

FIRESTEEL RESOURCES

FTR.V
647-799-3404
firesteelresources.com

Firesteel Resources' share price has ticked up this month on the back of an encouraging preliminary economic assessment on its Laiva gold project in Finland.

The project has a pre-tax NPV, discounted at 5%, of \$91.5 million and a pre-tax IRR of 44.6%. Those economics remain robust post tax, with an NPV, discounted at 5%, of \$69.0 million and an IRR of 36.5%. The pre-tax payback period is 1.7 years; post-tax payback is 2.1 years.

Although the company has yet to quantify their size or impact, the Laiva project carries substantial tax losses that can be applied to future earnings, and which should bring the post-tax economics closer to the pre-tax projections.

Encouragingly, pre-production capex is a relative pittance at \$7.1 million. The renewed mining operation at Laiva would generate 75,981 ounces of gold annually at all-in sustaining costs of \$974/ounce. Mill grade would be 1.45 g/t with recoveries north of 90%. The mine would produce 456,600 ounces of gold over a six-year mine life.

I said in my initial recommendation of Firesteel that it looked like it had a tiger by the tail, and indeed it does. While most junior companies are content to explore for new deposits and bring them toward a production decision, this company has jumped in with both feet and found a project for which it can quickly flip the switch on production.

Better still, it can do so both cheaply and profitably. The post-tax NPV of \$68 million is five times Firesteel's current market cap. The market has yet to fully appreciate how close the company is to becoming a significant gold producer.

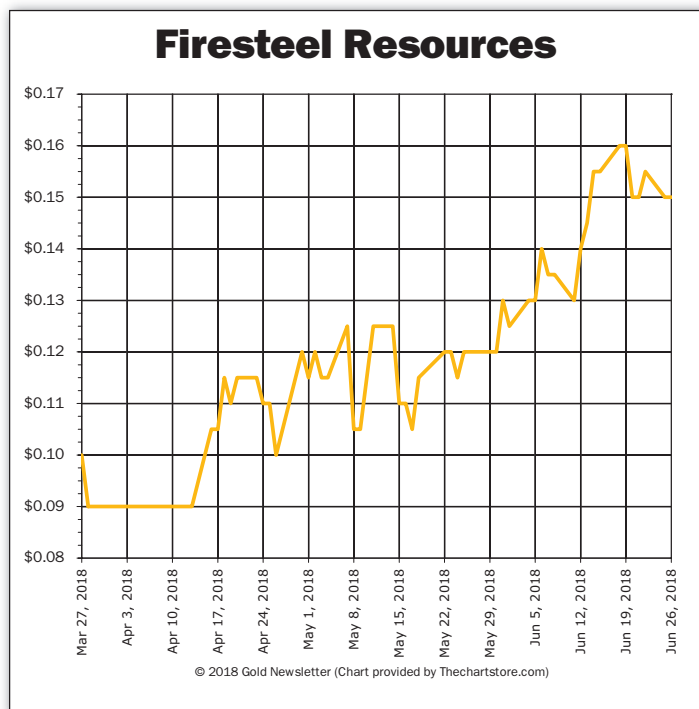
With first gold pour at Laiva due in Q4 2018, investors will soon wake up to the fact that this tiny junior company has transformed into a significant gold producer, practically overnight.

Longer term, Firesteel has three potential sources of additional ore for the mine that it plans to begin drilling in the first part of 2019. Thus, it will have cash flow coming in from Laiva and news flow coming in from its exploration-stage targets.

Given that the company will already have an operating mill in the area, getting any deposits outlined on these targets into production should be an easy (and inexpensive) matter.

So, impending production and cash flow from a re-start of Laiva and the potential to extend this already

(Continued...)



profitable mine's life via drilling. It all adds up to one of the more compelling stories in our portfolio.

Take the relatively muted market reaction to the PEA as a chance to buy into Firesteel before the inevitable re-rating kicks in, likely when production commences in the fourth quarter. It's a buy.

Firesteel Resources Inc.

Recent Share Price:C\$0.16
Shares Outstanding:146.0 million
Market Cap:C\$23.4 million
Shares Outstanding
Fully Diluted:171.7 million
Market Cap
Fully Diluted:C\$27.5 million

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