MINING NEW YEAR REVIEW

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January 9, 2018

Year-end Review and Outlook

A Strong Finish to the Year Provides Momentum into 2018

2017: A Tale of Two Trends
This was very clearly a year of two distinct trends breaking at mid-year with a positive uptick for base metal producers and a distinct negative trend for the gold producers, notwithstanding the late December rally on US$ weakness.

Much of the base metal strength comes from supply/demand metrics for lead and zinc as several large mine supplies have come off line in the past five years and any significant new supply is 1-2 years off. Record stock market performance continued to keep pressure on precious metals producers.

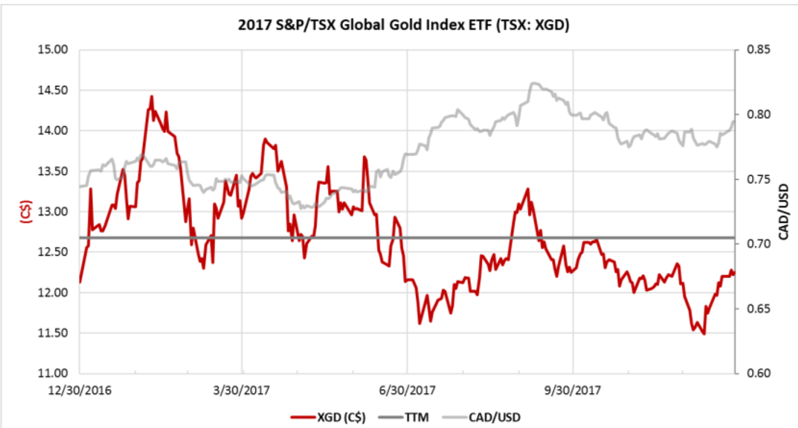
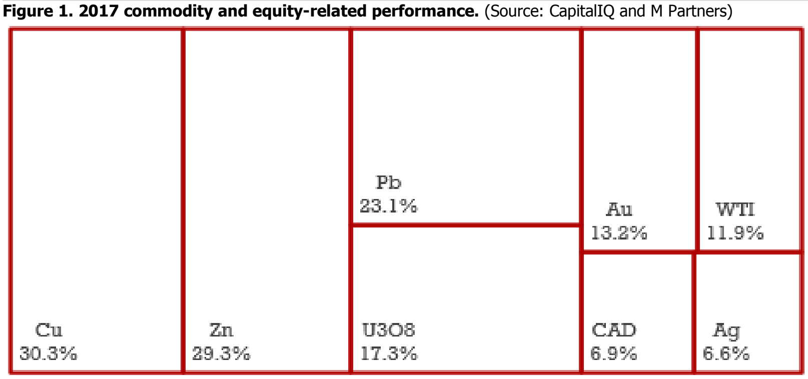
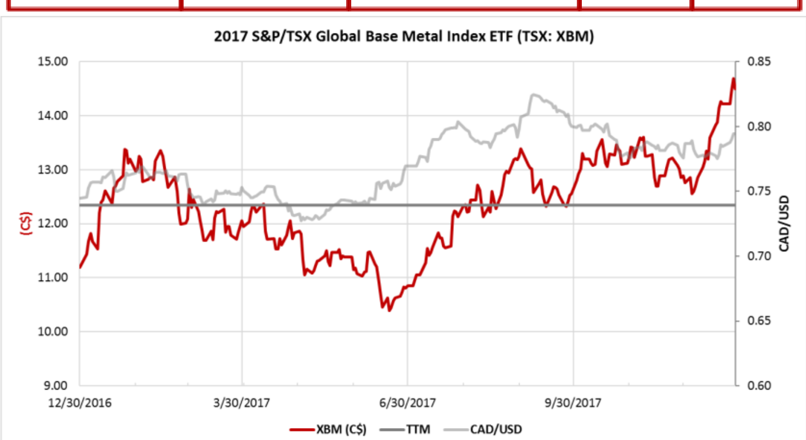


Figure 1. 2017 commodity and equity-related performance. (Source: CapitalIQ and M Partners)





2017 In Review

A common thread this past year, was renewed interest in conceptual and early exploration stories. Investors and majors alike took large positions in several new exploration plays, which had many investors heralding a return to the more traditional "mining pipeline paradigm".

We would be remiss if we did not acknowledge the impact of local and regional socio-political issues on producers in 2017. Eldorado Gold (TSX: ELD), Tahoe Resources (TSX: THO) and Torex Gold Resources (TSX: TXG) bore the brunt of operational uncertainly but we focus on underlying fundamentals. A "flight to safety" premium is building again.

Price Deck

We have made minor modifications to our price deck for 2018 based on current pricing trends, macro-economic indicators and recent supply-demand statistics.

Long-term gold price remains unchanged at US$1,300 /oz; however, we have adjusted our gold and silver prices estimate for 2018-2020.

Our foreign exchange rate for 2018 is adjusted to reflect anticipated commodity strength. Our long-term C$/US$ rate is unchanged at $0.78.

Coverage Review

Throughout 2017 we have revised our models based on an 8% discount rate (previously 5%) and adjusted our price deck in Q2 and at year-end. Issuer-specific catalysts have also been updated. As a result, we have revised our price targets and modified our coverage universe.

We maintain a watch-list of active exploration and development names including GT Gold (TSXV: GTT), Wesdome Mining, (TSX: WDO), IDM Mining (TSXV: IDM) and Anaconda Mining (TSX: ANX).

2018 Themes

2017 saw a renewed interest in exploration and early-stage assets and we anticipate this continuing into 2018. We on focusing on new teams and strategies that can optimize and systematically unlock value.

Several other themes developing for the new year include 1) primary silver producers with large base metal credits improving the bottom line, 2) geo-political risk premium firming up and flight to "first-world" projects and 3) continued spin-outs of assets, as majors continue to re-balance and focus on margin and balance sheet housekeeping.

The Fosterville Mine (TSX: KL) became one of the most successful execution stories related to brownfield exploration and development in 2017. This is a theme that we think will continue in 2018 with names like Superior Gold (TSXV: SGI), Northern Empire Mining (TSXV: NM) and Anaconda Mining (TSX: ANX).

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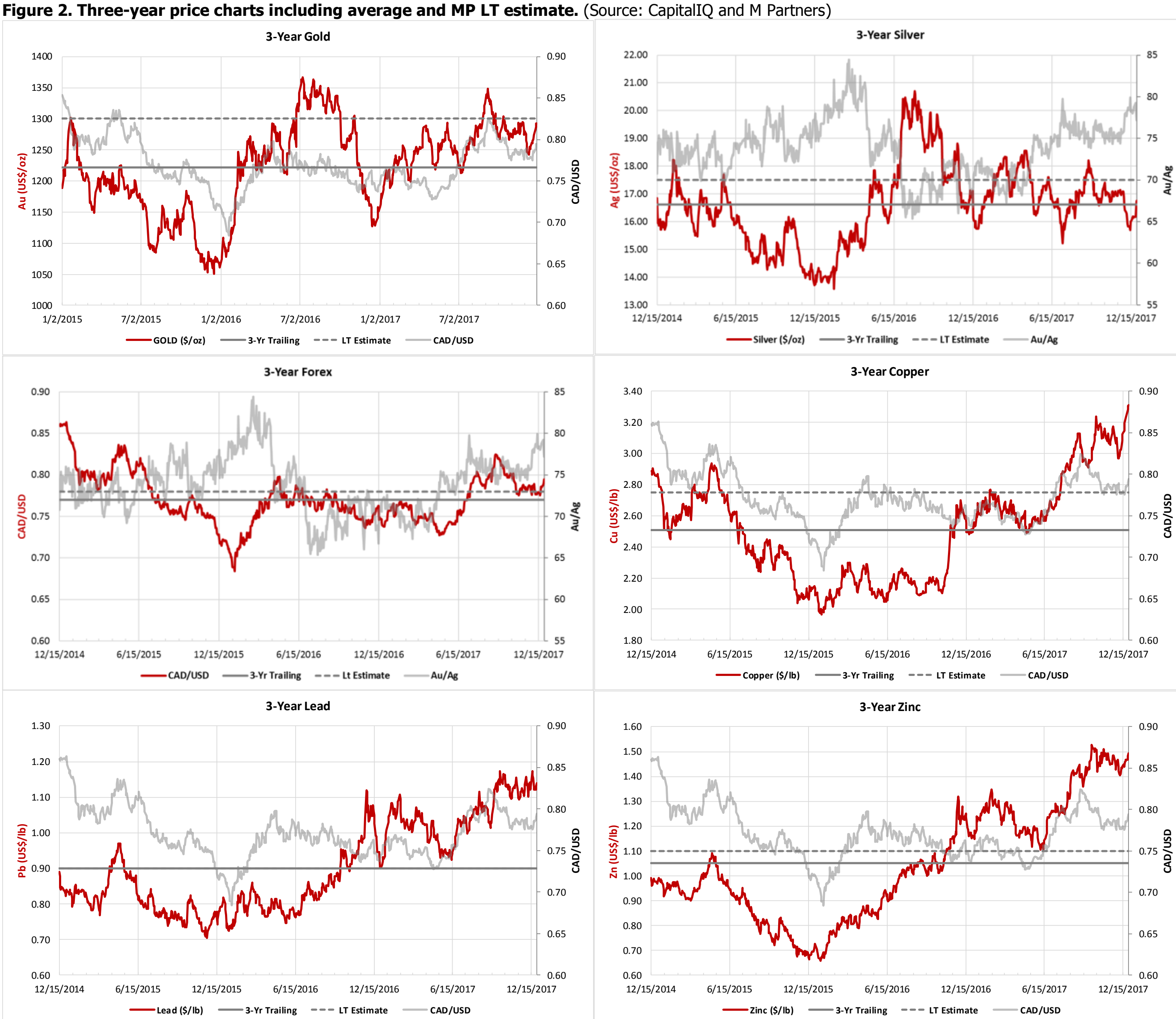
Commodity Prices Firm into Year-End Providing a Strong Finish and Solid Momentum into 2018

2017 Overview and the mid-year commodity turn
We are all familiar with the "China-factor" and the plethora of conflicting demand metrics. The Chinese are market players with regards to supply and demand and re-stocking cycles will persist through 2018 underpinning nominal growth in bulk commodity demand (i.e. coal and iron ore) and base metal usage.

We continue to stress that with a notional 6% GDP growth rate in 2017 versus 10.6% in 2010, the actual Chinese GDP base has expanded two-fold over the same period from $6 trillion in 2010 to an estimated $12 trillion in 2017 (current pricing in US$). The Chinese demand for commodities need not follow a boom-bust scenario to support robust commodity pricing.

The strength in base metal pricing in the back half of 2017 was largely based on supply issues. Dwindling inventories finally coming to fruition as metal usage increased and mine production dropped during the period 2013 to 2016 by 9% for lead and 2% for zinc. 3Q17 deficits already total more than any of each of the previous five years. Short-term volatility related to work disruptions at large copper producers in Chile and Indonesia impacted the Cu price and we anticipate that this volatility may increase in 2018. TC/RC charges fell to multi-year lows in mid-2107 as concentrate supplies thinned; early contract data for Q1/18 suggest a step back from Q4/17 price levels.

Figure 2. Three-year price charts including average and MP LT estimate. (Source: CapitalIQ and M Partners)



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Price Deck Revisions reflect momentum in base metals and commodity based economies

2018 Outlook: Momentum carries into 2018 largely based on short-term supply disruptions and lag in new production
We have made minor modifications to our price deck for 2018 based on current pricing trends, macro-economic indicators and recent supply-demand statistics.

We continue to see the price of gold firming through 2018 largely based on macro-economic factors. We are not in the school of thought that anticipates a significant "catch-up" by silver metal; however, we have identified a theme that will positively impact those primary silver producers with large base metal credits. We do not see a significant uptick in metal pricing but equities may rebound from poor fundamental-driven underperformance over the past few years.

The US continues with tax and economic reforms but uncertainty in Fed rate hikes will likely temper any significant movement one way or another in gold and silver pricing. We look for more firm indicators in the inflation spectrum though a broad-based economic recovery and wage growth.

We also do not support the concept of flight of risk-capital from precious metal markets to crypto-currencies. We believe that record highs in the equity markets play a more significant role in the pressure on gold equities, whereas silver equities generally underperform on a fundamental level related to development costs and production scale issues.

Table 1. 2018 Price deck revisions (M Partners)

		2018		2019		2020		LT	
		OLD	NEW	OLD	NEW	OLD	NEW	OLD	NEW
Au	US$/oz	1,400	1,400	1,500	1,500	1,400	1,450	1,300	1,300
Ag	US$/oz	18.00	19.00	19.00	19.50	18.00	18.50	17.50	17.50
Ratio	Au/Ag	78	76	79	77	78	78	74	77
Forex	C$/US$	0.73	0.75	0.73	0.76	0.74	0.76	0.78	0.78
Cu	US$/lb	2.60	3.10	2.65	3.10	2.50	3.00	2.50	2.75
Zn	US$/lb	1.20	1.25	1.25	1.20	1.15	1.15	1.10	1.10
Pb	US$/lb	0.90	1.00	0.90	1.00	0.90	0.95	0.80	0.90

H2/17 strength in bulk metals has mostly been driven by Chinese re-stocking but we see coal and iron ore pricing leveling out into the new year. Oil will continue to be range-bound as the market weighs ongoing supply cut negotiations and US shale sources supply rebound as margins improve due to selling prices and continuing improvement in rig and reservoir efficiencies. All "rigs" are not created equal and we temper expectations based on US "rig-count" data.

2017 Geo-Political Risk: Copper News and Noise Continues into 2018

On the theme of geo-political risk which impacted many Canadian-listed issuers in 2017, we see more of the same in 2018 as sovereign entities seek sources of revenue on the wings of social populism (real populism, not anti-Trump rhetoric). Ultimately, work stoppages provide sound-bites for speculators but as the cumulative effects of one-time bonuses for "back-to-work incentives" wear off and fundamental labour input costs rise, the actual cost pressures on metals extraction will continue to firm and provide additional pricing support. Particularly important is the amount of Chilean copper production that will be subject to labour-related contract negotiation in 2018. Look for abundant news to add short-term price support through the first half of the year.

Other news items that may impact the price of Pb and Zn the second half of the year is increasing Zn output as major players re-start and expand operations in response to the firm Zn (Pb & Cu) carried over from 2017. We see 2018 as a transition year and do not expect significant supply response until 2019 (e.g., Lady Loretta re-start as part of Glencore's near-term production target of 18% growth).

The longer-term outlook for base metals continues to be strong based on the lack of new Pb/Zn supply and not only incremental demand. In particular, the discovery and development of large-scale Pb/Zn deposits remains a challenge and should support higher long-term price datums.

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Year-end Coverage Review

2017 Overview: We have adjusted our key valuation metrics in 2017 as part of an analyst changeover

In Q2/17 we placed our mining coverage list under-review as we changed analysts and made fundamental revisions to our key modelling inputs (e.g., discount rate, price deck, in situ metal pricing).

Key to these changes were an increase in our base discount rate to 8% from 5%, to more accurately reflect the weighted average cost of capital and *in situ* metal pricing to reflect the differing quality of mineral resources (e.g., Measured and Indicated vs. Inferred).

Based on a review of our mining universe we are no longer providing research coverage on Impact Silver (TSXV: IPT), Falco Resources (TSXV: FPC), Unigold (TSXV: UGD), Guyana Goldfields (TSXV: GUY), Golden Queen Mining (TSX: GQM). Coverage of New Castle Gold (TSX: NCA) post-merger will not be transferred to Equinox Gold (TSXV:EQX).

We continue to hold a number of names under review and on our internal watch-list. These included Atico Mining Corporation (TSXV: ATY), Kirkland Lake Gold (TSX: KL), Klondex Mines (TSX: KDX), Osisko Mining (TSX: OSK), GoldQuest Mining (TSXV: GQC), IDM Mining (TSXV: IDM) and Wesdome Gold Mines (TSX: WDO).

Other names that we continue to follow on our watch-list include Golden Reign Resources (TSXV: GRR), Anaconda Mining (TSX: ANX), GT Gold (TSXV: GTT), Constantine Metal Resources (TSXV: CEM), Marathon Gold (TSX: MOZ), Mawson Resources (TSX: MAW), Nighthawk Gold (TSX: NHK) and Zephyr Minerals (TSXV: ZFR).

During the year we initiated coverage on Superior Gold (TSXV: SGI | Buy C$1.70) and Northern Empire Resources (TSXV: NM | Buy C$1.60). We have updated our SGI model (below). The NM blended 12-month target price remains unchanged although there was a slight increase in the DCF NAV valuation component.

2018 Outlook: Superior Gold (TSXV: SGI)

We have revised our price target for Superior Gold is **maintained as a BUY with the 12-month target price raised to C$2.05 (C$1.70)**. We have made incremental adjustments to our operational assumptions based on recent quarterly reporting in addition to our price deck revisions. Some key positive catalysts include improvement in grades and cost-profile at Plutonic and successful development of Hermes within the scheduled timeframe.

We anticipate an announcement of first ore from Hermes shortly but to continue to model production ramp up over 2-3 years with 18,000-22,000 oz in 2018 peaking at 30,000 to 32,000 oz in 2020.

Superior continues to trade at a significant discount to peers on a price-to-cashflow basis closing at 2.0x our 2018 estimate versus the T-III global peer median of 5.2x.

Table 2. Superior Gold (TSXV: SGI) valuation breakdown.

Valuation Breakdown					
Net Asset Valuation	**Discount**	**$ Million**	**US$/Share**	**Target Derivation**	**$/Share**
Plutonic	8.0%	$108	$1.03	**Project NAV**	**$1.22**
Hermes	8.0%	$20	$0.19	Multiple	1.10x
Project NAV		**$128**	**$1.22**		**$1.34**
Resources	In Situ	$21	$0.20	Adjustments	$0.20
Corporate Adjustments	8.0%	($36)	($0.35)	**Target (US$/shr)**	**$1.54**
Cash & Equivalents		$35	$0.34	1 Yr Forex (est.)	0.75x
ITM Warrants		$1	$0.01	**12-Month Target**	**C$2.05**
Adjusted NAV		**$149**	**$1.42**	*Implied ROR*	*85%*
Source: M Partners		**P/NAV**	**0.63x**		

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2018 Themes centre on back-to-basics for industry, issuers and investors alike

2017 Overview: New Exploration Stories take Centre Stage

A common thread this past year, for better or worse, was renewed interest in conceptual and early exploration stories. Investors and mining companies alike, took positions in several new exploration plays. This had many investors and industry stalwarts positing a return to the more traditional mining pipeline paradigm. We concur and look forward to more grass-root well-placed exploration and development investments at the expense of putting more capital at risk based on farcical PEA's and dubious resource estimates.

A few of the top interest exploration mining stories of 2017 include an on again / off again Wits basin analogue, a Finnish boulder chasing program and rough ride in the Saddle.

Novo Resources (TSXV: NVO) continued to perplex the market with tales of precipitated gold, osmium ratios, chlorite/gold replacement and watermelon seed gold. At one point capturing a $1B+ market cap with virtually no resource or systematic gold assays for that matter. With press releases that delved into sampling theory and sequence stratigraphy, the Company finally announced the first round of meaningful assays from drilling and limited bulk sample concentrates. This December 21, 2017 news release was met with broad disappointment based on the lack of significant drill assays from a first-pass 69-hole drill program on the flagship Purdy's Reward asset. Moderate and varied assays from bulk sample concentrates failed to reassure the market on the proof-of-concept program. The Company shed $2 per share to trade as low as $3.15 off a high of $8.83 per share in October and ended the year at $3.69.

Other early-stage stories gaining (and losing) market traction included **Aurion Resources (TSXV: AU)** with spectacular multi-ounce assays from quartz boulders on their Aamurusko project in Finland. The Company initiated a drill campaign in the fall but thus far has had limited success in sourcing the auriferous boulders through the glacial till cover. We noted that this is a daunting task without systematic till sampling and mapping as many a Canadian explorer can appreciate. The market remains patient as in November, the Company announced an extension to the initial drill program from 3,400 m to 5,000 m.

On the other side of the coin **GT Gold (TSXV: GTT)** had a spectacular run-up when they announced the first RC drill results from their Tatogga project in northern, British Columbia. With wide intercepts of high-grade Au-Ag mineralization the Company announced one of the most significant new greenfield Au-Ag discoveries in 2017. The Company continued to expand mineralization with an aggressive diamond drill-program, which added additional mineralized intercepts at depth and along strike, in addition to defining a second zone approximately 500 m north. However, market enthusiasm cooled significantly as investors tried to digest the reported assay data and related descriptions. We appreciate the aggressive drill program and value of the information generated in the first-pass drill program on this discovery and note that the address includes large porphyry systems (e.g., Red Chris and GJ-Spectrum).

2017 High-Profile Exploration Stories

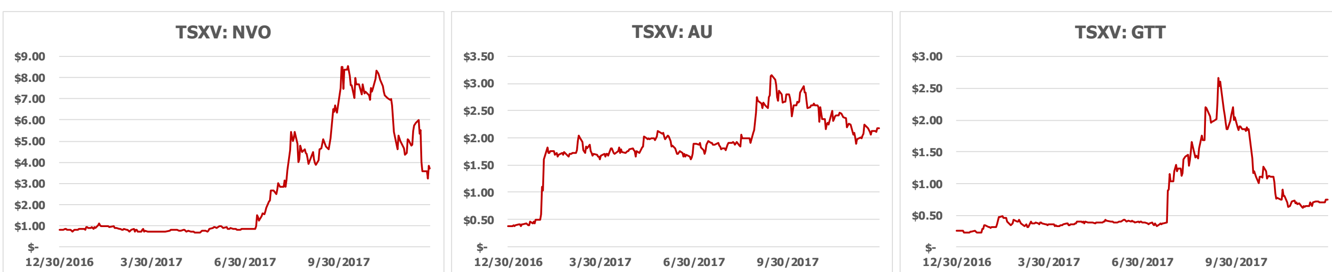

Figure 3. 2017 Share price (C$). Source: CapitalIQ and M Partners

2018 Outlook: Old Assets – New Stories – New Teams unlocking value

Kirkland Lake Gold (TSX: KL) put the shine on a long-lived project by generating spectacular exploration and production results from the Fosterville Mine in Australia. After acquiring Fosterville and other assets though the C$1B takeover of Newmarket Gold in late 2016 Kirkland focused its attention on the deep Phoenix Zone reaping stellar exploration and production results with 2017 YTD (3Q) production of 185,000 oz (FY17 est. 250,000-260,000 oz). The Company also announced a doubling of reserves to more than 1 Moz at a grade of 19.9 g/t Au (incl. Swan Zone 532,000 at 58.8 g/t). We note that Kirkland continues aggressive exploration across its Canadian and Australian asset base, fully funded by class-leading free cash flow.

Superior Gold (TSX: SGI) is looking to optimize mining and increase production at the Plutonic Mine in Western Australia, after acquiring Plutonic, Hermes and the Byrah Basin JV assets from Northern Star Resources (ASX: NST) in 2016. SGI completed an IPO in early 2017 and has generated significant free cash flow by cutting costs and improving operational metrics while growing production. The Company is targeting 80,000 oz of production in FY17 and is on target to grow production by a further 15,000 to 20,000 ounces in 2018 as it advances the Hermes project to production. The Company remains one of our top picks with a clean share structure, strong balance

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sheet and rising production profile. Key catalysts for Q1/18 are initial Hermes production and a resource / reserve update later in the first quarter.

Northern Empire Resources (TSXV: NM) is our top exploration pick for 2018 as it explores the highly prospective Sterling Property in southwest Nevada. Northern Empire acquired the Sterling project in early 2017 from Imperial Metals (TSX: III) for approximately US$10M cash, 1.6M shares and a 2% NSR on certain claims. Key investors in the equity raise for the purchase included Coeur Mining (NYSE: CDE).

Northern Empire presents a unique opportunity with significant and viable exploration, development and production scenarios in an excellent jurisdiction. In the near-term, Northern Empire currently trades at a discount on an EV/ oz basis and should be revalued to its peers; however, we also evaluated exploration and resource growth scenarios using the current NM and Peer EV/ oz multiples. We initiated coverage with a **BUY recommendation and a 12-month target price of C$1.60,** based on a blended DCF and EV/oz valuation.

We believe that the Company is sufficiently capitalized to complete the drilling required to realize the resource growth potential envisaged in our standalone EV/oz valuation and should be able to double the current inferred gold resource base of 709,000 oz before the end of 2018. In early December 2017, the Company announced that it had commenced the next phase of RC and diamond drilling its Sterling Property and continues to permit a larger drill program for the summer of 2018.

For a potential view into the near-term exploration upside, we note that Corvus Gold (TSX: KOR) acquired the Mother Lode project in mid-2017 from Goldcorp (TSX: G) and announced a 13,000 m drill program supported by a strategic investment from Coeur Mining in July. First drill results were announced in early Q4/17. Mother Lode is a historic open pit resource located on a small land package within the Northern Empire property and historic resources are partially constrained by the permit boundary. Mother Lode is one of several historic Au deposits located along a major regional structure and at least three other deposits have been defined on the Northern Empire Property (Crown Project). Corvus drilling has intersected multiple shallow-dipping stacked zones of Au mineralization including a new "deep zone" which may reflect a much larger "Carlin-style" target that was never tested by the shallow-drill programs of previous operators.

A Comparison of Northern Empire Resources (TSXV: NM) and Corvus Gold (TSX: KOR)

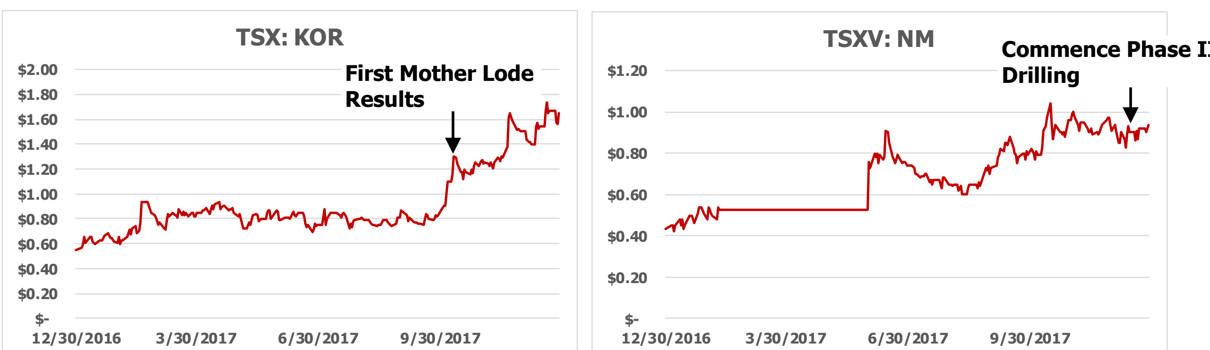

Figure 4. 2017 Share price (C$). Source: CapitalIQ and M Partners

Anaconda Mining (TSX: ANX) is a Canadian gold producer with production coming from the Point Rousse project in Newfoundland (CY/17 16,000 oz est.). The Company's resource base stands at approximately 1 Moz but we are anticipating two resource updates in Q1/18. ANX is currently developing the Stog'er tight deposit and advancing the Argyle deposit on the same Point Rousse trend to extend the operational life of the 1,300 tpd Pine Cove mill. In Q2/17, the Company completed the acquisition of Orex Exploration and its high-grade Goldboro gold project in Nova Scotia. In Q4/17, ANX commenced an aggressive 5,000 m drill program at Point Rousse and 6,000 m program at Goldboro. Q1/18 should bring abundant news flow from drilling programs and we look for the imminent release of an updated PEA for Goldboro and the Company just recently announced the initial resource estimate for the Argyle. The Argyle resource, located 4.5 km east of the Pine Cove Mill, came in slightly ahead of our expectations and could be permitted for production by the spring of 2019. In our opinion, Anaconda presents a unique opportunity for a small-cap gold producer to leverage existing infrastructure, production experience and resource growth in a safe jurisdiction and with low capital requirements.

GT Gold (TSXV: GTT) was one of the more exciting Canadian discovery stories last year as it finally drill-tested the large Au-Ag geochemical anomalies on its Tatogga Property in BC's Golden Triangle. The property has a great address, surrounded by large porphyry systems with strong precious metal tenors (e.g., ROK, Red Chris, GJ and Spectrum). RC drill results released mid-year confirmed the presence of broad intervals of shallow, high-grade Au-Ag mineralization at the Saddle South Zone (e.g., 13.03 g/t Au, 28.31 g/t Ag over

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10.67 m from 7.01 m to 17.68 m). 28 RC holes (1,500 m) were followed up with a 64-hole (16,000 m) diamond drill program that defined mineralization over 1.5 km strike to a depth of 500 m at Saddle South plus additional broad intervals Au-Ag-Cu potential "porphyry-style" mineralization at the Saddle North Zone (e.g., 210 m of 0.14 g/t Au, 0.28 g/t Ag and 0.16% Cu). We think that a component of the weakness in the share price in Q4/17 was related to presentation of the drill results and market communication. We strongly believe that this is a significant discovery, the 2017 drill program was aggressive and systematic, the results were positive and that the volume of information (i.e. spatial and analytical) will provide excellent direction for a follow-up program in 2018. The Company has yet to announce the final results of the 2017 diamond drill program or the details of a follow-up strategy for 2018. GT presents a successful early-stage exploration opportunity with a great address in a good jurisdiction. The Company currently has a $60 – $70 million enterprise value and $3 million in cash; however, news flow is expected to be light after January and until field work commences in late spring 2018.

Orla Mining (TSX: OLA) evolved out of Red Mile Mineral Corp. in 2015 with a new and experienced management team. In late Q3/17 the Company announced a merger with Pershimco Resources and a $50 million financing. OLA completed the merger and financing in Q4/16. Pershimco was the owner of the Cerro Quema deposit in Panama. Panama hosts many large intrusion-related mineral systems, including Cobre Panama, the 3.2 Bt Cu-Mo-Au-Ag porphyry project currently under construction by First Quantum (TSX: FM). Yet the country remains largely underexplored. Pershimco had identified a large high-sulphidation epithermal Au-Cu system and defined approximately 900,000 oz of gold (550,000 oxide M+I). In 2016, Pershimco released an updated "financial model" revised the 2014 PFS and generated a NPV (5%) of C$170 million using $1,275 /oz gold and 95M CapEx. In 2017, OLA announced significant drill results from the Idaida and Caballito zones, located south of the main Quemita Zone, including intercepts of 158.7 m grading 0.62 g/t Au and 0.62% Cu starting at less than 50 m from surface.

In Q2/17, industry veteran Chuck Jeannes, former president and CEO of Goldcorp joined OLA as chairman of the board. Shortly thereafter, the Company announced the acquisition of the 1.7 Moz (Ox+Tx) Camino Rojo project, located in Zacatecas Mexico. The project also contains 7.5 Moz of Au in Measured and Indicated sulphide resources. The companies have also entered into an option agreement for the development of the sulphide resources whereby Goldcorp can earn up to 70%. The transaction was share based with an NSR and upon closing Goldcorp owned 19.9% of Orla.

The Company has a strong investor base that includes Goldcorp (19.9%), Pierre Lassonde (10.4%), Agnico Eagle (9.9%) and management and directors (7.9%). With approximately C$7 million cash, the Company is in a solid position to advance both projects through development studies with updated resource and economic deliverables by mid-2018. These are strong positive near-term valuation catalysts in addition to exploration, which continues at Cerro Quema peripheral targets.

Constantine Metal Resources (TSX: CEM) was formed out of Rubicon Minerals Corporation in 2006 with the goal of advancing the Palmer project in Alaska. Base metal sulphides and barite were first discovered in the area in the late 1960's and the property lies within a mafic-dominated, bimodal sequence of submarine volcanic rocks within the Alexander Terrane. Throughout southeast Alaska and northwest British Columbia, the Alexander Terrane, a true world-class metallogenic belt, hosts many VMS occurrences, prospects and deposits, including the giant Windy Craggy Cu-Co-Au deposit in British Columbia and the precious metals rich Ag-Zn-Pb-Au Greens Creek Mine in Alaska. Constantine signed an option (JV) agreement with Dowa Metals and Mining Co., Ltd of Japan in 2013. As of Q1/17 Dowa had earned a 49% interest in a portion of the property by spending US$22M drilling the 8.1 Mt Palmer Deposit (1.41% Cu, 5.25% Zn, 31.7 g/t Ag and 0.32 g/t Au). The Palmer Project is now jointly funded and operated by Constantine under a formal JV. There are several other high-grade targets (e.g., JAG, CAP and HG) on the Palmer Property and prospects on the surrounding 100%-owned "Trust lands". The 2017 Nunatak discovery is located 3,000 m from the Palmer deposit and 2017 drilling returned intercepts of 24.6 m of 260 g/t Ag in CMR17-94 including 10.3 m of 461 g/t Ag and 17.8 m of 11.7% Zn in CMR17-92. CEM has a strategic partner for project development, reasonable infrastructure and excellent exploration upside on the JV ground and the 100% owned property. Hecla Mining (NYSE: HL) notes that its Greens Creek mine "is one of the largest and lowest-cost primary silver mines in the world, and is the cash generating engine of the Company". Cash costs (net by-product credits) have consistently been below $4 /oz Ag and were forecast to be $1.00 in 2017.

Tahoe Resources (TSX: THO) has felt the full brunt of the market and analyst community as political interference and blockades have shuttered production at its high-grade Escobal project in Guatemala. The investment thesis is quite simple; we believe that the share price has been fully discounted for an extended Escobal shut-down but does not accurately reflect a 400,000+ oz per year producer with a growing production profile and decent balance sheet. Especially, as it re-directs sustaining capital from Escobal into organic gold production growth projects in Canada (Timmins) and Peru (Shahuindo) with and ASIC of US$1,088 /oz in Q3/17.

The Company currently trades at 0.68x consensus price to NAV, versus group median value of 0.93x and 4.6x estimated price to 2018 cash flow, versus a group median consensus value of 6.2x.

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2018 Pressure Points highlights issuers with high-impact catalysts in early 2018

Torex Gold (TSX: TXG) continues to feel the pressure of an illegal blockage at the ELG mine in Mexico, which was first announced in early November 2017. There does not appear to be a settlement in sight as unions battle for control of the labour force on site. The Company continues to trade downward as it has received a temporary waiver on a liquidity covenant from its lenders (to January 31, 2018). A peaceful and timely settlement would represent a significant positive catalyst for what should become a 350,000-400,000 oz producer, and thus the investment becomes one of catching a falling knife for the time being. Original production guidance for 2017 was 350,000 to 380,000 oz as the mine ramped up production (n.b. 3Q-17 production was 212,711 oz) and on January 8, the Company announced FY17 sales of 245,000 oz.

Atlantic Gold (TSXV: AGB) has ramped up production from the Touquoy open pit mine in Nova Scotia. The Touqouy reserves are partially based on an unconventional, non-certified, analytical method that has demonstrable low-precision and potential positive bias. In the 2015 Feasibility study it was noted that *"The most problematic are those data whose results have been generated using the KMS-15 sampling and assaying method. The most recent comparative data indicates that sample values generated using this method are probably biased with an expected grade of around 22 percent higher than the values generated by the collection of other sampling methods."* The Consultant applied a correction to the effected grades for the resource estimate but the methodology presents a significant risk component. Touqouy has an open pit reserve (2P) of 9.2 Mt grading 1.44 g/t. After successful commissioning, the Company has released limited information with respect to head grades, recovered grades and reserve reconciliation. They have indicated that they will announce production details this month. The Company trades at a significant premium to consensus P/NAV (0.72x vs. 0.54x) and EV/oz ($163 vs. $50) for the North American Developer space.

TMAC (TSX: TMR) struggles with processing and technical issues at its Hope Bay Mine in Nunavut. The President and Chief Technical Officer recently retired on the heels of the departure of the CEO in November 2017. While production has continued and nominal positive steps have been made, the Company remains under pressure to solve the problem with the Gekko Mill. The Company recently completed a $50 million raise in Q4/17 to alleviate working capital pressures but continues to consume cash. TMR is guiding 50,000 to 60,000 oz of gold sales for 2017 as recovery issues persist (Au recoveries: 62% Q3/17 and 64% 2017 YTD).

Osisko Mining (TSX: OSK) continues to drill the Windfall deposit at an astonishing rate and cost. With more than a half million metres of drilling since the last resource estimate (i.e. 0.748 Moz @ 8.42 g/t Au in Indicated with an additional 0.860 Moz @ 7.62 g/t in Inferred), expectations are as high as they are varied, pertaining to the impending resource update, estimated to be delivered in late Q1/18. Drill results from the newly discovered Lynx zone have slowly come out and seem to characterize a very narrow, high-grade, structurally controlled deposit with a resource that we anticipate will be very sensitive to geostatistical parameters and geometric assumptions (e.g., top-cuts, variography and search radii). Using a peer average $50-60 EV/oz, OSK continues to trade at a premium of $90-100 /oz but we note a disproportional component of this implied valuation is related to the 1.6 Moz at Windfall, versus the total corporate balance of 5.2 Moz.

Figure 5. 2017 Share price (C$). Source: CapitalIQ and M Partners

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Silver Screen: Assessing primary silver producers for significant base metal credits

Table 3. M Partners Silver Screen for year-end 2017. (source CapitalIQ and M Partners)

		Share Price	TEV	MCAP	3Q-17 Revenue	Ag Revenue	Unlevered FCF YTD	Est. AIC Ag	Est. AIC AgEq	Est. Credits Total	Est. AIC AgEq- BM	Est. Credits BM	Ag '000
		C$	C$	C$	US$M	%	US$M	US$/oz	US$/oz	US$/oz	US$/oz	US$/oz	oz
NYSE:CDE	Coeur Mining	9.67	1,917	1,851	555.5	36.6%	56.9	42.0	15.5	26.5	42.0	-	11,859
LSE:HOC	Hochschild Mining	4.46	2,588	2,260	340.8	83.1%	26.8	19.0	9.3	9.7	19.0	-	16,516
TSX:EDR	Endeavour Silver	3.17	363	416	108.9	54.9%	(24.9)	38.4	20.8	17.6	38.4	-	3,483
TSX:GPR	Great Panther Silver	1.64	212	281	46.4	54.3%	2.3	30.0	16.1	13.9	30.0	-	1,468
TSX:GGD	GoGold Resources	0.42	135	74	17.0	39.5%	(27.5)	113.8	36.4	77.4	113.8	-	392
TSXV:IPT	IMPACT Silver	0.36	25	32	12.2	96.6%	(0.5)	18.5	16.5	2.0	17.2	1.3	688
TSX:FR	First Majestic Silver	8.87	1,381	1,493	191.1	66.5%	0.7	25.7	15.2	10.5	21.1	4.6	7,412
LSE:FRES	Fresnillo	23.73	17,436	17,486	995.8	73.5%	59.1	22.0	8.7	13.3	16.8	5.2	42,657
TSX:SVM	Silvercorp Metals	3.58	561	605	87.2	79.7%	13.9	18.1	9.8	8.3	10.1	8.0	4,051
TSXV:ASM	Avino Silver & Gold Mines	1.87	101	95	24.5	75.3%	(10.0)	32.1	15.8	16.3	20.4	11.7	1,075
TSX:FVI	Fortuna Silver Mines	6.45	870	1,065	192.8	54.8%	17.9	28.4	12.7	15.6	16.6	11.8	6,159
TSX:PAAS	Pan American Silver	19.55	2,837	3,030	590.8	53.4%	18.6	31.1	13.6	17.5	17.3	13.8	18,390
TSX:USA	Americas Silver	5.26	215	207	42.2	66.9%	(16.1)	35.4	15.9	19.5	15.9	19.5	1,646
TSX:EXN	Excellon Resources	1.88	164	163	14.1	60.3%	(5.8)	40.1	18.6	21.6	18.6	21.6	495
NYSE:HL	Hecla Mining Company	5.16	2,503	2,116	417.7	39.0%	34.0	40.4	11.3	29.1	18.5	21.8	9,500
TSXV:SCZ	Santacruz Silver Mining	0.13	25	22	6.5	24.7%	(1.9)	89.7	20.0	69.6	23.6	66.1	94
TSX:SMT	Sierra Metals	2.98	566	483	153.9	16.6%	16.5	92.3	11.3	81.0	11.6	80.6	1,489

Our Silver Screen is used to demonstrate a theme that may play out in 2018 relating to primary silver producers with significant base metals credits. We continue to focus on free cash flow but note the opportunity for polymetallic producers with significant base metal credits that may benefit in the current strong price environment. We anticipate that the bottom line effects will begin to be reflected in Q4/17 earnings and further into 2018. Silver companies in our universe trade at approximately 1.0x consensus P/NAV and 6.6x P/CFPS for 2018e with higher multiples directly correlated to free cash flow (e.g., CDE and FRES).

As a follow-up to our Silver Screen, we looked at **Sierra Metals (TSX: SMT)**, a Latin America silver producer with three producing assets located in Peru and Mexico, with the main production coming from the Yauricocha and Bolivar mines. The Company has a reasonable balance sheet and should reap the benefits of high base metal credits both from a free cash flow perspective and debt reduction. At the end of Q3/17 the Company had US$28.6 million in cash. Q3/17 revenue improved year over year from US$40.8 million to US$50.9 million. During the first three quarters of 2017, the Company produced 1.8 Moz Ag, 19.3 Mlb Cu, 24.0 Mlb Pb, 56.5 Mlb Zn and 4,600 oz Au. The AISC per AgEq oz produced improved to US$13.11 /oz utilizing higher base metal prices. The Company continued to implement production improvements in H2/17, with the addition of new equipment and ramp access development to higher-grade mineralization at Cusi. The Company is also aggressively pursuing resource growth and recently announced a significant increase in M+I (and Inferred) resources at its Cusi Mine in Mexico.

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