

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

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### Commencement of FY19 Drill Program at Goldlund; Revised Commodity Price Deck; Reiterate Buy; PT Higher

Stock Data		08/16/2019		
Price		C\$0.28		
Exchange		TSX		
Price Target		C\$1.70		
52-Week High		C\$0.41		
52-Week Low		C\$0.21		
Enterprise Value (M)		C\$152		
Market Cap (M)		C\$161		
Shares Outstanding (M)		584.2		
3 Month Avg Volume		1,543,920		
Short Interest (M)		8.89		
Balance Sheet Metrics				
Cash (M)		C\$8.50		
Total Debt (M)		C\$0.00		
Total Cash/Share		C\$0.01		
<i>Cash (M): Includes accounts and other receivables.</i>				
EPS (C\$) Diluted				
Full Year - Dec	2018A	2019E	2020E	
FY	(0.02)	(0.01)	(0.01)	
Revenue (C\$M)				
Full Year - Dec	2018A	2019E	2020E	
FY	0.0	0.0	0.0	

**Commencement of FY19 drill program.** On June 24, 2019, First Mining announced the start of drilling at its Goldlund project in Ontario, Canada. We note that drilling is anticipated to test a total strike length of up to 900 meters (M) at the Miller prospect. In short, the planned work includes 3,000 m of step-out drilling from 14 drill holes, which aim to follow up on strong results achieved in FY18. We note that FY18 drill results from Miller were not included in the FY19 mineral resource update for Goldlund. We therefore believe that FY18 drilling, amid the proposed drill program for FY19, could add meaningful resources and value to the deposit.

**Gold and silver prices have increased sharply.** Various U.S. treasury yields have dropped to record lows, while a growing number of Government bonds around the globe have ever-increasing negative yields. Given the ongoing trade and geopolitical tensions with China amid fears of a global slowdown, this trend seems unlikely to change in the short term. Gold has accordingly stepped into its role as a safe haven asset amid fears of an upcoming recession. This overall economic and political uncertainty has caused gold spot prices to increase by roughly \$240 (19%) to about \$1,520 per ounce (oz) since the beginning of the year, while silver has increased by approximately \$1.70 (11%) to \$17.10/oz, over the same period.

**Gold-to-silver ratio reaches quarter-century high.** The gold-to-silver ratio has now grown to 90:1, the highest over the past 25 years. In short, we believe the ratio is likely to tighten and trend more in-line with historical norms. We anticipate this move to happen through continued improvements in silver pricing as opposed to a drop in the price of gold. We note that silver prices surged to an all-time high of nearly \$50/oz during the 2008 financial crisis, thereby cutting the ratio from around 84:1 to 31:1. While this happened during extreme market turmoil, silver has also historically acted as a safe haven commodity. We therefore believe that silver is going to become a benefactor from the longer-term tightening of the current price disparity.



**Increased commodity price deck more in-line with current market conditions and pricing firms may receive from potential hedges.** We feel macroeconomic improvements related to precious metals are increasingly evident in the market. In turn, we have raised our long-term gold price from \$1,300/oz to \$1,500/oz and our silver price from \$15.00/oz to \$17.50/oz. Our revised price deck is mostly in-line with current spot pricing. These prices are also in-line with the values firms are likely to receive if they decided to hedge some of their production. We acknowledge the possibility for short- and mid-term price fluctuations, especially as the Federal Reserve weighs the option of increasingly aggressive interest rate cuts before year-end. Additionally, any significant resolution regarding the ongoing trade issues with China could drive precious metal prices lower given lowered perceived market risks. We have applied our revised precious metal price deck to all relevant companies within our coverage universe.

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**We maintain our Buy recommendation and raise our price target from C\$1.40 per share to C\$1.70 per share.** Our increased price target is a direct result of the aforementioned price deck revisions. The increased price deck particularly benefits First Mining Gold given the firm's strong exposure to gold prices in transactional asset values. Our valuation remains based on a DCF at Springpole, utilizing a 9% discount rate, which is in-line with similar assets in equal geopolitical locations. We value First Mining's remaining Tier 1 and 2 assets at \$45 per gold equivalent ounce (GEO), for a total of C\$401M, while also attributing a total valuation of C\$20M to the company's Tier 3 assets. We then add total cash for a rounded PT of C\$1.70/share.

**Risks.** Commodity/ price risk; political risk; financing risk; operational and technical risk.

First Mining Gold Corp - estimated projections	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
<b>Springpole</b>																	
Tonnes ('000s)	-	-	-	-	-	2,500	11,000	15,700	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	-	-	-	-	-	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Gold production ('000s)	-	-	-	-	-	84	455	324	324	324	324	324	324	324	324	324	84
% grown	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gold price	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300
<b>Silver</b>																	
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	-	-	-	-	-	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%
Silver production ('000s)	-	-	-	-	-	360	1,586	1,975	1,975	1,975	1,975	1,975	1,975	1,975	1,975	1,975	360
% grown	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Silver price	\$17.50	\$17.50	\$17.50	\$17.50	\$17.50	\$17.50	\$17.50	\$17.50	\$17.50	\$17.50	\$17.50	\$17.50	\$17.50	\$17.50	\$17.50	\$17.50	\$17.50
Gold:Silver ratio	85.7	85.7	85.7	85.7	85.7	85.7	85.7	85.7	85.7	85.7	85.7	85.7	85.7	85.7	85.7	85.7	85.7
Gold equivalents from silver	-	-	-	-	-	4	18	43	43	43	43	43	43	43	43	43	4
<b>Total Gold Equivalent (000's oz)</b>	-	-	-	-	-	68.5	301.4	375.4	375.4	375.4	375.4	375.4	375.4	375.4	375.4	375.4	68.5
Payable Gold oz	-	-	-	-	-	65.7	289.1	348.8	348.8	348.8	348.8	348.8	348.8	348.8	348.8	348.8	65.7
Payable Silver oz	-	-	-	-	-	253.2	1,354.0	1,955.4	1,955.4	1,955.4	1,955.4	1,955.4	1,955.4	1,955.4	1,955.4	1,955.4	253.2
<b>Revenue in US\$</b>																	
Revenue from Gold	-	-	-	-	-	\$ 95,488	\$ 420,146	\$ 525,212	\$ 525,212	\$ 525,212	\$ 525,212	\$ 525,212	\$ 525,212	\$ 525,212	\$ 525,212	\$ 525,212	\$ 95,488
Revenue from Silver	-	-	-	-	-	\$ 6,181	\$ 27,195	\$ 33,870	\$ 33,870	\$ 33,870	\$ 33,870	\$ 33,870	\$ 33,870	\$ 33,870	\$ 33,870	\$ 33,870	\$ 6,181
<b>Gross Revenue</b>	-	-	-	-	-	\$ 101,668	\$ 447,341	\$ 557,142	\$ 557,142	\$ 557,142	\$ 557,142	\$ 557,142	\$ 557,142	\$ 557,142	\$ 557,142	\$ 557,142	\$ 101,668
3% state royalty	@		3%			\$ 3,050	\$ 13,420	\$ 16,714	\$ 16,714	\$ 16,714	\$ 16,714	\$ 16,714	\$ 16,714	\$ 16,714	\$ 16,714	\$ 16,714	\$ 3,050
<b>Net Revenue</b>	-	-	-	-	-	\$ 98,618	\$ 433,920	\$ 540,428	\$ 540,428	\$ 540,428	\$ 540,428	\$ 540,428	\$ 540,428	\$ 540,428	\$ 540,428	\$ 540,428	\$ 98,618
Total cash cost per ounce	-	-	-	-	-	\$ 280	\$ 280	\$ 280	\$ 280	\$ 280	\$ 280	\$ 280	\$ 280	\$ 280	\$ 280	\$ 280	\$ 280
Total Operating Cash Cost	-	-	-	-	-	\$ 29,133	\$ 174,841	\$ 211,139	\$ 211,139	\$ 211,139	\$ 211,139	\$ 211,139	\$ 211,139	\$ 211,139	\$ 211,139	\$ 211,139	\$ 29,133
<b>Operating cash flow</b>	-	-	-	-	-	\$ 58,885	\$ 259,079	\$ 322,689	\$ 322,689	\$ 322,689	\$ 322,689	\$ 322,689	\$ 322,689	\$ 322,689	\$ 322,689	\$ 322,689	\$ 58,885
Capex	-	-	\$ (47,000)	\$ (407,000)	\$ (295,000)	\$ (10,500)	\$ (10,500)	\$ (10,500)	\$ (10,500)	\$ (10,500)	\$ (10,500)	\$ (10,500)	\$ (10,500)	\$ (10,500)	\$ (10,500)	\$ (10,500)	\$ (10,500)
1% tax ('000s)	@		30.0%			-	\$ (14,515)	\$ (74,578)	\$ (93,657)	\$ (93,657)	\$ (93,657)	\$ (93,657)	\$ (93,657)	\$ (93,657)	\$ (93,657)	\$ (93,657)	\$ (14,515)
<b>Free Cash Flow</b>	-	-	\$ (27,000)	\$ (267,000)	\$ (295,000)	\$ 33,869	\$ 174,015	\$ 218,532	\$ 218,532	\$ 218,532	\$ 218,532	\$ 218,532	\$ 218,532	\$ 218,532	\$ 218,532	\$ 218,532	\$ 33,869
Discount rate			3.0%														
<b>NPV of cash flow</b>	-	-	\$ (44,743)	\$ (406,173)	\$ (407,369)	\$ 44,015	\$ 105,700	\$ 119,245	\$ 109,674	\$ 100,618	\$ 94,310	\$ 84,688	\$ 77,090	\$ 71,481	\$ 65,395	\$ 59,395	\$ 6,231
<b>Total current cash flow (USD)</b>	\$		479,038														
Cash & equivalents (USD)	\$		6,399	as of 6/30/2019, adjusted from C\$ to US\$													
Debt (USD)	\$		-														
Remaining Tier 1 & Tier 2 Asset GEO @ \$45/oz (USD)	\$		301,266	\$45 for each GEO													
Value of Tier 3 assets	\$		15,000														
<b>Total current value (USD)</b>	\$		801,703														
<b>Total current cash flow (CAD)</b>	\$		637,121	\$ 1.04 per share													
Cash & equivalents (CAD) and accounts receivables	\$		8,511	\$ 0.01 per share													
Debt (CAD)	\$		-	\$ - per share													
Remaining Tier 1 & 2 Asset GEO (CAD)	\$		400,684	\$ 0.65 per share													
Value of Tier 3 assets	\$		19,950	\$ 0.03 per share													
<b>Total current value (CAD)</b>	\$		1,066,265	\$ 1.74 per share													
Common shares			584,222	As of 8/8/2019													
Options & warrants			28,997	ignores options and warrants with a strike above \$0.50													
<b>Fully diluted shares</b>			613,219														
First Mining Finance NAV per share (CAD)	\$		1.74	1.33 USD/CAD exchange rate as of 8/16/2019													
<b>Rounded (\$0.10) price target (CAD)</b>	\$		1.70														
TSE:FF share price (CAD)	\$		0.28	As of 8/16/2019													
			83.8%	discount to NAV													
Source: H.C. Wainwright & Co. estimates.																	

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Distribution of Ratings Table as of August 16, 2019				
Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	344	91.98%	120	34.88%
Neutral	28	7.49%	5	17.86%
Sell	0	0.00%	0	0.00%
Under Review	2	0.53%	0	0.00%
<b>Total</b>	<b>374</b>	<b>100%</b>	<b>125</b>	<b>33.42%</b>

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