

Pure Gold Mining, Inc.

11:30 19 Oct 2020

Pure Gold Mining continues to build Canada's next iconic gold mine

- On track to start producing before year-end 2020
- Probable mineral reserves of 1 million ounces of gold
- Strong set of strategic investors including AngloGold Ashanti and Eric Sprott

What Pure Gold Mining does:

Pure Gold Mining Inc (CVE:PGM) (LON:PUR) (OTCMKTS:LRTNF) is advancing Canada's highest-grade gold development stage deposit, the Madsen Red Lake mine in Ontario, to first production, which is on track to start in the fourth quarter this year.

Concurrent to mine construction, the company also has big growth plans and has a fully funded exploration drilling and resource delineation program, centered on the 7 kilometer (km) Madsen Red Lake gold system.

The area already has significant infrastructure in place at Madsen. The Red Lake mining camp in northwestern Ontario has produced nearly 30 million ounces of gold over the past 85 years, making it one of the largest and highest-grade gold-producing districts in Canada.

Madsen is the highest-grade, at 9 grams per tonne (g/t), underground development project in Canada and ranks 11th out of 132 projects globally. It is set to be developed in two phases, the first of which will generate 1 million ounces.

Last year, a feasibility study for Phase 1 pegged the pre-tax net present value (NPV) at C\$353 million, with a pre-tax IRR (internal rate of return) of 43%, based on a gold price of US\$1,275. That NPV moves to US\$390 million and IRR at 51% based on a gold price of US\$1,500 per ounce.

The first phase project is fully funded and in August 2019, the firm announced a US\$90 million project finance package. The aim of the second phase is to extract high-grade ounces of gold already drilled off in the immediate area of the Phase One mine.

Pure Gold is supported by some key strategic investors experienced in building multi-billion dollar gold mining companies. Its largest shareholder is mining titan AngloGold Ashanti, with a near 16% holding, while its second and third-largest shareholders are Eric Sprott and Van Eck Associates Corporation.

Chief executive Darin Labrenz is a Red Lake camp veteran who now leads a multifaceted team of experienced geologists, mine builders, and mine operators, supported by a board with proven capital markets expertise and rich history of building and operating mines

How is it doing:

Pure Gold Mining has been operating and continuing construction of the Red Lake mine throughout the global

Price: 2.54

Market Cap: \$1 billion

1 Year Share Price Graph



October 2019 April 2020 October 2020

Share Information

Code: PGM

Listing: TSX-V

52 week High Low
2.79 0.38

Sector: Gold & silver

Website: puregoldmining.ca

Company Synopsis:

Pure Gold Mining Inc (LSE:PUR) (CVE:PGM) are building Canada's next gold mine in a phased approach with tremendous upside beyond the base case, a long life mine with highly attractive economics. They have a strong foundation. The PureGold Red Lake mine is scalable.

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coronavirus pandemic - and a forest fire in the region - and remains on track to deliver its first ore to the processing mill before the end of the year.

During the three months to June 30, 2020, the company received the first of three significant amended permits for the project, namely an amended Environmental Compliance Approval (ECA) for air and noise. It is awaiting an amendment to the Industrial Effluent permit, for which the firm has applied for expedited approval. Pure Gold has also filed its mine closure plan amendment for which it is awaiting approval.

The firm started underground exploration drilling in June and in July revealed it had intersected high-grade gold mineralization from step-out drill holes drilled close to existing underground development.

The mine developer said it has extended gold mineralization out from current design stopes, "discovered new gold zones that will be integrated into mine planning," and has "confirmed stopes scheduled for near term production".

Underground drilling at Red Lake intersected 12.8 grams per ton (g/t) gold over 10 metres from drill hole PGU-0136 and including 20.1 g/t gold over 5 metres. In other highlights, the drilling also intersected 9.3 g/t gold over 2.4 metres from drill hole PGU-0123; including 16.2 g/t gold over 1.1 metres, and 10.6 g/t gold over 2.0 metres from drill hole PGU-0124.

During the second quarter and after its end, PureGold raised around C\$13.5 million from the exercise of share purchase warrants with a strike price of C\$0.85. In August, the group revealed that AngloGold Ashanti, its biggest shareholder, had exercised 5,036,250 share purchase warrants with a strike price of \$0.85 each, investing an additional \$5.0 million into the company.

In July, it also closed a non-brokered private placing, raising C\$15 million gross through the issue of flow-through common shares at C\$1.52 per share each. Resource investor Eric Sprott was the back-end buyer of all the flow-through shares which increased his stake in the company to almost 12%.

At the end of the second quarter, PureGold had approximately \$74 million in cash, along with US\$35 million available in an undrawn credit facility. The company noted on August 18 that, to that date, 95% of major equipment procurement for the project was complete and it had committed approximately 64% of capital expenditures.

With approximately \$120 million available in funding, and \$72 million remaining on capital expenditure, the company said it was in a solid financial position to complete mine construction while concurrently advancing its growth strategy through an aggressive exploration program.

In keeping with its pre-revenue status, the firm posted a net loss for the three months to June 30, 2020, of C\$0.7 million, compared to a net loss of C\$4 million for the same period of 2019.

Inflection points:

- Completion of construction
- First gold pour by year-end
- More positive exploration results

What the broker says:

In a sector note at the end of July, broker Mackie lifted its price target on Pure Gold Mining to C\$2.10 from C\$1.40 per share but cut its rating to 'hold' from 'speculative buy' on valuation grounds "in light of the strong uptick in Pure Gold ahead of its scheduled first gold pour in Q4/20".

Mackie analyst Stuart McDougall noted that the S&P/TSX Global Gold Index was up 40% and the S&P/TSX Venture Metals and Mining index ahead 45% since the start of the year.

For valuing the companies the broker covers, he said it now based its discounted cash flow models and financial estimates on a gold price of US\$1,800 per ounce, as opposed to US\$1,500 previously and silver at US\$19/oz versus \$18/oz previously.

"We also now apply an in situ value of US\$125/oz to in-mine ounces or those with considerable infrastructure already in place or under development," the analyst added.

What the boss says:

In July's exploration update, Pure Gold Mining CEO Darin Labrenz said: "Underground exploration drilling continues to extend stopes that are part of our near term mine plan, and to discover brand new gold zones which could have a direct net positive impact on our production profile, and because of their proximity to existing development a potential impact to near term cash flow at our mine."

"We have only just begun a 30,000-metre exploration program, which will span across our seven-kilometre gold corridor, and already we're delivering on our objective of building a multigenerational mining complex in Red Lake, Canada," Labrenz added.

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