



PearTree

Perspective

Expanding the universe of exploration capital.

Welcome to Perspective

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

PearTree Securities is the largest provider of mining flow through capital in Canada. As an exempt market dealer and portfolio manager, PearTree Securities has approximately \$250 million available for investments annually.

Issue Two – October 2015

Upcoming Events

PearTree Securities' Trent Mell will be speaking at the **Xplor2015** conference in Montreal (Title: Innovative Funding Opportunities for Quebec Mining – October 7 at 3:15 - 4:00 pm).

We will be attending the **2015 Precious Metals Summit Zurich** (November 3-4) and the **Swiss Mining Institute Zurich Programme** (November 25).

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



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No Tears Over Old Grievs



By: Trent Mell, President, Head of Mining
Takeaways from the Beaver Creek & Denver Conferences

Are we at the bottom? It can be challenging to figure this out from the people who are emotionally and financially invested in our sector. In the three years since gold and silver fell precipitously from their highs, I have seen the mining industry live through the stages of grief. Initial denial of the structural problems in a lower price environment turned to angst, then delusion and, eventually, a certain amount of depression or desperation.

This year in Colorado, our biggest takeaway is that we appear to have landed on final stage of grief – Acceptance. Issuers wasted no time prognosticating on the timing of a turnaround. My colleague, a fixed income trader who is new to the sector, aptly noted that all of the exploration companies we met presented a cautious outlook with plans to invest conservatively in their business to ensure they could weather another 12-18 months. For their part, many developers presented staged development scenarios, higher grade mining plans, lower initial capex and a shorter path to cash flow.



We arrived at the **Beaver Creek Precious Metals Summit** particularly curious to hear what the buy-side was thinking as we head into Q4. They were not so much bearish as they were resigned that commodities are still in a slump. There is an overwhelming sense that we are at or near the bottom of the cycle, coupled with great caution over how much longer it may be until we see signs of a recovery. This conservatism is well warranted as this crowd bears the scars of the past three year.

Despite talk in the financial press about low valuations, buying opportunities and some evidence of a few generalists seeking exposure to the sector, those present in Denver and Beaver Creek were already fully invested and not inclined to call the bottom.

To end on a high note, the star of the show was **Pretium Resources** (TSX:PVG; NYSE:PVG), which announced a US\$540-million financing package to cover more than 70 per cent of the capex to build its Brucejack mine in British Columbia. Earlier this summer, **TMAC Resources** (TMR:TSX) raised \$135 million in an IPO and \$120 in debt to get its Hope Bay Project into production. While financings of this magnitude remain the exception, there are indeed some encouraging early signs.

Stories to watch

Coming out of our Colorado meetings, here are a few of the companies on our radar:

Pure Gold (TSX-V:PGM) – PGM owns the former producing Madsen mine in the Red Lake gold camp as part of a larger 50 km² land package. Madsen has a resource estimated totaling 928,000 oz Au Indicated (3.24 Mt @ 8.93 g/t Au) and 297,000 oz Au Inferred (0.79 Mt @ 11.74 g/t Au). Management has enjoyed repeated success testing near-surface targets adjacent to the Madsen mine, offering encouragement for its thesis of potential high-grade gold deposits along a 22 km ultramafic contact.

Carlisle Goldfields (TSX:CGJ) – An exploration company with 43-101 resource estimates on five deposits within the past producing Lynn Lake gold camp in Manitoba. The company has a JV with Alamos Gold, which is working on a feasibility study for an open pit mine from the historic MacLellan mine. A 2014 scoping study on two deposits yielded LOM production of 1.74 Moz Au and 1.59 Moz Ag and average head grade of 2.2 g/t Au over a 12-year mine life, for a NPV of \$257 million (post-tax) and 34% IRR.

Lake Shore Gold (TSX:LSG) – The Company continues to outperform many of its peers, with record production, a strong balance sheet (\$80M+ cash), low AISC and net free cash flow from its two Timmins mines. In May, LSG repaid its senior secured debt and on September 18 it completed the acquisition of Temex. What has really caught our attention are the two discoveries to the southwest of the Timmins West Mine: the 144 Gap Zone and the 144 Gap SW Zone. We anticipate a maiden resource estimate in early 2016.

Company news – Canadian Exploration and Development



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

Pretium Resources Inc. (PVG-T)
Set for High Grade Development – On September 15, 2015 PVG announced a US\$540M construction financing package with the Orion Mine Finance Group and Blackstone Tactical Opportunities. The closed financing provides for immediate access to US\$340M and should fund a substantial portion of the costs to develop an underground mine on the Brucejack Project in B-C by 2017. The flexible financing package is comprised of a credit facility for US\$350M (7.5% fixed rate to December 2019), a US\$150M prepayment under a callable gold and silver stream agreement (8% of the total precious metals production of 7.067M oz. Au and 26.279M oz. Ag) and a private placement of Pretium common shares (@ US\$5.1975) for US\$40M. Financing package permits PVG to advance on construction schedule and funds 70% of pre-production capex.

Falco Resources Inc. (FPC-T)

Proving Up Horne 5 – FPC announced on September 16, 2015 additional results from the confirmation drilling program on the wholly-owned Horne 5 project in Rouyn-Noranda, Quebec. The new results include 2 additional pilot holes and two wedges from an 18-hole deep drilling program totaling 16,000m. The latest results have reconciled well with historical data and continue to confirm the overall grade and geometry of the Horne 5 deposit. Two remaining wedges will soon to be initiated. A 6,300m drilling program is set to investigate lateral extensions to the upper part of the Horne 5 deposit (M, C and K Zones) providing potential growth and scalability for the project. The new drilling is verifying the geometry of mineralized zones previously defined by the historic work by Noranda and confirm the grades of the historical drill holes. In tandem with the drill program, metallurgical testing, and preliminary engineering studies (mining methods, hoisting, rock mechanics) are underway, in support of a future PEA.

Premier Gold Mines Ltd. (PG-T)

Cash and Grade are King – PG announced on September 17, 2015 that Centerra Gold Inc. (CG-T) will make an additional capital contribution of over \$11M. This payment is dedicated to their Greenstone Gold Mines LP. (formerly the Trans-Canada Partnership) in connection with a key term of the 50/50 Partnership agreement signed earlier in February 2015. Centerra had agreed to make capital contributions to the partnership in the aggregate amount of \$185M for development commitments and make an additional contingent capital contribution to the partnership (not to exceed \$30M) based on the results of the updated mineral resource calculation. This payment increases PG's financial position to well over \$80M and provides the capacity for Premier to advance its strong portfolio of projects in safe jurisdictions within North America. [Click here](#) for most recent PearTree analyst report.

Equity Research

Eastmain Resources Ltd. (ER-T)

Chasing Nickel –ER reported anomalous nickel mineralization at the Lac Lessard property following an initial phase 1 drilling program (1,995m). Disseminated and semi-massive Ni sulfide mineralization were encountered in 2 holes of 11, with assay results up to 1.08% Ni, 0.31% Cu over 2.5m and 0.41% Ni, 0.09% Cu over 5m respectively.

For more details:

15-09-2015 | Eastmain Resources Inc. (ER-T)
Anomalous Nickel Mineralization at Lac Lessard

Event: Eastmain provides drilling assay results from the Lac Lessard PGE project in eastern James Bay, Québec.

Midland Exploration Inc. (MD-V)

Active in the Detour Trend – MD reported on September 15 that it has commenced exploration work (ground geophysics) on its La Peltre project in the Québec Detour Trend. Midland has assembled a sizeable land package well located along the Lower Detour Deformation Zone. The property may host a strong potential for gold mineralization and is located along the southern portion of the regional Lower Detour fault at ~ 25km southeast of the 58N Zone of Detour Gold Corp. (DGC-T).

For more flavour:

17-09-2015 | Midland Exploration Inc. (MD-V)
Midland to be active on the Lower Québec Detour Trend

Event: Midland has commenced exploration work on the La Peltre project in the Québec Detour Trend.