

First Mining Gold Corp. (FF.TO)
Rating: Buy

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Closing of Goldlund Transaction; Increased Commodity Price Deck; Reiterate Buy; PT Higher

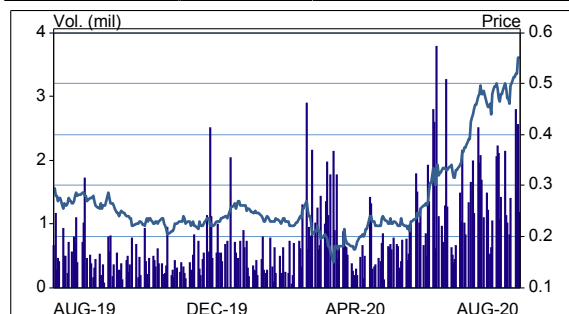
Stock Data	08/07/2020
Price	C\$0.55
Exchange	TSX
Price Target	C\$1.40
52-Week High	C\$0.60
52-Week Low	C\$0.12
Enterprise Value (M)	C\$339
Market Cap (M)	C\$349
Shares Outstanding (M)	634.3
3 Month Avg Volume	1,348,329
Short Interest (M)	0.59

Balance Sheet Metrics	
Cash (M)	C\$9.83
Total Debt (M)	C\$0.27
Total Cash/Share	C\$0.02

Cash (M): Pro forma inclusive of \$2.5M closing payment for First Majestic funding agreement for C\$9.8M cash.

EPS (C\$) Diluted			
Full Year - Dec	2019A	2020E	2021E
FY	(0.01)	(0.01)	(0.01)

Revenue (C\$M)			
Full Year - Dec	2019A	2020E	2021E
FY	0.0	0.0	0.0



Closing of Goldlund transaction. On August 7, 2020, First Mining reported the closing of its previously announced transaction with Treasury Metals (TML; not rated) for the sale of its Goldlund project. Pursuant to the transaction, Treasury Metals has acquired all issued and outstanding shares of Tamaka Gold Corporation, a wholly-owned subsidiary of First Mining, which owns Goldlund. As consideration for the acquisition, First Mining received 130M common shares of Treasury Metals, 35M common share purchase warrants, and a 1.5% net smelter returns royalty that is covering all Goldlund claims. Additionally, the transaction includes a \$5M (U.S.D) cash payment, with 50% payable upon receipt of a final and binding mining lease under the Mining Act, and the remaining 50% payable upon the extraction of 300,000 tonnes of ore from Goldlund. As First Mining has now become the largest shareholder of Treasury Metals, the company continues to maintain significant exposure to the strong exploration potential at Goldlund.

Increased commodity price deck more in line with current market conditions. We feel macroeconomic improvements related to precious metals are increasingly evident in the market. In turn, we are raising our long-term gold price forecast to \$1,900/oz from \$1,700/oz. In addition, we are concurrently raising our silver price estimate to \$25.00/oz from \$18.00/oz. We highlight that this revised price deck remains below current gold and silver spot prices of about 2,030/oz and \$28.20/oz, respectively, as we acknowledge the possibility for short and midterm metal price fluctuations. Notably, while we just raised our price deck on July 10, 2020, strength in recent market moves have led us to do so again. Future pricing changes could also be attributable to continued uncertainty surrounding the ongoing COVID-19 pandemic, various domestic and global quantitative easing initiatives, and ongoing near-zero or negative interest rates. Looking ahead, the Federal Reserve currently plans to keep its benchmark federal funds rate within a range of 0.00 – 0.25% all the way through 2023. While we note a variety of potential headwinds to continued strength in pricing, including less fear related to COVID-19, we nonetheless believe that longer-term economic impact from the recent pandemic has paved the way for strong pricing in the future. We expect to apply our revised precious metal price deck to all relevant companies within our coverage universe to research reports that get published on August 10, 2020, or thereafter.

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We are reiterating our Buy recommendation on First Mining shares and increase our PT to \$1.40 from C\$1.30 per share.

Our increased PT is the direct result of including the aforementioned price deck revisions to our model. Our valuation remains based on a DCF at Springpole, utilizing a slightly revised 13.5% (prior: 12.0%) discount rate that accounts for the longer-term nature of the asset. We note that this figure remains inline with similar assets in areas carrying equal geopolitical risk factors. We continue to value First Mining's remaining Tier 1 and 2 assets, excluding Goldlund's resource given the recent asset sale, at an unchanged valuation of \$25 per gold equivalent ounce (GEO), for a total of C\$167.8M. We ascribe an unchanged total of C\$20.1M for the Tier 3 assets owned by the company. We then add First Mining's cash balance of C\$9.8M, and *pro forma* ownership of both First Majestic (AG; Buy) and Treasury Metals shares, before subtracting debt of C\$0.3M, to achieve our rounded PT of C\$1.40 per share. In conclusion, we remain excited about the strong focus on First Mining's Springpole project after the firm recently closed a \$22.5M silver stream financing agreement that could ultimately support the completion of a Prefeasibility Study (PFS) and an Environmental Assessment for the site.

Risks. Commodity price risk; political risk; financing risk; operational and technical risks.

First Mining Gold Corp - estimated projections	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	
Springpole																	
Tonnes ('000s)	-	-	-	-	6,000	11,000	13,700	13,700	13,700	13,700	13,700	13,700	13,700	13,700	13,700	2,500	
Gold grade (g/t)	-	-	-	-	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
Gold recovery	-	-	-	-	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%	
Gold production ('000s)	-	-	-	-	170	311	388	388	388	388	388	388	388	388	388	71	
% growth																	
Gold price	\$1,900	\$1,900	\$1,900	\$1,900	\$1,900	\$1,900	\$1,900	\$1,900	\$1,900	\$1,900	\$1,900	\$1,900	\$1,900	\$1,900	\$1,900	\$1,900	
Silver grade (g/t)	-	-	-	-	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	
Silver recovery	-	-	-	-	93.0%	93.0%	93.0%	93.0%	93.0%	93.0%	93.0%	93.0%	93.0%	93.0%	93.0%	93.0%	
Silver production ('000s)	-	-	-	-	946	1,735	2,161	2,161	2,161	2,161	2,161	2,161	2,161	2,161	2,161	394	
% growth																	
Silver price	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	
Gold:Silver ratio	76.0	76.0	76.0	76.0	76.0	76.0	76.0	76.0	76.0	76.0	76.0	76.0	76.0	76.0	76.0	76.0	
Gold equivalents from Silver	-	-	-	-	12	23	28	28	28	28	28	28	28	28	28	5	
Total Gold Equivalent (000's oz)	-	-	-	-	182.2	334.0	416.0	416.0	416.0	416.0	416.0	416.0	416.0	416.0	416.0	75.9	
Payable Gold oz	-	-	-	-	168.1	308.1	383.7	383.7	383.7	383.7	383.7	383.7	383.7	383.7	383.7	70.0	
Payable Silver oz	-	-	-	-	927.4	1,700.3	2,117.6	2,117.6	2,117.6	2,117.6	2,117.6	2,117.6	2,117.6	2,117.6	2,117.6	386.4	
Revenue in '000s \$																	
Revenue from Gold	-	-	-	-	\$ 319,311	\$ 585,403	\$ 729,093	\$ 729,093	\$ 729,093	\$ 729,093	\$ 729,093	\$ 729,093	\$ 729,093	\$ 729,093	\$ 729,093	\$ 133,046	
Revenue from Silver	-	-	-	-	\$ 23,185	\$ 42,506	\$ 52,940	\$ 52,940	\$ 52,940	\$ 52,940	\$ 52,940	\$ 52,940	\$ 52,940	\$ 52,940	\$ 52,940	\$ 9,661	
Gross Revenue	-	-	-	-	\$ 342,496	\$ 627,909	\$ 782,033	\$ 782,033	\$ 782,033	\$ 782,033	\$ 782,033	\$ 782,033	\$ 782,033	\$ 782,033	\$ 782,033	\$ 142,707	
3% NSR Royalty @ 3%	-	-	-	-	\$ 10,275	\$ 18,837	\$ 23,461	\$ 23,461	\$ 23,461	\$ 23,461	\$ 23,461	\$ 23,461	\$ 23,461	\$ 23,461	\$ 23,461	\$ 4,281	
Net Revenue	-	-	-	-	\$ 332,221	\$ 609,072	\$ 758,572	\$ 758,572	\$ 758,572	\$ 758,572	\$ 758,572	\$ 758,572	\$ 758,572	\$ 758,572	\$ 758,572	\$ 138,425	
Total cash cost per ounce	-	-	-	-	\$ 580	\$ 580	\$ 580	\$ 580	\$ 580	\$ 580	\$ 580	\$ 580	\$ 580	\$ 580	\$ 580	\$ 580	
Total Operating Cash Cost	-	-	-	-	\$ 105,680	\$ 193,747	\$ 241,304	\$ 241,304	\$ 241,304	\$ 241,304	\$ 241,304	\$ 241,304	\$ 241,304	\$ 241,304	\$ 241,304	\$ 44,034	
Operating cash flow	-	-	-	-	\$ 226,541	\$ 415,325	\$ 517,268	\$ 517,268	\$ 517,268	\$ 517,268	\$ 517,268	\$ 517,268	\$ 517,268	\$ 517,268	\$ 517,268	\$ 94,392	
CapEx	-	\$ (37,000)	\$ (367,000)	\$ (403,000)	\$ (12,000)	\$ (12,000)	\$ (12,000)	\$ (12,000)	\$ (12,000)	\$ (12,000)	\$ (12,000)	\$ (12,000)	\$ (12,000)	\$ (12,000)	\$ (12,000)	\$ (12,000)	
Tax ('000s) @ 30.0%	-	-	-	-	\$ (64,362)	\$ (120,997)	\$ (151,580)	\$ (151,580)	\$ (151,580)	\$ (151,580)	\$ (151,580)	\$ (151,580)	\$ (151,580)	\$ (151,580)	\$ (151,580)	\$ (24,718)	
Free Cash Flow	-	\$ (37,000)	\$ (367,000)	\$ (403,000)	\$ 150,178	\$ 282,327	\$ 353,688	\$ 353,688	\$ 353,688	\$ 353,688	\$ 353,688	\$ 353,688	\$ 353,688	\$ 353,688	\$ 353,688	\$ 57,674	
Discount rate 13.5%																	
PV of cash flow	-	\$ (32,599)	\$ (284,888)	\$ (275,624)	\$ 90,495	\$ 149,890	\$ 165,442	\$ 145,763	\$ 128,426	\$ 113,151	\$ 99,692	\$ 87,835	\$ 77,387	\$ 68,183	\$ 60,073	\$ 8,631	
Total current cash flow estimate (USD)	\$	\$ 601,855															
Cash & equivalents (USD)	\$	7,332	<i>as of 6/30/2020, adjusted from CS to US\$</i>														
Debt (USD)	\$	(200)	<i>as of 6/30/2020, adjusted from CS to US\$</i>														
Remaining Tier 1 & Tier 2 Asset GEO @ \$25/oz (USD)	\$	125,216	<i>\$25 for each GEO</i>														
Value of Tier 3 assets	\$	15,000															
Total current value (USD)	\$	749,204															
Total current cash flow estimate (CAD)	\$	806,486	\$ 1.08	per share													
Cash & equivalents (CAD)	\$	9,825	\$ 0.01	per share <i>Pro forma for \$2.5M closing cash payment received from First Majestic funding agreement.</i>													
First Majestic (AG; Buy) share value from funding agreement	\$	14,003	\$ 0.02	per share <i>0.8M shares at \$12.97 per share as of 8/7/20</i>													
Debt (CAD)	\$	(268)	\$ (0.00)	per share													
Remaining Tier 1 & 2 Asset GEO (CAD)	\$	167,790	\$ 0.22	per share													
Value of Tier 3 assets	\$	20,100	\$ 0.03	per share													
Treasury Metals (TML; not rated) share value	\$	78,000	\$ 0.10	per share <i>Related to the recent sale of Goldlund; 130M shares at C\$0.60 per share as of 8/7/20</i>													
Total current value (CAD)	\$	1,017,936	\$ 1.36	per share													
Common shares		634,341	<i>As of 7/31/2020</i>														
Options & warrants		113,871	<i>Includes 30M warrants issued to First Majestic.</i>														
Fully diluted shares		748,212															
First Mining Finance NAV per share (CAD)	\$	1.36	<i>1.34 USD/CAD exchange rate as of 8/7/2020</i>														
Rounded (\$0.10) price target (CAD)	\$	1.40															
TSE:FF share price (CAD)	\$	0.55	<i>As of 8/7/2020</i>														
		60.7%	<i>discount to NAV</i>														

Source: H.C. Wainwright & Co. estimates.

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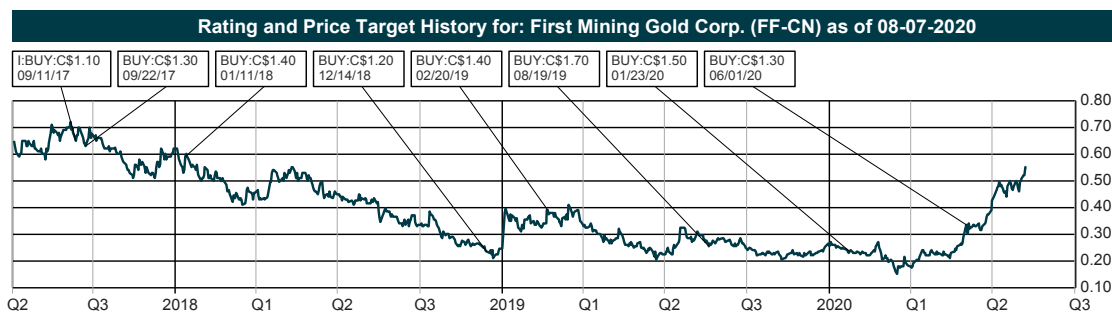
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Market Outperform (Buy): The common stock of the company is expected to outperform a passive index comprised of all the common stock of companies within the same sector.

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Related Companies Mentioned in this Report as of Aug/07/2020

Company	Ticker	H.C. Wainwright Rating	12 Month Price Target	Price	Market Cap
First Majestic Silver Corp.	AG	Buy	\$16.50	\$12.97	\$2719

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Distribution of Ratings Table as of August 7, 2020				
Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	407	90.65%	148	36.36%
Neutral	39	8.69%	9	23.08%
Sell	0	0.00%	0	0.00%
Under Review	3	0.67%	3	100.00%

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