



PearTree

Perspective

Expanding the universe of exploration capital.

Issue Eight – February 2016

Upcoming Events

Industry Events

We will be attending the **PDAC Convention** March 6-9, 2016



Swiss Mining Institute
March 22-23, 2016



If you would like to meet us at one of these shows, please contact us at marianne.jenkevice@peartreesecurities.com

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PearTree at PDAC Convention

Sunday, March 6, 2016, 4:00 pm - 6:00 pm
Welcome Reception

PearTree is proud to co-sponsor the Welcome Reception.

MTCC, North Building
Trade Show North, Level 300, Hall C

9:30 am - 10:30 am session:
Don't leave money on the table

Room 205D, North Building

Understand how to incorporate the charity flow through format to capitalize on this unique financing opportunity.

Spend time with leading experts in the resource industry confirming that the charity flow through format is an innovative and highly effective financing opportunity. Debunk the misconceptions of eligibility and the market perspective, better understand the advisor's role in the process including issuer and investor diligence.

Panel:

Carol Banducci, *EVP & CFO, IAMGOLD Corp*
Liam Fitzgerald, *Partner, National Mining Leader, PwC*
Kerry Smith, *Vice President, Senior Mining Analyst, Haywood Securities*
Trent Mell, *President & Head of Mining, PearTree Securities*

11:00 am - 12:00 pm session:
New frontiers in mining finance

Room 205D, North Building

Join us and the Northern Miner for a panel discussion on the state of alternate financing methods in the mining industry. Industry experts will discuss their experience with royalties, streaming, private equity, flow through/charity flow through and equity crowdfunding.

Panel:

Moderator, Anthony Vaccaro, *Group Publisher, The Northern Miner*
David Harquail, *President CEO & Director, Franco-Nevada Corp.*
Dan Wilton, *Pacific Road Capital*
Stephen de Jong, *President & CEO, Integra Gold*
Trent Mell, *President & Head of Mining, PearTree Securities*

Gold Starting to Shine Again



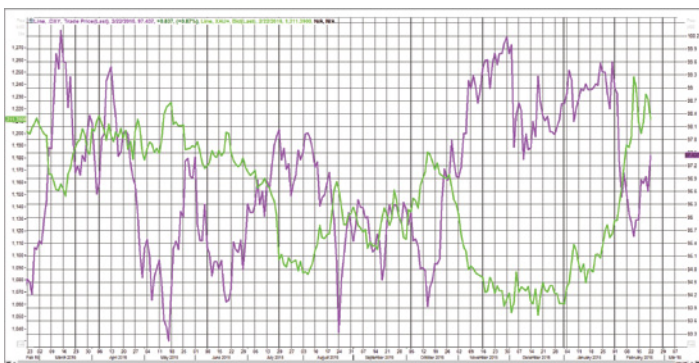
Trent Mell, President & Head of Mining

Gold has been the place to be for most of 2016, not just in the commodities space but also relative to the broader markets. After hitting a 1-year low of US\$1,050 in December, it surged to a 1-year high of US\$1,246 in just six weeks. Although gold's momentum briefly sent the XAU into

overbought territory (RSI over 70), time will tell whether this is merely a profit-taking signal. There is reason to believe that a bullish divergence formed in January for the gold sector, supported by reduced expectations of Fed rate hike increases.

Equally encouraging is the stronger correlation between the US dollar and the gold price (see chart). For the past two years, gold has been dismissed by many as having lost its safe haven status. 2015 seemed to support this thesis. Anytime the U.S. dollar came under pressure, its inverse relationship with gold did not translate into an offsetting gain for the yellow metal. However, when the U.S. dollar started to weaken in January, investors (with few other places to turn) went back to gold. Central bankers were ahead of this curve, having purchased 25% more gold in Q4'15 than in Q4'14, as they pursue asset diversification strategies.

Relative Performance of the US Dollar (DXY – purple) and Gold (XAU – green)



I have never subscribed to the “this time is different” argument, a thesis that was advanced with increased frequency in the aftermath of The Great Recession. It is a convenient way to explain events when we really do not have an answer.

In hindsight, one can easily identify any number of macro, currency, or geopolitical events to explain price performance. But by its nature, the gold price is difficult to forecast as the demand function for gold is more complex than any other commodity. Investment demand is an important driver of the commodity's performance, with pricing variously influenced by several drivers, including protection against inflation, currency debasement, financial system failures and geopolitical unrest.

Recent flows into gold ETFs have underpinned increased investor confidence in the role of gold. While too soon to say that the bear market for gold over, it is encouraging to see it behave the way it is supposed to.

Company News – Canadian Exploration and Development Space:



By Eric Lemieux, Mining & Exploration Analytics

Below are a few of the Canadian exploration and development companies we follow at PearTree. For more **Analyst Notes** please [click here](#).

In the News



Lake Shore Gold Corp. (LSG-T)

A new beginning to a good story – LSG and Tahoe Resources Inc. (THO-T): announced on February 8, 2016 that they entered into a definitive agreement whereby Tahoe will acquire all of the issued and outstanding shares of Lake Shore Gold for 0.1467 Tahoe common share (CS) per LSG CS. Upon completion of the transaction, existing LSG and Tahoe shareholders shall own respectively approximately 26% and 74% of the pro forma company. LSG was producing gold from its Timmins West and Bell Creek mines, and held exploration and development properties in the Timmins Camp. LSG was regarded as having highly prospective operating assets and a quality pipeline of new development opportunities. The exchange ratio implies a consideration of \$1.71 per LSG CS, which represents a 14.8% premium to the closing price of LSG on February 5, 2016, and an implied equity value of \$945M. We estimate the acquisition cost at ~\$131/oz Au. We highlight that on February 8, 2016, LSG also published an initial NI 43-101 resource estimate for the 144 Gap Deposit located south of the Timmins West Mine complex. The reported resource (2.6 g/t cut-off) contained 301,700oz. Au (1.7Mt @ 5.41g/t) in the Indicated category and 319,200oz. Au (1.9Mt @ 5.19 g/t Au) in the Inferred category. The total resources are contained in 9 separate zones lying between the 600 and 1,000m levels. The bulk of total ounces are hosted within the Main and the East Zones with average horizontal widths estimated between 30 and 50m and with a core between the 780 and the 940m levels. The resource estimate was completed using 291 holes of new drilling for a total of 176,332m.



Kirkland Lake Gold (KGI-T)

Millionth gold oz produced from the Macassa Mine Complex with more to come with camp consolidation – On February 3, 2016, KGI announced that it had poured its 1Mth ounce from the Macassa Mine Complex since operations commenced in 2003. An important milestone that adds to the historical production of the prolific Kirkland Lake gold camp (26M ounces Au). With the discovery of the South Mine Complex, KGI has produced over the past 5 years more than 570,000oz. Au and has 1.5M oz. in P&P reserves (2.4 Mt @ 19.2 g/t Au). Also, KGI and St Andrew Goldfields (SAS-T) have completed the plan of arrangement, whereby KGI has acquired all of the outstanding common shares of SAS, thus creating a multi-asset, Ontario-focused, intermediate gold producer. The acquisition implied a total equity value of ~\$178M on a FD basis and is estimated at \$37/oz. Au. The combined entity operates 4 mines and 2 mills in

Ontario's southern Abitibi greenstone belt. The Macassa Mine Complex and the East Timmins Properties (Holt-Holloway and Taylor mines), located 80-100km to the NE, provide strong financial flexibility. KGI is currently targeting annual gold production of 260-310koz Au in 2016.

PRETIVM 

Pretium Resources Inc. (PVG-T)

Great time to be Canadian – On February 17, 2016, PVG reported a revised cost estimate and project update for the high-grade underground gold mine Brucejack Project in British Columbia. The project is scheduled for commercial production in 2017 and a capital cost estimate was carried out in late 2015 to update that of the June 2014 feasibility study. The estimated total project capital cost to complete design, construction, installation, and commissioning (including contingencies) is US\$640.8M (vs US\$747M). The US\$145M in cost savings is essentially attributable to the weakness of the Canadian dollar. Capital expenditures to the end of Q3/15 for the development of the Brucejack Project totaled US\$66M. With the US\$540M construction financing package announced in September 2015, the remaining capital required to fully fund the development of the Brucejack mine is estimated at US\$100M.

Key areas explaining the variance between the updated cost and the feasibility study estimates include reduced costs for underground development (US\$17.7M less), for the mill building design-build contract (US\$9.5M less), and for the underground mining equipment deferred to sustaining capital due to the use of third party mining contractors' equipment (US\$23.4M). Notably, the lower assumed Canadian dollar in the updated cost estimate of US\$0.75:C\$1.00 versus the feasibility study estimate of US\$0.92:C\$1.00, resulted in a favorable foreign exchange difference of US\$145M. Using a silver price of \$14/oz and gold price of \$1,100/oz, the project has an expected after-tax NPV5% of \$1.55B and an IRR of 27.4%.

OBAN
MINING CORPORATION

Oban Mining Corp. (OBM-T)

Showing more depth at Windfall – OBM reported on February 18, 2016, new results from the ongoing drill program at its 100% owned Windfall Lake gold project, located in Urban Barry Township, Québec. Recall that the Windfall Lake gold deposit is located between Val-d'Or and Chibougamau, with mineral resources of 2.7Mt @ 8.42 g/t Au (748,000oz) in the indicated category and 3.5Mt @ 7.62 g/t Au (860,000oz) in the inferred category. The 55,000m drill program combines definition drilling above the Red Dog intrusion and expansion drilling above and below Red Dog. Highlights from the 12 new drill holes include 6m @ 19.63 g/t Au located below Red Dog. Holes drilled below Red Dog are delineating 3 major ENE corridors of alteration and mineralization (FW-1, FW-3, FW-4) that are probable extensions of known lenses of the Main Zone defined above Red Dog. The deposit is well defined from surface to a depth of 500m and remains open along strike and at depth, with significant potential to extend mineralization down-plunge and at depth.


EASTMAIN

Eastmain Resources Inc. (ER-T)

Expanding the Eau Claire resource shell – ER provided on February 4, 2016, the final drill assay results from the 2015 exploration program (12,837m) at the Clearwater Project, located in James Bay, Québec. The 2015 program continued intersecting high-grade gold in drill intercepts lateral to the current resource (combined measured, indicated, and inferred

gold resources stand at 12.3Mt @ 4.01 g/t Au (1.583M oz)). The 2015 drilling campaign focused on extending the M&I gold resources in the Eau Claire deposit down-plunge and laterally to the east. Drill hole ER15-577 intersected a 6m @ 15.4 g/t Au at a depth down-hole of 289m. Infill core sampling of historical holes also provided positive results within the proposed 450 West Zone pit and trench sampling 2km east of Eau Claire has outlined another potential pit-constrained resource target. A phase one \$2.5M exploration program is being executed for completing the preliminary economic assessment (Q2/2016), for conducting more definition drilling to expand the M&I mineral resources, and for drill testing of near-surface resource targets located east of Eau Claire along a key structural corridor.

INTEGRA GOLD
CORP

Integra Gold Corp. (ICG-V)

Triangle growing again – On February 16, 2016, ICG disclosed a third round of assay results from its fall 2015/winter 2016 drill program on the Triangle deposit of the Lamaque South Gold Project ("Lamaque") located in Val-d'Or, Québec. The Triangle deposit footprint continues to expand with step-out drilling. The bulk of the Triangle mineralization is hosted within a series of sub-parallel, steeply-dipping, stacked 'C' structures. Notably, the geological model seems to continue to demonstrate the predictive nature of the C4/C5/C6 structures as well as a high degree of periodicity and continuity. Results from step-out drilling conducted on the recently identified C6 mineralized structure at Triangle (~100m structurally below the C5 structure) extends the known limits of that structure up to 100m further west of previous intercepts on C6, at a vertical depth of 750m. This new uncut intercept in TM-15-066 assayed 5.5m @ 80.32 g/t Au (or 5.5m @ 7.1 g/t Au - capped at 34.3 g/t Au). The discovery of additional C type structures below the known limits implies potential to expand gold mineralization between 1,000m and 1,500m vertical depth. Also noteworthy is the possibility of C type structures pursuing northwards (more vertically) towards Plug No. 4, where over 10,000m of drilling at 125m spacing has been completed. ICG should complete new resource estimates for the Plug No.4, Triangle, and Parallel zones, and update the PEA by end of Q2/2016.

GOLD REACH
RESOURCES LTD.

Gold Reach Resources Ltd. (GRV-V)

PEA delivered on Ootsa – On February 9, 2016, GRV announced results of an independent Preliminary Economic Assessment by P&E Mining Consultants Inc on their 100% owned Cu-Au-Mo Ootsa Project in west-central British Columbia. The conceptual study suggests the potential to develop the Ootsa Project by means of contract mining and toll milling at a low initial capital cost (\$64M), and to generate a base case after-tax NPV5% of \$186M and IRR of 81%. The Ootsa Project could be developed as a potential profitable, low-cost, 12-yr open pit operation with mill feed at 65 Mt @ 0.37% Cu Eq (0.25% Cu, 0.13 g/t Au, 0.016% Mo, 2.3 g/t Ag), using metal prices of US\$3.00/lb Cu, US\$1260/oz Au, US\$10.30/lb Mo, and US\$17/oz Ag. Recall the 67,937ha Ootsa property contains 3 known porphyry deposits (the East and West Seel Porphyries, and the Ox Porphyry) located proximal to the Huckleberry Porphyry Cu-Mo operating mine (owned by Imperial Metals Corporation). With pit constrained resources of 37.8Mt in measured category, 115.6Mt in indicated, and 223Mt in inferred (at > 0.5% Cu Eq), it also contains zones of high grade silver and base metal veins.



Balmoral Resources Ltd. (BAR-T)

Moving forward on Grasset and Martinière – On February 10, 2016, BAR announced the resumption of drilling on their Detour Trend Project. BAR continues to delineate and expand both high-grade gold and Ni-Cu-PGE discoveries on its wholly owned, 700km², Detour Trend Project in northwestern Québec. Well-funded, BAR continues with its philosophy of creating value through the drill bit and is set with a ~\$2M winter drilling budget. The initial focus of drilling shall be on testing a number of recent gold/base metal discoveries on the Grasset and Fenelon properties. A second drill is set to commence on the Martinière Property (Martinière West and Bug Lake Gold Trends) as cold weather has permitted to complete the winter road. Balmoral’s H3 Ni-Cu-PGE deposit occurs within the southern portion of the pluri-kilometric Grasset Ultramafic Complex and a first maiden resource estimate for the H3 deposit remains on track for delivery by March 2016. Drilling is currently investigating strongly deformed volcanic rocks in the hanging wall and footwall to the H3 deposit, with occurrences of anomalous gold mineralization along splays of the Sunday Lake Deformation Zone. Drilling shall also further delineate numerous other Ni-Cu-PGE and Au discoveries within the Grasset Ultramafic Complex, located up to 8km NW of the H3 deposit. On Martinière, on-going exploration shall focus on recent near surface high grade gold discoveries such as on the Lac du Doigt Deformation Zone. The Martinière West and Bug Lake Gold Trends are now traced for over 1km along strike and remain open. Some work is also eventually anticipated on the Detour East property (Lynx-Rambo Gold Trend), located 20km ESE of Detour Gold’s Lower Detour 58N Zone.



Midland Exploration Inc. (MD-V)

Prospector-generator par Excellence to continue to be active in 2016 – On February 17, 2016, MD provided an update on its exploration programs across the Province of Québec. MD and its partners were active in 2015 conducting exploration programs including more than 18,000m of drilling in the Abitibi region, several geophysical surveys, as well as prospecting and trenching in the James Bay region and in the Labrador Trough. Highlights in the Labrador Trough include the discovery of several high-grade gold showings, with grades up to 77.6 g/t Au and 25.2 g/t Au from grab samples collected on the Willbob project, as well as the identification of several new PGE bearing horizons on the Pallas project in partnership with JOGMEC. Drill holes on the Patris project, in partnership with Teck Resources Limited, intersected a significant hydrothermal alteration system. Work within the Québec Detour Trend identified a gold-bearing felsic porphyry (“QFP”) intrusion proximal to the Sunday Lake Fault on the Casault project in partnership with SOQUEM INC. In addition, Agnico Eagle Mines Limited completed a 3D model that should be used to generate the next drilling targets to be tested on the Maritime-Cadillac property along the Cadillac Fault. MD presently has ~\$16.2M in working capital.

MD plans to complete at least 15,000m of drilling in 2016 as well as several geophysical surveys and important field prospecting programs along major fault zones in the Abitibi region, in the James Bay area proximal to Goldcorp’s Éléonore mine land package, and in the Labrador Trough on the Willbob and Pallas projects (total budget >\$4.4M with partners funding \$2.4M). Work in the Abitibi should include drilling on the QFP intrusion (with pyrite mineralization and strong hematite and sericite alteration locally hosting quartz-tourmaline veinlets) within the Casault Project along the Detour Deformation Zone. On the 100%-owned La Peltrie property located at about 30km SE of the Lower Detour high grade gold deposit (see [January 26, 2016 Analyst Note](#)), MD should embark in a first drilling campaign totalling ~2,000m. Compilation work is being done on the Jouvex property (MD/SOQUEM -Option) along the Casa Berardi-Douay-Cameron gold-bearing deformation zone. On the Patris Project (Midland/Teck - Option), a 4 drill hole program totalling ~1,000m is set to begin. The 100% owned Heva Project (see [November 2, 2015 Analyst Note](#)) is host to new promising E-W targets in the extension of a subsidiary structures to the Cadillac Fault Break. Following the identification of 2 new anomalous gold and arsenic geochemical soil axes of decametric extensions and parallel to the known gold-bearing horizons with coincident IP anomalies, MD is planning mechanical trenching work on Heva. Finally, on the Laflamme Project (MD (64.9%)/Aurbec (35.1%) –JV), MD is currently planning to complete a ~600m drill hole to test a new off-hole BHEM anomaly detected below drill hole LA-11-08 (8m @ 0.66% Ni, 0.35% Cu, 0.17 ppm Pt, and 0.16 ppm Pd).



Alexandria Minerals. (AZX-V)

Working in Val d’Or – AZX, on February 17, 2016 announced the commencement of a 2,000m drill program focusing on the western half of its Cadillac Break Properties in Val d’Or Québec with potential porphyry Au-Cu targets. The drill program shall test several targets such as the Zone 5 Breccia (located 500m NE of the Orenada Zone 4 gold deposit), a 1.5km long geophysical anomaly with coincident drill assays up to 8.8m @ 2g/t Au and 1.1% Cu, 0.61m @ 31.0 g/t Au, and 5.48m @ 5.7 g/t Au. Also a target is the nearby Hogge Zone, host to another magnetic anomaly with coincident drill assays of up to 3m @ 11.88 g/t Au and 0.64% Cu, and 1.5m @ 45.9 g/t Au. Drilling shall also investigate selected geophysical anomalies within the Center Post Intrusion (an alkalic “granite” which hosts wide copper intersections up to 150m @ 0.22 % Cu) and potential Triangle Zone-style gold mineralization (see Integra Gold) on AZX’s Airport property. The 4 priority drill targets selected on the Zone 5 Breccia shall test 700m of strike length along the altered breccia which hosts disseminated, fracture, and veinlet Au-Cu. Sporadic drilling on Zone 5 dates back to the 1930s, which focussed on the western end of the strongly magnetic zone and recorded Au-Cu intersections such as 16m @ 1.45 g/t Au and 0.71% Cu, and 9.45m @ 1.32 g/t Au and 0.68% Cu. However, none of the past holes traversed completely the breccia zone. The recently improved recognition of northerly dip at Zone 5 Breccia permits AZX to complete holes which should intercept the entire breccia.

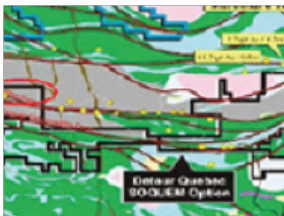
Equity Research



Adventure Gold Inc. (AGE-V)
Working on the Québec Detour Trend –
 On January 25, 2016, AGE disclosed that it had commenced an exploration program on its partnership properties with SOQUEM Inc. along the Québec Detour Gold Trend, notably a 3,400m phase 1 drilling program. AGE and SOQUEM are set to fully explore the Lower Detour Gold Trend (LDGT)

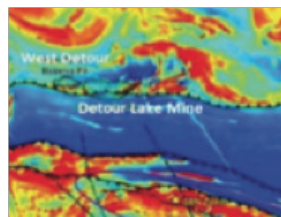
covering acreage to the southeast of Detour Gold Corporation's 16.4M oz. Detour Lake gold mine property where Detour Gold has had remarkable success. The main objective of the early 2016 program is to test the high-priority IP-type geophysical anomalies along major deformation zones in 2 prospective areas located along the LDGT ~12km east of Detour Gold's 58N Zone. AGE and Midland Exploration (MD-V) with their partner SOQUEM, as well as Balmoral Resources (BAR-T) are embarking on targeted drill programs along the Lower Detour Deformation Zone.

Detour Gold (DGC-T)
Continuing to de-risk a World Class asset – On January 25, 2016, DGC provided its 2016 guidance and new LOM plans for the Detour Mine operations located in northeastern Ontario. The operational guidance for 2016 was gold production to range from 125,000 to 150,000oz. on a quarterly basis and, hence, total gold production of 540,000-590,000oz. The new de-risked life of mine plan reduces operational risks by the integration of the West Detour pits. Proven and probable open pit reserves are established at 16.4Moz. contained gold, with average annual gold production of ~655,000oz. over LOM putting it into a select group of World Class gold producers. Detour has commenced its phase 1 winter drilling program of ~40,000m with 5 drill rigs on the Detour Lake property, suggesting a robust potential organic growth pipeline. The 58N Zone is an underground high grade gold target located 6km south of the Detour Lake processing plant, along the Lower Detour Deformation Zone. Detour Gold is well positioned to deliver in 2016 and beyond and highlights the potential attractiveness of high tonnage/low grade operations when they achieve name-plate capacity.



For more details:
 2-1-2016 | Adventure Gold Inc. (AGE-V)
[Adventure commenced diamond drilling program on the Lower Detour Gold Trend with SOQUEM](#)

Event: Adventure and partner SOQUEM commences an exploration program on the Québec Detour Gold Trend, notably a 3,400m drilling program.



For more color:
 1-26-2016 | Detour Gold Corp (DGC-T)
[2016 Guidance and new LOM Mine Plan](#)

Event: Detour Gold announced its 2016 guidance and a new LOM plan.

This newsletter is dedicated to providing insight and analysis on Canadian mineral exploration and development stories. We welcome your feedback.

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