

PRIME MINING: TWO YEARS TO \$25 MILLION ANNUAL PROFIT?

PRIME MINING – IN IT TO WIN IT

Prime Mining (TSX-V:PRYM & OTCMKTS:PRMNF) presents perhaps one of the most compelling investment opportunities in the junior mining space anywhere in the world.

The company has a management team of the highest pedigree with a great deal of “*skin in the game*”, a gold asset that can be brought into production within 24 months, a minimal cap-ex requirement, and an existing 530,000-ounce gold resource with some of the best grades in Central and North America for a project of its kind.

The project is called Los Reyes and, if Prime’s chief executive Andy Bowering is correct, could be “*generating substantial yearly profits within 24 months.*”

With a current market cap of just C\$23.5 million (as at 16 January 2019), a fully funded development campaign planned for H1 2020, an extremely tightly held share structure and gold prices surging to multi-year highs, its unlikely to be long before the market wakes up to the potential on offer here.



Source: TSX-V

PRIME MINING CORP.

Market Data

EPIC	PRYM
Current Mid Price	C\$0.4
52 Week High	C\$0.55
52 Week Low	C\$0.27
30MA Volume	122,061
Market Cap	C\$23.5m
Shares in issue	59,107,649
Market	TSX-V

TOP-CLASS GRADES FOR AN OPEN PIT GOLD MINE

The work completed by previous operators at Los Reyes culminated in the delineation of a CIL-amenable indicated resource of 380,000 ounces of gold and 6,315,300 ounces of silver and an inferred resource of 150,000 ounces of gold and 3,639,00 ounces of silver.

This is particularly significant for Prime today, as the company's plan is to set up an open-pit heap leach mine at Los Reyes that relies on much lower grades. This opens up the possibility that **Prime could substantially add to the current defined resource at Los Reyes without any additional drilling.**

To understand why Prime's approach presents such an opportunity right now, consider the fact that it would generally cost in the region of \$200m to set up a CIL mine the size of Los Reyes.

Although the gold recovery rates would be very high, the upfront cost would be substantially more than the \$20 million Prime expects to invest to develop its open-pit heap leach operation.

What's more, because Prime's planned heap-leach is so cheap to run, the company can use lower grade rock. It's a win-win. Not only will mining cost less, but the company will also be able to mine more - hence the potential for the near-term resource upgrade based on what has already been mined.

Work on-site at Los Reyes



Source: Prime Mining Corp

At an average of 1.73 g/t gold for its indicated resource, grades at Los Reyes are nearly double the average of a Mexican open-pit heap leach project and around three times the average of similar North American projects.

BRINGING LOS REYES BACK TO LIFE

Los Reyes was well on its way to becoming a producing asset in the 1990s, when gold was \$325 an ounce and its operator designed a leach pad to Pre-Feasibility Standards. However, the project was ultimately mothballed in 1998 as a result of

declining gold prices, and little has been done to advance the project since.

With gold now above \$1,500 an ounce the prospects for Prime are immense.

Los Reyes' Indicated & Inferred Resources at a Cut off Grade of 0.50 g/t Au

Indicated	Tonnes Kt	Au oz	Au g/T	Ag oz	Ag g/T
El Zapote	3,980	206,000	1.61	2,114,135	16.52
Noche Buena	937	39,700	1.32	497,400	16.52
San Miguel Chiripa	459	47,100	3.19	1,141,800	77.37
Guadalupe	1,520	86,300	1.76	2,601,800	52.51
Total Indicated	6,843	380,100	1.73	6,315,300	28.71

Inferred	Tonnes Kt	Au oz	Au g/T	Ag oz	Ag g/T
El Zapote	1,127	44,800	1.25	428,600	11.82
Noche Buena	480	17,400	1.13	275,000	17.8
San Miguel Chiripa	583	41,500	2.21	1,215,000	64.75
Guadalupe	1,054	51,600	1.52	1,720,500	50.75
Total Indicated	3,200	155,200	1.49	3,639,000	34.87

Bowering is baffled by the lack of historic progress at Los Reyes, and believes the project has simply been overlooked through a combination of corporate disregard and poor timing:

“ It is quite incredible to have found a project of this quality that is this far advanced at such a low price. When working through our due diligence we read an online report that referenced four filing cabinets of information about Los Reyes. We asked the vendor where these were and they referred us to the previous owner.

We naturally chased this lead and could not believe it when we found 16 draws full of information on Los Reyes in the office of the previous operators. It hadn't been touched in years and was a real treasure trove of information that painted the picture of a unique project that has been shelved due to a series of unfortunate occurrences such as bad timing and the cyclical nature of the resources sector. These misfortunes, however, are ultimately to our benefit as we now see an immediate opportunity to propel Los Reyes forward. ”

BUILDING A MINE AT LOS REYES WITHIN 24 MONTHS

Prime’s immediate plan is to exploit the low-hanging fruit identified by its predecessors at Los Reyes. It will begin with a ‘*starter pit*’ at the property containing 500,000 tonnes of ore grading 3.4 g/t gold that is amenable to open-pit heap leach production.

By leveraging existing work at Los Reyes, **Prime plans to fast track through permitting, environmental work, Preliminary Feasibility Study (“PFS”), the decision to mine, and construction within 24 months.** At this point, the firm expects to have commenced production with a simple open-pit heap leach operation.

With total development costs for this operation expected to come in at just \$20 million, Prime’s approach potentially offers a rapid route to shareholder returns. Prime hopes to be able to repay this cap-ex within six months of Los Reyes becoming operational.

This could potentially allow Prime to repay the mine’s development capital in full and begin making profits for investors within the first year of going live.

Bowering says Prime’s sole focus is on bringing Los Reyes into production as quickly as possible:

The Los Reyes project



Source: Prime Mining Corp

“We initially plan to build a Ford Truck rather than a Cadillac. We want to minimize our risks in the beginning, keep it simple, get it up and running, get it paid back, and start generating returns for shareholders. The project’s expansion will follow naturally alongside this and we can add in equipment to increase productivity and capacity as we progress.”

TIMELINE & PERFORMANCE MILESTONES

1-6
months

- Surface exploration, trenching, metallurgical sampling, and environmental review
- Metallurgical studies, exploration, and geotechnical drilling
- Deliver new resource model

6-12
months

- Geotechnical, condemnation and exploration drilling
- Agreements and permits for construction decision
- Preliminary Economic Assessment study

12-24
months

- Award contracts and start construction of gold recovery plant and heap leach infrastructure
- Mobilize fleet and start pit development

30
months

- Gold recovery and anticipated profits

FUTURE BLUE-SKY POTENTIAL AT LOS REYES

Firm in the belief that the current resource does not reflect Los Reyes' true potential, Prime has also got to work on increasing the project's measured and indicated gold and silver resources. **The company plans to deliver a new, updated, and restated resource estimate in 2020.**

In support of this, Prime launched a 5,000-meter trenching and surface sampling programme on Los Reyes' outcropping mineralization in [September 2019](#). **Despite thousands of meters of drilling over the years, Prime says this is the first time such surface work has ever been completed at the property.**

Prime believes that its work will support efforts to convert many near-and-at-surface, geologically-modelled blocks that have previously been reported as waste or inferred resources into the indicated resource category. The previous models were based on underground mining.

After an initial run of taking continuous 1.5-meter rock chip samples targeting quartz-bearing alteration zones in areas where bedrock is covered by overburden, Prime released a positive progress update in December 2019. It said the work was providing *“valuable information for determining the surface expression of mineralized structures, planning pit locations, and establishing where structures remain open to expansion”*.

Critically, Prime's work has already indicated that three planned pit locations including **the San Miguel and Zapote structures are open along strike and broader than indicated in historical mapping**. In one area, mineralization even extends for up to 34.5 meters at 4.2 g/t gold.

Meanwhile, the firm found that a lack of surface data at San Miguel meant that the structure's previously-modelled resources were not carried to the surface. It believes that new models will allow for the projection of the resource to the surface, feasibly *“increasing minable tonnes, recoverable ounces, and reducing the stripping ratios associated with any future development”*.

Prime will release results from the programme throughout 2020 and – in combination with further analysis of the 493 historic drill holes - will establish a new NI 43-101 compliant in-pit resource for Los Reyes.

Prime also plans to remodel its Los Reyes resource with a 0.25 g/t gold cut off compared to previous resources estimates that used 0.5 g/t. The cut-off grade is the minimum grade required for the economic mining of a mineral or metal in an open-pit heap leach design – anything below would be considered waste rather than ore. As such, reducing the grade could potentially bring a considerable number of recoverable new ounces into play at Los Reyes.

All-in-all Bowering tells us that these initial findings have given him high confidence in Prime's ability to increase its resource estimate at Los Reyes quickly and considerably:

“ *We are finding that the structures are more prominent than previously thought, that they come to the surface and – critically - that there is a limited amount of waste rock. In other words, they are good to go, and that means more mineable tons and more recoverable ounces.*

We think that this is ultimately a million-and-a-half to two-million-ounce operation once the relevant work has been completed. We know right now that what is there at the surface can support the building of a seven-year high-grade open-pit heap leach operation. **”**

UNLOCKING THE BLUE-SKY POTENTIAL AT LOS REYES

Beyond the immediate heap leach potential across its existing planned pits, Los Reyes also boasts a great deal of longer-term prospectivity. The bulk of historical work on the project has taken place on less than 40% of its known structures. Meanwhile, those pits that have been explored remain open on strike for expansion to various depths.

Critically, just seven kilometers of the property's 17.5-kilometer, mineralized strike length have been tested, and several new claim blocks are yet to be explored at all.

With up to ten high-grade surface discoveries boasting grab samples of up to 15.1 g/t gold that are yet to be followed up, Bowering is confident in Los Reyes' blue-sky exploration potential:

“Los Reyes is just one of those assets you can keep building up because it has never been drilled deep enough to determine if there is a transition zone or sulfide zone present. There is so much ground to explore here, so many areas that have had little work done on them but are begging to be opened up and we will get there.”



THE PERFECT SETTING TO BUILD A GOLD MINE?

Los Reyes' immediate and long-term potential is bolstered by three important additional factors that deserve recognition. The first of these is the project's location. Sinaloa - where Prime's operations are centered - sits close to several mines critical to Mexico's mining sector, with several bearing strong resemblances to Los Reyes itself.

For example, the district is adjacent to a state called Durango. The area is home to Minera Alamos' La Fortuna project, which is currently in the permitting stage – putting it around a year ahead of Los Reyes. Like Prime, Minera Alamos plans to use flotation plant processing at La Fortuna to exploit its measured and indicated resources of 309,800 ounces of gold and 1,842,200 ounces of silver.

Meanwhile, the Sonora state to the north of Sinaloa is home to Minera Alamos' permitted Santana project, where start-up construction is reportedly imminent. Like Fortuna, Santana will become an open-pit mining operation, with heap leach processing being used to exploit existing gold resources. A maiden NI 43-101 resource estimate is expected in the first quarter of 2020.

Elsewhere, a third border state – Chihuahua – houses GoGold Resources' (TSX:GGD) producing Parral heap leach project, which boasts measured and indicated silver resources of 12,600,000 ounces of silver. Finally, the nearby state of Zacatecas contains major player Newmont Goldcorp's (NYSE:NEM) Penasquito mine – the fifth largest silver mine in the world and the second-largest in Mexico.

Having a firm footing in a jurisdiction so critical to Mexico's mining industry carries many significant and immediate benefits for Prime. Access to necessary infrastructure such as roads, water, and power is abundant, and the local community consists of many skilled laborers reliant on mining for employment and income.

Equally as important, however, are Prime's close ties to neighbouring operator Chesapeake Gold - executive chairman Daniel Kunz is a Chesapeake director. The link here provides vital synergies such as local knowledge and contacts as well as instant access to heap leach equipment and expertise.

MAKING FAST PROGRESS IN MEXICO

Prime announced that in [September 2019](#) local community leaders in Cosalá had voted unanimously in support of Lost Reyes' development, approving the immediate start of site work. A [month later](#), the company said that commercial terms and surface access rights were being finalised.

Prime will likely continue to benefit from the vital position that the mining industry holds in the broader Mexican economy as it moves forward. The nation is one of the world's most significant gold, silver, copper, and [zinc-producing countries](#), and mining [contributes](#) a significant 8.3% to its industrial GDP. As such, the exploration, exploitation and beneficiation of minerals have preference over any other land use.

Likewise, the national government enables the granting of mining plans without the prior issuance of a mining permit.

Bowering says that all of these local factors create an ideal environment for a company like Prime to launch into production as quickly as possible:

“Mexico’s pro-mining stance and our local ties make all of the difference. Supported by Daniel Kunz, we have been able to engage positively with the local community straight off the bat on highly attractive terms. Meanwhile, thanks to the government’s supportive legislation, we see the permitting, planning, and environmental studies taking much less time than in many other popular mining jurisdictions – especially given that our predecessors have already completed much of this work.”

Sinaloa, Mexico – the location of Los Reyes



Source: Prime Mining Corp.

A WEALTH OF MANAGEMENT EXPERIENCE

The second factor supporting Prime as it looks to fast-track Los Reyes into production is the quality of its management team. Let's take a look at the pedigree on offer:

Chief executive **Andy Bowering** has enjoyed a successful mining career spanning more than 30 years. He has raised hundreds of millions of dollars and much larger competitors have bought out four of his companies. Bowering has invested more than \$3.5 million of his own capital into Prime.

Executive chairman **Daniel Kunz** was formerly chief executive of Ivanhoe Mines, founded and led US Geothermal, and served as a senior manager at Morrison Knudson and MK Gold Company, an \$80 million IPO on the NASDAQ.

Kunz has been involved in the construction of numerous producing

large-scale mines. Notably, this includes the American Girl project in California in the 1980s and 1990s. American Girl is an open pit heap project centered on the exploration of numerous open pit areas, much like Los Reyes.

VP exploration **Paul Larkin** has led corporate finance specialist New Dawn Group for more than 35 years;

VP capital markets **Alex Langer** has contributed around \$300 million of support to clients as head of capital markets at Millennial Lithium;

VP exploration **Bruce Kienlen** has held senior geologist positions at BHP Billiton, Canterra Minerals, and Independence Gold;

Director **Jorge Ramiro Monroy** was the founder and managing director of Emerging Market Capital, advising firms like MAG Silver, IAMGOLD, and Pretivm; and

Director **Bruce Durham** was an integral member of exploration teams credited with key deposits in Ontario such as the David Bell and Golden Giant gold mines.

Bowering says that, like him, the rest of his management team was keen to maximise Prime's cash resources in the early stages – swapping out their first-year salary for equity. In fact, Bowering continues not to take a salary from Prime, instead being compensated solely in stock.

Members of the team at Los Reyes



Source: Prime Mining Corp

STRONG CASH POSITION

The third string to Prime’s bow when it comes to developing Los Reyes quickly is its robust financial position.

Aside from the management team’s collective decision to boost cash by not taking an initial salary, the company raised more than C\$8.7 million at C\$0.3 a share in [August 2019](#). What’s more, each share came with a one-half-of-one common share purchase warrant with each whole warrant exercisable at C\$0.5 for 24 months – potentially providing a further C\$7.25 million as Prime’s share price rises.

This money has enabled Prime to pay off the bulk of the costs associated with acquiring Los Reyes.

After making \$4.5 million worth of property payments to previous owner Vista Gold in total to date, the company now has only one remaining sum of \$1.5 million to pay, due in October 2021. The remaining cash will be deployed in the field at Los Reyes.



Source: Prime Mining Corp

PRIME MINING: UNDERVALUED VERSUS ITS PEERS

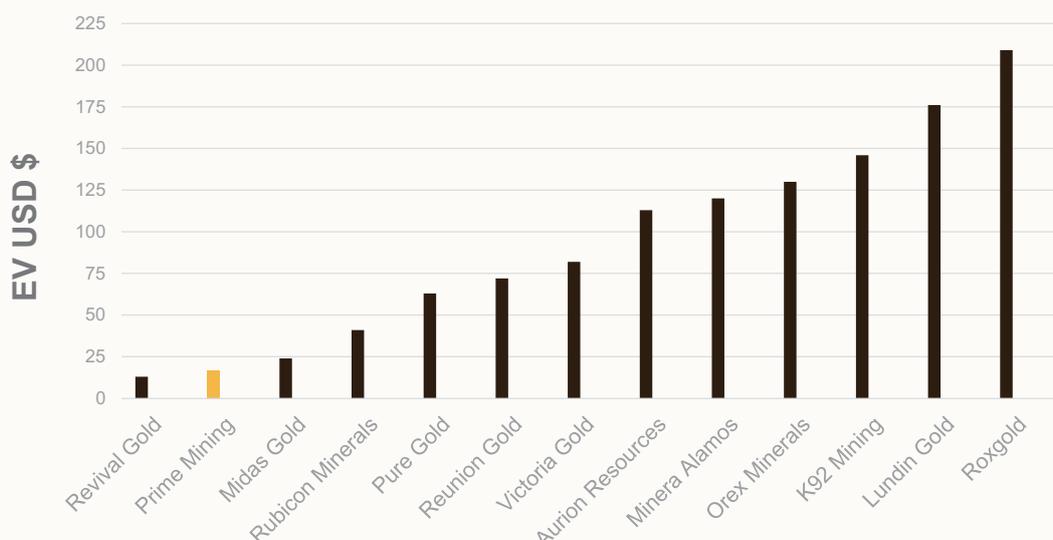
All-in-all Prime’s project quality, location, management experience and expertise, and financial situation combine to create an attractive investment picture. It is especially encouraging at a time where factors such as trade war concerns between the US and China, friction between the US and Iran, dollar weakness, and slowing global growth all favor gold. The safe-haven asset is enjoying one of its best runs in the last decade, having recently hit a multi-year high of \$1,592 an ounce. This is well above the \$1,290 an ounce at which it sat in January 2019.

However, to date, Prime’s stock has yet to take off in the markets. As it stands, Prime’s capital structure values its gold at just \$20 an ounce.

Comparatively, the average of the company’s gold peers is \$55 an ounce, according to the Haywood/ Bloomberg global average. The table below shows the value of each ounce of Prime’s gold compared to that of many of its direct comparators, including several with similar operations to Los Reyes in Mexico:



EV / Gold Resource (ounces)



1. E p V (“EV”) / O -IFRS performance measures. Enterprise value is calculated as of July 25, 2019. Data sourced from Haywood Securities and Bloomberg.

With the development of Los Reyes speeding up, a revised resource estimate on the horizon, and production expected within two years, a re-rate in Prime's share price could be right around the corner. Bowering's final thought on this could prove telling:

“ *There are 59.1 million shares outstanding. The lowest financing round that was done for the public was at 26.6 Canadian cents in the vehicle before the transaction happened with Los Reyes. No founder stock has been issued at ultra-low prices. In fact, the fundraise we completed after securing Los Reyes was at 40 Canadian cents a unit.*

There's just no cheap stock that can derail this company or that can come out to sandbag shareholders. You can go back and look at the charts. It has never traded below the latest fundraising price. There is no escrow stock that is coming at anybody. That is a big attraction for where we are now. We are fully funded to deliver significant progress at Los Reyes over the coming weeks and months. Currently the market has not priced any of that in. **”**

With Prime's stock trading at 30 Canadian cents on the mid, Bowering could well prove to be right.

SEVEN REASONS TO BUY PRIME MINING:

1

Exciting overlooked project based in a mining-friendly jurisdiction with local support

2

Tens of millions already spent on exploration and engineering studies

3

Fast-track to first production within 24 months through a simple open pit heap leach operation

4

Only \$20 million cap-ex requirement, expected to be repaid in full within six months of mine being operational

5

Vast upside potential through resource remodelling and exploration along 17.5 kilometer strike

6

Industry-leading management team that has personally supported operations financially

7

Highly undervalued against peers despite strong cash position and anticipated highly profitable seven-year mine life

IMPORTANT NOTICE AND DISCLAIMER PAID ADVERTISEMENT.

This communication is a paid advertisement. ValueTheMarkets, Digitonic Ltd, and their owners, managers, employees, and assigns (collectively “the Publisher”) is often paid by one or more of the profiled companies or a third party to disseminate these types of communications. In this case, the Publisher has been compensated by Prime Mining Corp to conduct investor awareness advertising and marketing. Prime Mining Corp paid the Publisher the equivalent of one hundred and twenty-five thousand US dollars to produce and disseminate this and other similar articles and certain banner ads. This compensation should be viewed as a major conflict with our ability to be unbiased. Readers should beware that third parties, profiled companies, and/or their affiliates may liquidate shares of the profiled companies at any time, including at or near the time you receive this communication, which has the potential to hurt share prices. Frequently companies profiled in our articles experience a large increase in volume and share price during the course of investor awareness marketing, which often ends as soon as the investor awareness marketing ceases. The investor awareness marketing may be as brief as one day, after which a large decrease in volume and share price may likely occur. This communication is not, and should not be construed to be, an offer to sell or a solicitation of an offer to buy any security. Neither this communication nor the Publisher purport to provide a complete analysis of any company or its financial position. The Publisher is not, and does not purport to be, a brokerdealer or registered investment adviser. This communication is not, and should not be construed to be, personalized investment advice directed to or appropriate for any particular investor. Any investment should be made only after consulting a professional investment advisor and only after reviewing the financial statements and other pertinent corporate information about the company. Further, readers are advised to read and carefully consider the Risk Factors identified and discussed in the advertised company’s SEC, SEDAR and/or other government filings. Investing in securities, particularly microcap securities, is speculative and carries a high degree of risk. Past performance does not guarantee future results. This communication is based on information generally available to the public and on an interview conducted with the company’s CEO, and does not contain any material, non-public information. The information on which it is based is believed to be reliable. Nevertheless, the Publisher cannot guarantee the accuracy or completeness of the information.

FORWARD LOOKING STATEMENTS.

This publication contains forward- looking statements, including statements regarding expected continual growth of the featured companies and/or industry. The Publisher notes that statements contained herein that look forward in time, which include everything other than historical information, involve risks and uncertainties that may affect the companies’ actual results of operations. Factors that could cause actual results to differ include, but are not limited to, the success of the company’s operations, the size and growth of the market for the companies’ products and services, the companies’ ability to fund its capital requirements in the near term and long term, pricing pressures, etc.

INDEMNIFICATION/RELEASE OF LIABILITY.

By reading this communication, you acknowledge that you have read and understand this disclaimer, and further that to the greatest extent permitted under law, you release the Publisher, its affiliates, assigns and successors from any and all liability, damages, and injury from this communication. You further warrant that you are solely responsible for any financial outcome that may come from your investment decisions.

TERMS OF USE.

By reading this communication you agree that you have reviewed and fully agree to the Terms of Use found here <https://www.valuethemarkets.com/disclaimer/>. If you do not agree to the Terms of Use, please contact ValueTheMarkets.com to discontinue receiving future communications.

INTELLECTUAL PROPERTY.

[ValueTheMarkets.com](https://www.valuethemarkets.com) is the Publisher’s trademark. All other trademarks used in this communication are the property of their respective trademark holders. The Publisher is not affiliated, connected, or associated with, and is not sponsored, approved, or originated by, the trademark holders unless otherwise stated. No claim is made by the Publisher to any rights in any third-party trademarks.

CONTACT US

To find out more please contact Ben:

Email:
contact@valuethemarkets.com

Telephone:
+44 (0) 208 226 5175

Website:
www.valuethemarkets.com

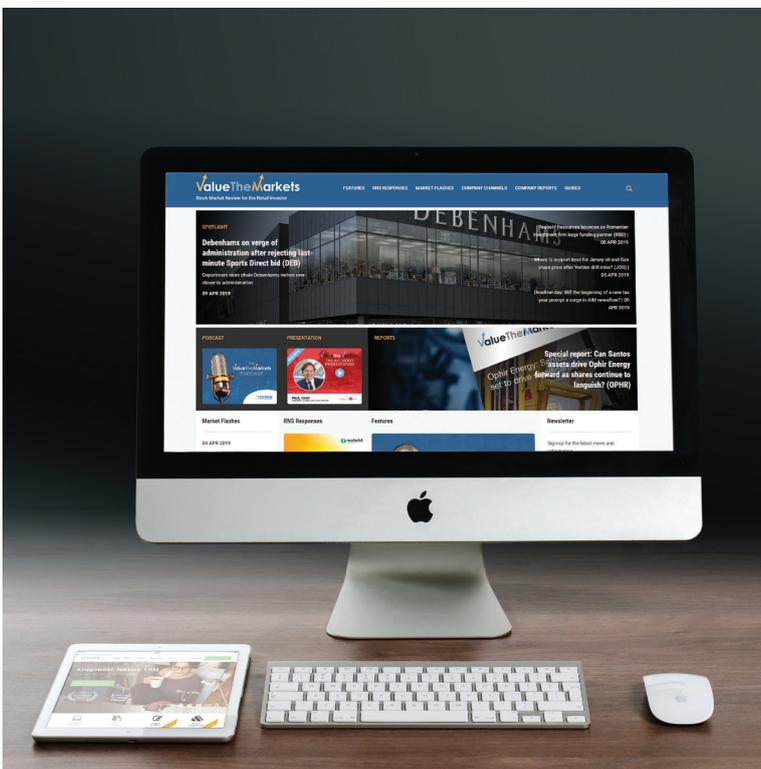
Disclaimer

Author: Ben Turney & Daniel Flynn

- Valuethemarkets.com and Dynamic Investor Relations Ltd are not responsible for the content or accuracy of this article. News and research are not recommendations to deal, and investments may fall in value so that you could lose some or all of your investment. Past performance is not an indicator of future performance.

- The Authors do not hold any position in the stock(s) and/or financial instrument(s) mentioned in the piece.

- Dynamic Investor Relations Ltd, the owner of ValueTheMarkets.com, has been paid for the production this piece by the company or companies mentioned above.



Produced by

 ValueTheMarkets