

Corvus Gold Inc. (KOR-CN)
Rating: Buy

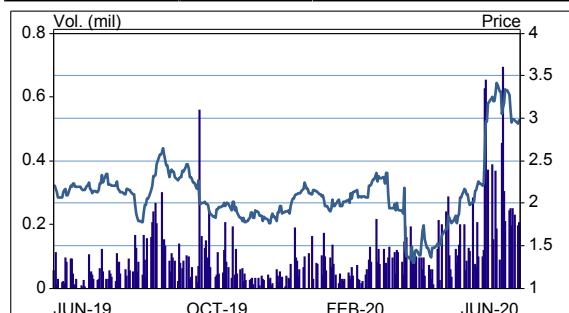
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Proposed Phased Mining Approach for North Bullfrog and Mother Lode; Compelling Phase-1 Metrics; Reiterate Buy; PT Lower

Stock Data		06/09/2020	
Price		C\$2.97	
Exchange		TSX	
Price Target		C\$6.00	
52-Week High		C\$3.55	
52-Week Low		C\$0.99	
Enterprise Value (M)		C\$349	
Market Cap (M)		C\$368	
Shares Outstanding (M)		124.0	
3 Month Avg Volume		172,953	
Short Interest (M)		0.34	
Balance Sheet Metrics			
Cash (M)		C\$19.63	
Total Debt (M)		C\$0.00	
Total Cash/Share		C\$0.16	
Total Cash/Share: Based on common share count of 124.0M			
EPS (C\$) Diluted			
Full Year - May	2019A	2020E	2021E
FY	C\$(0.10)	C\$(0.11)	C\$(0.09)
Revenue (C\$M)			
Full Year - May	2019A	2020E	2021E
FY	0.0	0.0	0.0



Phased mining plan. On June 9, 2020, Corvus Gold provided an alternative development scenario for its Mother Lode and North Bullfrog projects in Nevada. Contrary to the prior mining plan that has been envisioned in the firm's FY18 Preliminary Economic Assessment (PEA), which saw the development of both assets simultaneously, this development scenario utilizes a multi-phased approach. In short, Phase-1 includes the development of North Bullfrog utilizing a lower CapEx mining option, thereby potentially generating the necessary cash flow for development of the firm's Mother Lode project. We note that Corvus intends to include the revised details of Phase-1 in its updated PEA, which is likely to be completed during the fall of FY20. Corvus also expects to incorporate an updated mineral resource estimate for all of its projects, and we highlight that management has already completed a substantial amount of drilling since the FY18 PEA.

Phase-1 concept lays out potential for an efficient operation with existing infrastructure and permitting. Corvus anticipates a conventional open-pit surface mine at North Bullfrog under the current mine plan. At present, the firm expects to target the higher-grade YellowJacket portion of the deposit with an overall gold recovery rate of approximately 84% after the low-cost heap leaching of tails. Corvus also expects to achieve a gold recovery rate of about 74% for low-grade, run of mine (ROM) material, which could also provide a cost-efficient alternative source of ore. We reiterate that North Bullfrog's project site maintains established infrastructure, with access to power and water located less than two kilometers from the site. On the permitting front, Corvus already has an established environmental baseline database. This baseline has been maintained for over 24 months. We highlight that the firm has an existing Plan of Operation permit from the Bureau of Land Management. Going forward, management plans to continue its advancement of permitting for Phase-1 of the project in late-FY20.

We reiterate our Buy rating while lowering our PT to C\$6.00 per share from C\$6.20 per share. Our decreased PT is the direct result of a less favorable C\$/US\$ exchange rate amid no other changes to our model. Our valuation remains based on a combined DCF for the North Bullfrog and Mother Lode projects utilizing an unchanged discount rate of 11.0%. This figure remains inline with similar projects in locations carrying equal geopolitical risk factors. We value the project at an NAV of C\$774.3M, or C\$5.68 per share. We then add C\$0.14 per share for cash and equivalents, and an additional C\$0.15 per share for Corvus' early-state exploratory assets. This yields a consolidated asset value of C\$814.0M, or C\$5.97 per share, which we round to our final PT of C\$6.00 per share. We continue to believe that the firm remains an attractive takeover target, which is further affirmed by ongoing exploration successes that have already been seen at Mother Lode.

Risks. Commodity price risk; operating and technical risk; financial risk; political risk.

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NAV Estimates for North Bullfrog and Mother Lode		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Mother Lode and North Bullfrog Milled Tonnes ('000s)		-	-	-	-	-	2,394	2,993	3,292	3,622	3,984	3,984	3,984	3,984	3,984	673
		Note: Assumes minimal ramp-up production in 2023, followed by capacity expansion over 3 years from 2026-2028														
Gold grade (g/t)		-	-	-	-	-	2.78	2.71	2.14	1.87	1.58	1.28	1.12	1.11	0.81	0.74
Gold recovery		-	-	-	-	-	82.9%	82.9%	82.9%	82.9%	82.9%	82.9%	82.9%	82.9%	82.9%	82.9%
Gold production ('000s)		-	-	-	-	-	177	216	188	181	168	136	119	118	86	13
Gold price		\$1,575	\$1,575	\$1,575	\$1,575	\$1,575	\$1,575	\$1,575	\$1,575	\$1,575	\$1,575	\$1,575	\$1,575	\$1,575	\$1,575	\$1,575
Silver grade (g/t)		-	-	-	-	-	13.1	10.4	6.6	4.6	2.7	2.9	2.9	2.4	0.4	0.0
Silver recovery		-	-	-	-	-	74.3%	74.3%	74.3%	74.3%	74.3%	74.3%	74.3%	74.3%	74.3%	74.3%
Silver production ('000s)		-	-	-	-	-	749	746	518	395	253	276	277	226	33	-
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
Gold:Silver ratio		90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0
Gold equivalents from Silver		-	-	-	-	-	8	8	6	4	3	3	3	3	0	-
Total Gold equivalents		-	-	-	-	-	186	224	194	185	171	139	122	120	86	13
Mother Lode and North Bullfrog Heap Leach Tonnes ('000s)		-	-	-	-	8,000	13,231	31,033	34,269	29,177	28,561	32,220	29,035	37,072	1,783	-
Gold grade (g/t)		-	-	-	-	0.19	0.33	0.27	0.24	0.24	0.20	0.23	0.21	0.19	0.17	-
Gold recovery		-	-	-	-	73.8%	73.8%	73.8%	73.8%	73.8%	73.8%	73.8%	73.8%	73.8%	73.8%	73.8%
Gold production		-	-	-	-	36	104	199	195	166	136	176	145	167	7	-
Gold price		\$1,575	\$1,575	\$1,575	\$1,575	\$1,575	\$1,575	\$1,575	\$1,575	\$1,575	\$1,575	\$1,575	\$1,575	\$1,575	\$1,575	\$1,575
Silver grade (g/t)		-	-	-	-	0.58	1.38	0.46	0.37	0.54	0.27	0.33	0.53	0.35	0.61	0.00
Silver recovery		-	-	-	-	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Silver production		-	-	-	-	9	35	28	24	30	15	21	30	25	2	-
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
Gold:Silver ratio		90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0
Gold equivalents		-	-	-	-	0.10	0.39	0.31	0.27	0.34	0.17	0.23	0.33	0.28	0.02	0.00
Total Gold equivalents		-	-	-	-	36	104	199	195	166	136	176	145	167	7	-
Total Gold equivalents		-	-	-	-	36	290	424	389	351	306	315	267	288	94	13
Total cash cost per ounce		-	-	-	-	680	680	680	680	680	680	680	680	680	680	680
Gross profit		\$ -	\$ -	\$ -	\$ -	\$ 32,368	\$ 259,302	\$ 379,114	\$ 348,120	\$ 314,486	\$ 274,113	\$ 281,955	\$ 238,963	\$ 257,552	\$ 83,762	\$ 11,880
CapEx		\$ -	\$ -	\$ -	\$ (30,000)	\$ (423,500)	\$ (20,000)	\$ (20,000)	\$ (20,000)	\$ (20,000)	\$ (20,000)	\$ (20,000)	\$ (20,000)	\$ (20,000)	\$ (20,000)	\$ (20,000)
Royalty (Note: estimated <1% @ \$1,300 gold immaterial)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tax ('000s)	26.0%	\$ -	\$ -	\$ -	\$ -	\$ -	(Note 1)	(Note 1)	(Note 1)	\$ (38,283)	\$ (66,070)	\$ (68,108)	\$ (56,930)	\$ (61,763)	\$ (16,578)	\$ 2,111
Operating cash flow		\$ -	\$ -	\$ -	\$ (30,000)	\$ (391,132)	\$ 239,302	\$ 359,114	\$ 328,120	\$ 256,203	\$ 188,044	\$ 193,847	\$ 162,033	\$ 175,788	\$ 47,184	\$ (6,009)
Discount rate	11.0%															
PV of operating cash flow		\$ -	\$ -	\$ -	\$ (21,936)	\$ (257,651)	\$ 142,014	\$ 191,997	\$ 158,042	\$ 111,173	\$ 73,511	\$ 68,270	\$ 51,410	\$ 50,247	\$ 12,150	\$ (1,394)
		(Note 1): Note: Taxes from 2024 to 2027 reduced by NOLs for CapEx														
Total current cash flow	\$	577,834	\$	4.24	per share											
Cash & equivalents (USD)	\$	14,651	\$	0.11	per share; as of 2/29/20 C\$19.6M of cash converted into USD											
Debt	\$	-	\$	-	per share											
Exploratory assets (USD)	\$	15,000	\$	0.11	per share											
Total current value (USD)	\$	607,485	\$	4.46	per share											
Common shares		123,988	As of 4/6/20													
Options and other dilutive instruments		12,345	As of 2/29/20													
Fully diluted shares		136,333														
Total current cash flow (CAD)	\$	774,297	\$	5.68	per share											
Cash & equivalents (CAD)	\$	19,632	\$	0.14	per share; as of 2/29/20											
Exploratory assets (CAD)	\$	20,100	\$	0.15	per share											
Total current value (CAD)	\$	814,030	\$	5.97	per share											
Corvus NAV per share (CAD)	\$	5.97	1.34 C\$/US\$ exchange rate as of 6/9/20													
Rounded (\$0.10) price target (CAD)	\$	6.00														
TSE:KOR share price (CAD)	\$	2.97	As of 6/9/20													
% discount to NAV		50.5%														

Source: H.C. Wainwright & Co. estimates.

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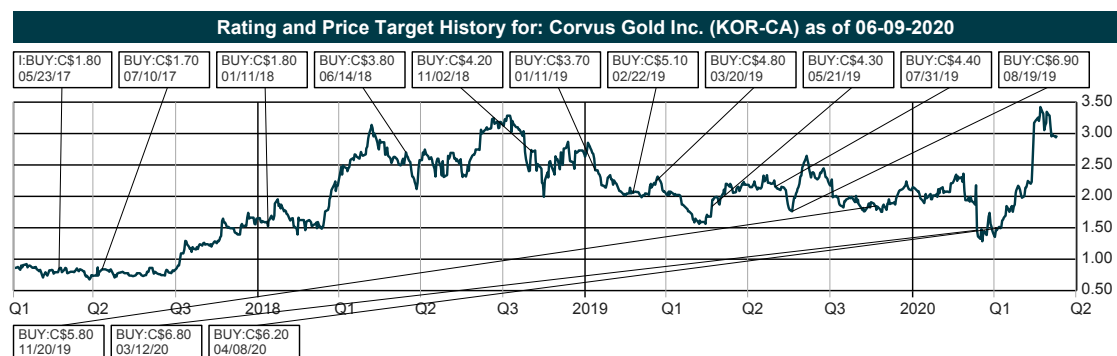
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Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	384	90.57%	135	35.16%
Neutral	37	8.73%	7	18.92%
Sell	0	0.00%	0	0.00%
Under Review	3	0.71%	3	100.00%

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