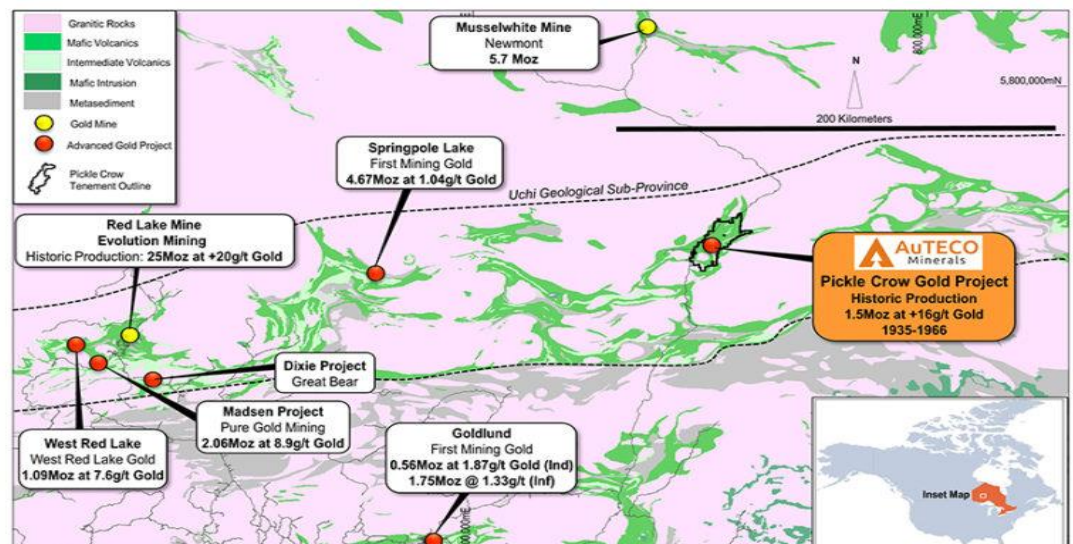


**Pickle Crow Transaction.** The first non-core asset sale of the year was in January, when First Mining agreed to sell up to an 80% interest in the Pickle Crow project to Auteco Minerals (AUT-ASX; not rated) for total consideration that is currently worth an approximate C\$88 MM, well in excess of the paltry C\$20 MM of value we ascribed to the project prior to this transaction. Pickle Crow is a high-grade historic gold mine located in northwestern Ontario that operated from 1935 until 1966. So far, the transaction has significantly benefited both companies, particularly Auteco, whose share price has now increased almost 1500% since the transaction was announced. The details of the sale included:

- First Mining initially received \$100,000 in cash and 25 MM share of Auteco.
- To earn an initial 51% interest, Auteco will spend C\$5 MM on exploration over a three-year period and issue a further 100 MM share of Auteco to First Mining. First Mining and Auteco will form a joint venture upon completion of the earn-in to 51%.
- These 125 MM shares were worth approximately C\$2 MM at the time of the announcement, but are now worth approximately C\$21 MM.
- To earn an additional 19% interest, Auteco will spend a further C\$5 MM on exploration over a two-year period and make a C\$1 MM cash payment to First Mining within 90 days of completing the additional exploration spend.
- Auteco will issue First Mining a 2% NSR royalty on the project (1% of which can be bought back for \$2.5 MM) upon completion of the earn-in to 70%.
- Auteco will then have an option to acquire an additional 10% by paying C\$3 MM in cash.
- First Mining will be free carried, at a 20% interest, to a decision to mine.

**Updated Resource Drove Stock Higher.** In June, Auteco released an updated resource at Pickle Crow of 830,000 oz grading 11.6 g/t that runs from surface immediately adjacent to existing underground and surface infrastructure. This resource drove the stock 100% higher the day after it was released. Mineralization remains open along strike and at depth and a 10,000 m drill program is now underway with nine holes completed.

**Figure 5: Pickle Crow Location Map**



Source: Company reports

**Springpole is the Flagship Asset.** With an indicated resource of 4.67 M Moz grading 1.04 g/t, Springpole is one of the largest undeveloped gold projects in Canada. An updated PEA completed in October 2019 incorporated further metallurgical work (a revised flowsheet) and updated cost estimates. At a gold price of \$1,300/oz and C\$ exchange rate of 0.75, the updated PEA estimated an after-tax NPV<sub>5%</sub> of C\$1.12 BB and IRR of 22%. At a gold price of \$1,500, the after-tax NPV<sub>5%</sub> was C\$1.63 BB and the IRR was 28%.

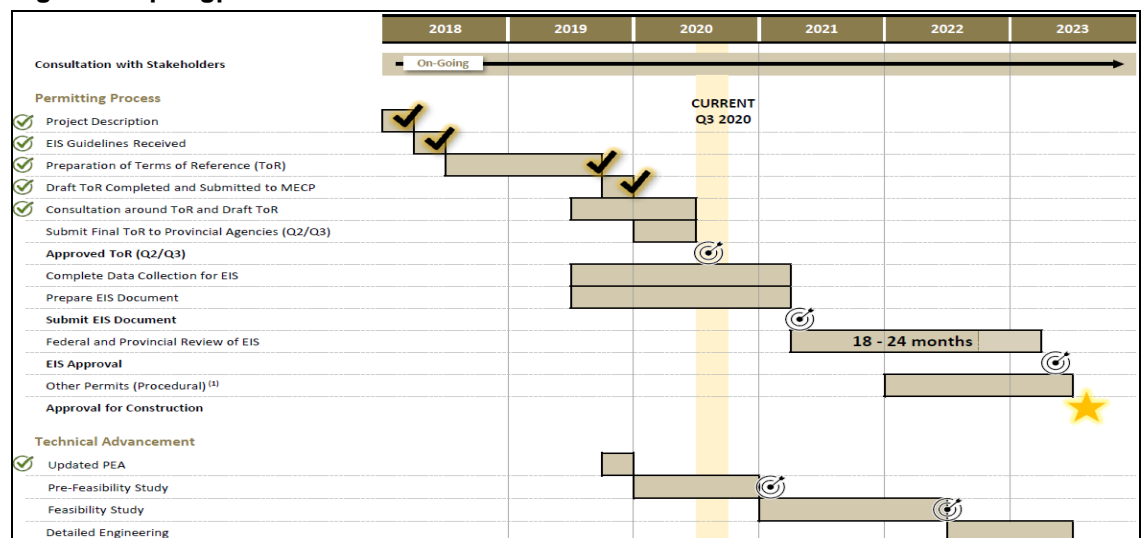
**Low-Cost Production Profile.** The updated PEA used the same resource estimate and mine plan as the previous PEA from 2017, but higher recoveries drive improved life-of-mine production of approximately 326,500 oz gold per year at AISC of \$552/oz on a by-product basis (355,000 oz AuEq per year at co-product AISC of \$611/oz). From years 2-9, production would be 410,000 oz gold per year. The project benefits from the higher grades (1.22 g/t in years 1-6), a lower strip ratio and relatively better infrastructure (only 40 km from a logging road and power line) that makes it less logistically challenged than some Canadian development projects. We also note that with 97% of the resource in the higher-confidence indicated category and very low-grade variability, there is a low resource estimate risk at Springpole.

**Revised Flowsheet Boosted Recoveries.** The updated PEA used higher recoveries (88% of gold vs. 80% in 2017 PEA) and higher initial capex (\$809 MM vs. \$586 MM in the 2017 PEA). Most of the increase in capex is associated with the processing facility (remains 36,000 tpd), where a revised flowsheet incorporates flotation followed by separate leaching of both concentrate and flotation tails. The use of flotation, and leaching of its tails, yields higher recoveries than the whole-ore CIP flowsheet of the 2017 PEA. Operating costs increased slightly, to \$17.03/t vs. \$16.04/t in the 2017 PEA.

**Ausenco To Lead PFS Work.** Ausenco Engineering Canada will complete a pre-feasibility study for the Springpole project by early-2021 and elected to be compensated in shares (C\$1.5 MM total; included C\$0.75 MM in January at C\$0.27 per share) as consideration for its engineering services. Work is underway on the pre-feasibility study, with an initial focus on trade-off studies and optimizations to further refine the ultimate scope of the project.

**Permitting Progress is Critical.** The project's location in northwestern Ontario implies minimal jurisdictional risk. However, the deposit is almost entirely covered by a bay in Springpole Lake and will require the construction of two coffer dams and the draining of the bay to facilitate open-pit mining. The permitting process at Springpole will be critical for First Mining and the timely achievement of milestones in this process will serve as the major catalysts for the story over the next 3-4 years (Figure 6).

**Figure 6: Springpole Schedule**



Source: First Mining Gold Corp.

**Updated NAV Summary.** Our updated NAV of C\$3.00 is based on a gold price of \$1,600/oz (see Figure 7) and is down slightly from our last published NAV of C\$3.30 due to model updates and share count increases over the last six months. We are increasing the target P/NAV multiple to 0.40x (from 0.30x) to arrive at our increased target price of C\$1.20 (from C\$1.00 previously). Below we detail the assumptions in our NAV calculation.

- Our NPV<sub>5%</sub> of C\$1.87 BB for Springpole is based on a gold price of \$1,600/oz, a C\$ exchange rate of 0.69, a production start in 2026 and is net of the silver stream sold to First Majestic. This value compares well with the published NPV<sub>5%</sub> of C\$1.63 BB MM at a gold price of \$1,500/oz and C\$ exchange rate of 0.75 that was provided in the updated PEA. At spot inputs of \$1,800/oz for gold and 0.736 for the C\$, we estimate an NPV<sub>5%</sub> of C\$2.23 BB for Springpole.
- We ascribe a value of C\$102 MM to the shares and warrants in Treasury Metals, the royalty at Goldlund and the future payments. We believe this value will grow as investors recognize the significant upside in the combined project and subsequently, Treasury's share price.
- We ascribe a value of C\$88 MM to the shares in Auteco Minerals, the 20% free carried interest in Pickle Crow, the royalty and future cash payments. This value also has the potential to grow as Auteco further de-risks the asset.
- We ascribe a value of C\$25/oz to the Hope Brook and Cameron projects and zero value to the Duquesne, Pitt and Duparquet projects.
- The company cash balance is approximately C\$9.6 MM, which includes the first \$2.5 MM cash payment from First Majestic. To that we add the value of the shares and remaining cash to be received from First Majestic for the Springpole silver stream and the future proceeds from in-the-money warrants and options.
- Our NAV is our undiluted and unfinanced NAV given we believe the asset will ultimately be sold and built by a larger gold producer. However, if we assumed First Mining had to fund the \$809 MM capital cost of Springpole using a 70% debt and 30% equity mix, our fully financed NAV would be closer to C\$1.50 (assumes an equity raise of approximately C\$325 MM at the current share price of C\$0.485; would hypothetically add approximately 967 MM shares to the share count).

**Figure 7: NAV Summary**

Asset		At \$1,600/oz	%
Springpole, Ontario	<i>NPV<sub>5%</sub>, 2026 start; net of silver stream</i>	C\$1,865.7	86%
Goldlund/Goliath, Ontario	<i>Value of TML shares &amp; warrants, royalty and contingent payments</i>	C\$102.4	5%
Pickle Crow, Ontario	<i>Value of AUT shares, project interest, royalty and cash payments</i>	C\$88.3	4%
Hope Brook, Newfoundland	<i>0.95 MMoz @ C\$25/oz in-situ</i>	C\$23.9	1%
Cameron, Ontario	<i>1.00 MMoz @ C\$25/oz in-situ</i>	C\$24.9	1%
Duquesne, Quebec	<i>0.48 MMoz @ C\$0/oz in-situ</i>	C\$0.0	0%
Pitt Gold, Quebec	<i>0.26 MMoz @ C\$0/oz in-situ</i>	C\$0.0	0%
Duparquet, Quebec	<i>0.43 MMoz @ C\$0/oz in-situ</i>	C\$0.0	0%
<b>Total Development Assets</b>		<b>C\$2,105.2</b>	<b>97%</b>
Cash	<i>Current (includes US\$2.5 MM from FR)</i>	C\$9.6	0%
Long-term Debt	<i>Current</i>	C\$0.0	0%
ITM FD Proceeds	<i>Avg. Price of C\$0.49</i>	C\$28.4	1%
First Majestic shares & cash due		C\$28.4	1%
<b>Total NAV</b>		<b>C\$2,171.6</b>	<b>100%</b>
Shares O/S (MM)	<i>Current (includes US\$2.5 MM from FR)</i>	632.6	
FD ITM Shares O/S (MM)		725.0	
<b>Total NAVPS (C\$; Rounded)</b>		<b>C\$3.00</b>	

Source: Cormark Securities Inc.



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MORNING MEETING NOTES  
JULY 13, 2020

We, Richard Gray and Nicolas Dion, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject company(ies) and its (their) securities. We also certify that we have not been, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.



**First Majestic Silver Corp.**

Updated July 10, 2020

**Price Chart and Disclosure Statement**

\*Information updated monthly on or about the 5th of each month.



*Cormark has this percentage of its universe assigned as the following:		*Over the past 12 months, the following percentage of issuers whose securities received a "Top Pick" or "Buy", a "Market Perform", or a "Reduce" rating from Cormark Securities Inc., have engaged Cormark to provide investment-banking services during this period.	
<i>Buy or Top Pick</i>	61%	<i>Buy or Top Pick</i>	24%
<i>Market Perform</i>	17%	<i>Market Perform</i>	9%
<i>Reduce or Tender</i>	1%	<i>Reduce or Tender</i>	0%
<i>Not Rated</i>	21%		

Recommendation / Target Chg	Date	C\$
15-May-20	16.00 (B)	
20-Apr-20	12.50 (MP)	
06-Apr-20	11.00 (MP)	
22-Jan-20	16.50 (B)	
08-Aug-19	17.00 (B)	
22-Jul-19	15.50 (B)	
17-Apr-19	11.00 (B)	
26-Feb-19	11.50 (B)	
15-Jan-19	10.00 (B)	
07-Jan-19	11.50 (B)	
14-Aug-18	11.25 (B)	
20-Jul-18	12.00 (B)	
18-Jul-18	13.00 (B)	
11-May-18	14.00 (B)	
02-Apr-18	11.00 (B)	
10-Jan-18	10.75 (B)	
10-Aug-17	12.00 (B)	
10-Aug-17	12.00 (Chng Cover)	

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2) What type of security is it?

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If YES

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**First Mining Gold Corp.**

Updated July 10, 2020

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<i>Reduce or Tender</i>	1%	<i>Reduce or Tender</i>	0%
<i>Not Rated</i>	21%		

Recommendation / Target Chg	Date	C\$
	20-Apr-20	1.00 (B-S)
	18-Oct-19	0.90 (B-S)
	22-Jul-19	0.70 (B-S)
	07-Jan-19	0.65 (B-S)
	11-Sep-18	1.00 (B-S)

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If YES

1) Is it a long and/or short position?

2) What type of security is it?

Does CSI beneficially own 1% or more of any class of the subject issuer's equity securities?  Yes  No

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If YES

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If YES, name of person(s) who provided services:

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<b>Market Perform</b>	expected to perform with its peer group
<b>Reduce</b>	expected to underperform its peer group
<b>Tender</b>	clients are advised to tender their shares to a takeover bid
<b>Not Rated</b>	currently restricted from publishing, or our recommendation is under review

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Additionally, our target prices are set based on a 12-month investment horizon.

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