

**Recommendation: Buy (S)**  
**Target Price: C\$1.20**

## ◆ Integra Gold Corp (ICG-TSXV) *Doubles Scale; IRR Still Impressive*

Current Price	C\$0.79	Shares Outstanding (MM)	
52 Wk High	C\$0.96	Basic	484.4
52 Wk Low	C\$0.38	Diluted	508.0
Cash (MM)	C\$40.0	Mngt. & Dir.	15.9
Total Debt (MM)	\$0.0	Market Cap.	C\$382.70
Spot NAV	C\$1.12	Float	C\$370.17
Spot P/NAV	0.70x	EV	C\$342.70

EV/oz (Mine Plan)	156 Mine Plan Resources	2.2 MMoz
EV/oz (Resource)	69 Total Resource	5.0 MMoz

Unless otherwise denoted, all figures shown in US\$  
 We are using a 0.75 US\$/C\$ conversion rate

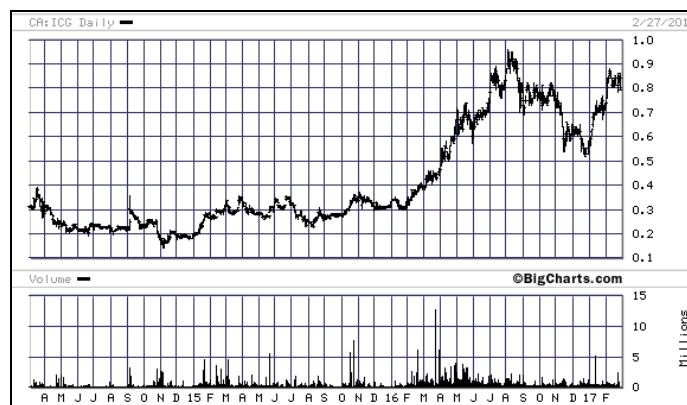
**Investment Thesis:** Integra is rapidly advancing its high grade underground (U/G) Lamaque South discovery (1.94 MMoz at 8.83 g/t) following its shrewd acquisition of the past producing Sigma Mine & Mill at <10% of replacement value. We like the story for its attractive location (Val-d'Or) in a mining centre and the opportunity to bring on low-cost production (\$634/oz AISC) by 2018 with little permitting risk. Eldorado acquired an initial 15% interest in the stock in Q3/15.

### Highlights:

- **Mine Life More Than Doubles:** The new PEA assumes a 156% increase in LOM gold production vs. the 2015 PEA and now matches Cormark's 10-year mine life assumption following the strong drilling success in 2014-17.
- **Simpler, Bulk Mine Plan:** As expected, the new mine plan focuses on low-cost long-hole ("L/H") mining to reduce total opex. The new mine plan sources the majority of its ore from Triangle and this helps boost the annual production profile by 35% (to 135 koz/yr in the first eight years).
- **Economics Still Superb:** The new mine plan results in lower grade vs the 2015 PEA (already accounted for in Cormark model) but is offset by economies of scale and a larger NPV5% (C\$363 MM at \$1,250/oz). With a 43% IRR and modest capex, the project is top quartile in terms of fundability.
- **Retain Buy (S) Rating, Increase Target To C\$1.20:** The new study drives a target increase to C\$1.20 from C\$1.00. At 0.7x NAV, Integra offers good upside compared to recent Canadian M&A (◆PRB, ◆KAM, CRJ) which has been consistently priced at >1.0x NAV.

### Company Description:

Integra Gold has acquired the Sigma mill, resource and tailings, immediately adjacent to its new high grade, near surface discovery in Canada's Val d'Or Gold Camp. The company is on track to become a medium scale (130 Koz/yr) low-cost (\$634/oz AISC) producer and will benefit from a location adjacent to all required infrastructure and an advanced brownfields permitting procedure. Eldorado (ELD:T, Market Perform rating, C\$5.00 target, covered by Richard Gray) holds a 13% ownership position in the stock.



Source: BigCharts.com, February 27, 2017 (Chart C\$)

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**PEA Catching Up To Red Hot Drill Bit:** Integra has updated a PEA (the third iteration since the maiden 2014 study) to include a more relevant estimate of resource inventory. We had expected this change and Cormark already accounted for a 10-year mine life and bulk mine plan in our model. We highlight the major study outcomes below:

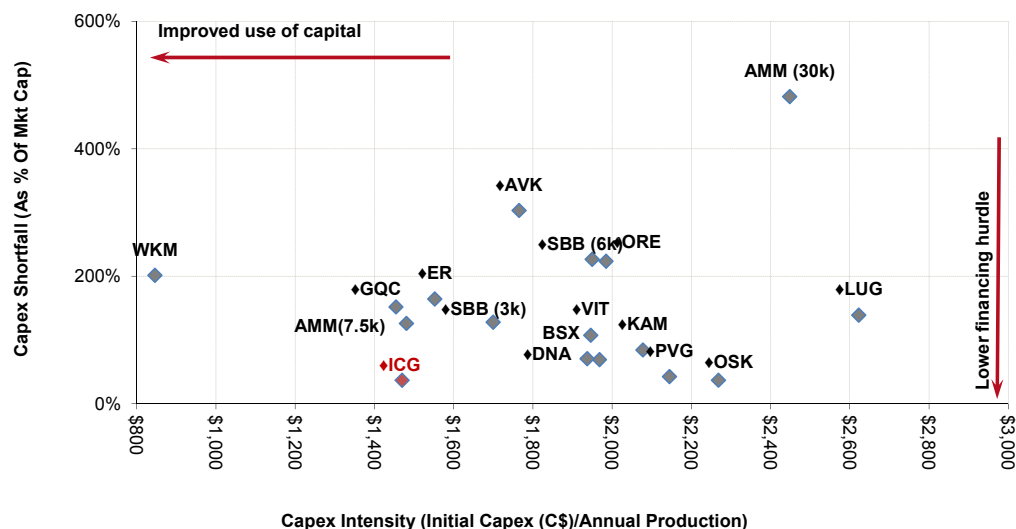
- **156% Increase In Gold Production:** Integra has had two red-hot years with the drill bit and the resource growth has translated to a larger scope and increased mine life (from 4.5 to 10.3 years).
- **Bulky Mine Plan:** Integra has transitioned to primarily L/H mining method and also assumes a larger throughput (from 1,300 tpd to 1,675 tpd). The project will now peak at 155 koz/yr in Year 7 and will average 123 koz/yr LOM.
- **More Defendable Capex:** The capex increase (from \$54 MM to \$85 MM) reflects the larger scope and also includes the experience gained from U/G ramp development in 2016. The new estimate is also backed by firm contractor quotes and a more detailed study of the refurbishment required at the existing mill and tailings. We would argue that the new capex number is reflective of what corporate suitors would have already carried in their models and Lamaque South is still very fundable. Note that the unfunded capex is just 0.2x Integra's market cap) (see Figure 2).
- **AISC Still Strong:** The bulk mine plan lowers the grade at the mill to 6.96 g/t (vs 8.19 g/t in the last PEA) but is in line with our model (7.03 g/t). The lower grade is offset by economies of scale and the resultant AISC (US\$634/oz LOM) is still within the lowest quartile for the group. Long-hole mining unit cost estimates actually increased but almost all mining is now L/H, so the combined cost is reduced.
- **Robust Economics At Lower Gold Pricing:** Despite the increased scale, the project demonstrates a robust post-tax IRR of 43% at the base case gold price assumption of \$1,250/oz. The project continues to offer strong returns at even lower gold pricing (34% at \$1,150/oz)

**Figure 1: PEA Results**

		1st PEA (Toll-Mill)	2nd PEA (Own Mill)	Cormark (Prior)	New PEA (2017)	Cormark New
Long-term Gold Price	(US\$/oz)	\$1,275	\$1,175	\$1,200	\$1,250	\$1,200
FX Rate	(C\$:US\$)	1.05	1.14	1.33	1.30	1.33
Tonnes Milled	(MMt)	2,081	2,081	4,901	6,300	6,261
LOM Diluted Gold Grade	(g/t)	8.19	8.19	7.03	6.96	6.96
Total Mine Life	(years)	<b>4.25</b>	<b>4.5</b>	<b>10</b>	<b>10.3</b>	<b>10</b>
Average Annual Throughput	(tpd)	1,480	1,300	1,428	1,675	1,810
Average Gold Recovery	(%)	92%	93%	94%	94%	94%
Mining Cost		\$56	\$51	\$90	\$66	\$65
Processing Cost	(US\$/t)	\$34.3	\$23.7	\$24	\$19	\$19
LOM Operating Costs	(US\$/t)	\$151	\$117	\$127	\$93	\$91
LOM Cash Costs	(US\$/oz)	\$617	\$483	\$601	\$458	\$487
LOM All-In Sust. Cost	(US\$/oz)	\$767	\$641	\$755	\$634	\$754
<b>Average Gold Production</b>	<b>(oz/yr)</b>	<b>112,400</b>	<b>109,900</b>	<b>100,985</b>	<b>123,000</b>	<b>125,921</b>
Initial Capital	(US\$ MM)	(1) C\$69	(1) C\$62	(2) \$64	(1) \$85	(2) \$144
Sustaining Capital	(US\$ MM)	C\$67	C\$89	\$143	\$238	\$232
Total Capital	(US\$ MM)	C\$136	C\$151	\$207	\$323	\$376
<b>After-tax NPV<sub>5%</sub></b>	<b>(US\$ MM)</b>	<b>C\$88</b>	<b>C\$114</b>	<b>\$232</b>	<b>\$363</b>	<b>\$336</b>
<b>After-tax IRR</b>	<b>(%)</b>	<b>38%</b>	<b>59%</b>	<b>45%</b>	<b>43%</b>	<b>42%</b>

Source: Company Reports/Cormark Securities

**Figure 2: Cormark Buildability Chart**



Source: Company Reports/Cormark Securities

#### Resource Continues To Grow:

- An updated resource estimate for Triangle is already underway (due Q1/17) and will include 105,000 m of new drilling that did not inform the November 2016 resource (1.9 MMoz at 8.83 g/t total inventory) used in the recent PEA.
- Our model also excludes potential additions from the past-producing Sigma/Lamaque deposits and we expect that at least some of the 2.4 MMoz resource will eventually fall into the Integra mine plan.
- In our view, Lamaque South on its own will eventually top 2.5 MMoz to drive a 12-15-year mine life and added mine plan flexibility.

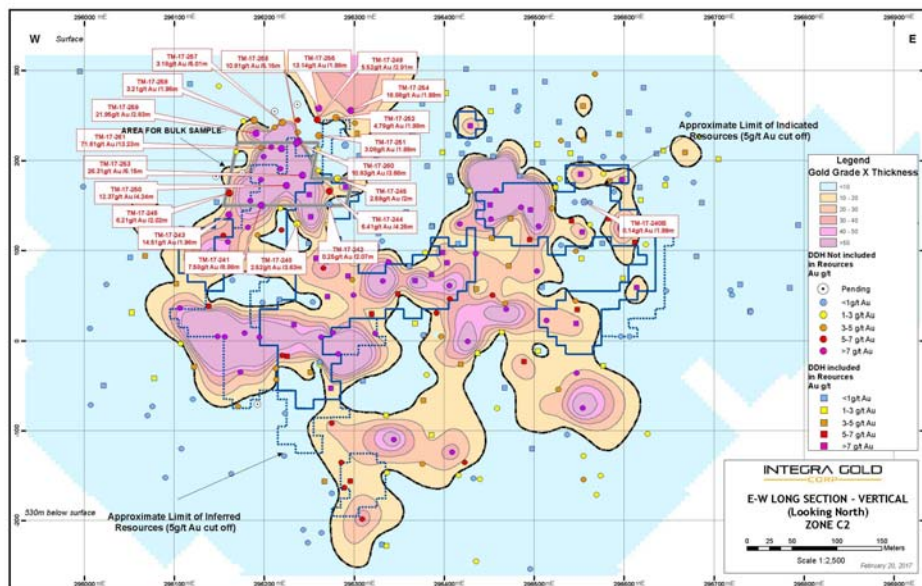
#### Bulk Sample - The Major 2017 Event:

- With this PEA Integra has removed a major pushback by dealing with the perceived lack of scale. Lamaque South is now one of the larger, advanced, high quality Canadian assets under development and is poised to surpass ♦Richmont's (RIC:T, Market Perform rating, C\$13.00 target, covered by Richard Gray) Island Mine in scale.
- Given this milestone we now view confirmation of bulk-mineability as the next derisking event as there is still a large inferred component to the mine plan inventory (57% of Triangle resource is inferred).
- On this point, we note that Integra is starting with some conservative mine dilution estimates (i.e. 35% average dilution at 0 g/t modeled in PEA).
- Additionally, recent in-fill drilling has demonstrated grades well in excess of the resource model incl. 71.61 g/t Au over 14.75 m within the proposed bulk sample area (see Figure 3).

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**Figure 3: C2 Long-Section Showing Recent Assays And Bulk-Sample Area**



Source: Company Reports

**Valuation Improves:**

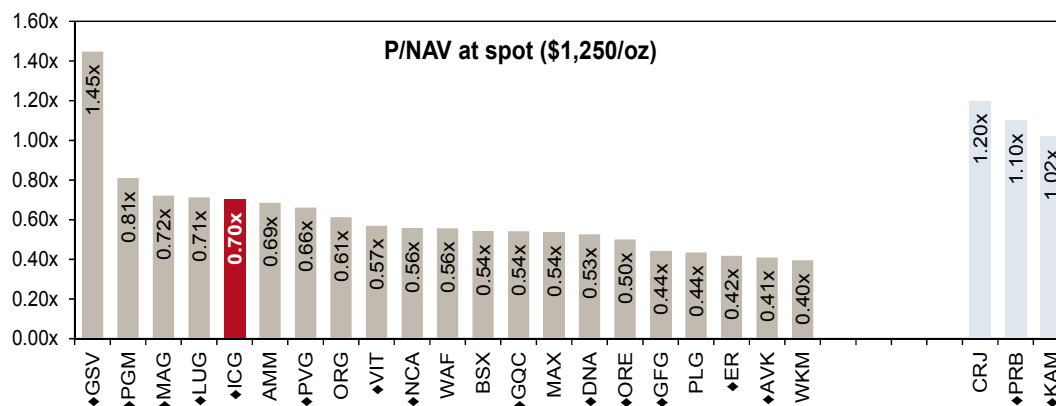
- The PEA beat our forecasts and drives our spot (\$1,250) NAV to C\$1.12 (from C\$0.96) and as a result we increase our target to C\$1.20 from C\$1.00.
- Integra remains a high conviction takeover target in our developer coverage list as it has few Canadian peers that can offer >130 koz/yr of near-term production while showing a strong IRR at lower gold pricing.
- We expect 2017 to be the year that Integra tackles the remaining technical questions of dilution which should help erode the discount to NAV.
- With C\$40 MM in cash, the company is fully funded for the year and will be active in terms of news flow (Drilling (ongoing), Resource (Q1/17), Bulk Sample (Q3/17)).

**Figure 4: Valuation Table – Integra Gold Corp (At \$1,200/oz)**

	US\$MM	US\$/Share
<b>Assets</b>		
Lamaque NPV5%	336.0	0.61
Sigma Indicated Resources (\$20/oz)	11.7	0.02
Sigma Inferred Resources (\$10/oz)	18.5	0.03
<b>Corporate Adjustments</b>		
Current Cash	30.0	0.05
◆Eastmain Stock	3.1	
Cash from Warrants/Options ITM at Target	3.4	0.01
Future Equity Financing	62.2	0.11
Debt	0.0	-
Total	464.9	0.84
<b>Total (C\$)</b>	<b>C\$619.9</b>	<b>C\$1.12</b>
Basic Shares Outstanding (Current)		484.43
Options and Warrants Outstanding		19.20
Fully Financed Shares Outstanding		551.54
Current Integra Price		C\$0.79
<b>Price/NAV</b>		<b>0.70x</b>

Source: Cormark Securities Inc.

**Figure 5: P/NAV Comparables (At \$1,250/oz)**



Source: Cormark Securities Inc.

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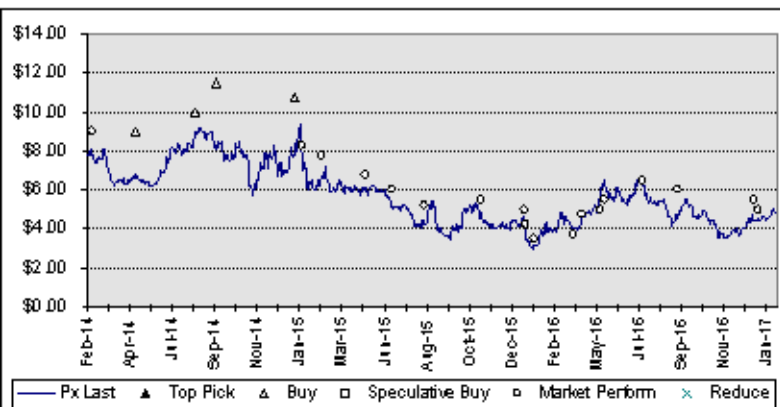


**Eldorado Gold Corp.**

Updated February 27, 2017

**Price Chart and Disclosure Statement**

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<i>Reduce</i>	1%	<i>Reduce</i>	25%
<i>Not Rated</i>	19%		

Recommendation / Target Chg	Date	C\$
13-Jan-17	5.00 (MP)	
09-Jan-17	5.50 (MP)	
08-Sep-16	6.00 (MP)	
14-Jul-16	6.50 (MP)	
17-May-16	5.50 (MP)	
10-May-16	5.00 (MP)	
11-Apr-16	4.75 (MP)	
28-Mar-16	3.75 (MP)	
26-Jan-16	3.50 (MP)	
13-Jan-16	4.25 (MP)	
11-Jan-16	5.00 (MP)	
09-Jan-16	5.50 (MP)	
02-Nov-15	5.50 (MP)	
04-Aug-15	5.25 (MP)	
15-Jun-15	6.00 (MP)	
04-May-15	6.75 (MP)	
23-Feb-15	7.75 (MP)	
22-Jan-15	8.25 (MP)	
09-Jan-15	10.75 (B)	
09-Jan-15	10.75 (Chng Cover)	
08-Sep-14	11.50 (B)	
05-Aug-14	10.00 (B)	
05-May-14	9.00 (B)	
24-Feb-14	9.00 (MP)	

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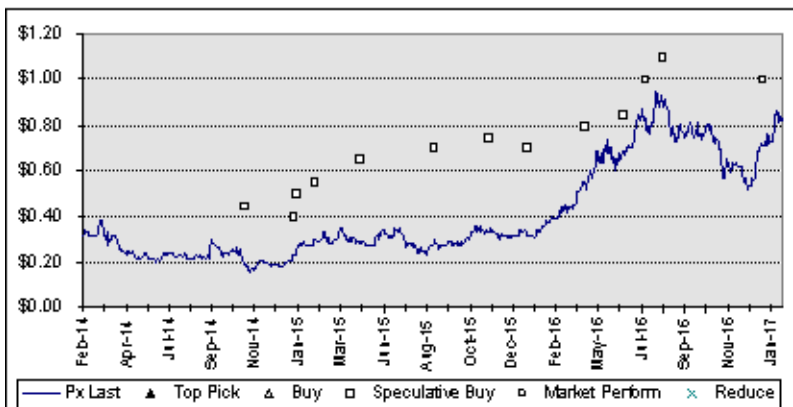
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**Integra Gold Corp.**

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	10-Aug-16	1.10 (B-S)
	14-Jul-16	1.00 (B-S)
	09-Jun-16	0.85 (B-S)
	11-Apr-16	0.80 (B-S)
	11-Jan-16	0.70 (B-S)
	12-Nov-15	0.75 (B-S)
	19-Aug-15	0.70 (B-S)
	23-Apr-15	0.65 (B-S)
	12-Feb-15	0.55 (B-S)
	14-Jan-15	0.50 (B-S)
	09-Jan-15	0.40 (B-S)
	24-Oct-14	0.45 (B-S)

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**Richmont Mines Inc.**

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	13-Jan-17	12.00 (MP)
	14-Jul-16	14.00 (MP)
	14-Jul-16	14.00 (Chng Cover)
	10-May-16	- (U.R.)
	11-Apr-16	9.60 (B)
	10-Feb-16	7.70 (B)
	11-Jan-16	7.10 (B)
	04-Dec-15	5.60 (B)

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