

Fundamental Research Corp.

Investment Analysis for Intelligent Investors

September 18, 2018

Nordic Gold Corporation (TSXV: NOR / OTC: FIEIF / FSE: 2FN) – Amended Financing Agreement to Avoid Significant Share Dilution / Raising Fair Value

Sector/Industry: Junior Resource

www.nordic.gold

Market Data (as of September 17, 2018)

Current Price	C\$0.11
Fair Value	C\$0.46
Rating*	BUY
Risk*	4
52 Week Range	C\$0.07 – C\$0.17
Shares O/S	146,042,955
Market Cap	C\$16.06 M
Current Yield	N/A
P/E (forward)	N/A
P/B	2.6x
YoY Return	37.5%
YoY TSXV	-7.5%

*see back of report for rating and risk definitions.



*this report is a corrected version of one released 9/17/18

Highlights

- In August 2018, the company announced a name change from Firesteel Resources Inc. to Nordic Gold Corporation.
- The company is currently pursuing a \$10 million equity financing at \$0.15 per unit.
- Nordic also announced that it was able to renegotiate the terms of its US\$20.6 million prepaid forward gold purchase agreement with Pandion Mine Finance signed in November 2017.
- We were pleased with the proposed amendments as the original agreement would have resulted in significant share dilution. We are raising our fair value estimate on NOR's shares from \$0.30 to \$0.46 per share.
- Management expects the first gold pour by late November 2018.
- The company currently has approximately US\$5 million in cash, and almost all of the US\$7.10 million CAPEX has already been spent.

Key Financial Data (FYE - Jan 31)

C\$	2017	2018 (3M)
Cash	\$17,120,211	\$14,526,872
Working Capital	\$18,474,913	\$16,651,140
PPE	\$17,351,337	\$19,617,418
Total Assets	\$43,222,088	\$43,053,497
Net Income (Loss)	\$1,159,615	-\$4,065,888
EPS	\$0.02	-\$0.03

Overview

On September 6, 2018, the company announced plans to pursue a private placement of up to \$10 million by issuing units at \$0.15 per unit. Each unit will consist of a common share and one full warrant (exercise price of \$0.20 per share for 2 years).

The company also announced proposed amendments to its agreement with Pandion Mine Finance. The original agreement, signed in November 2017, was a definitive prepaid forward gold purchase agreement for US\$20.6 million. The funds were primarily used to acquire the Laiva mine from Nordic Mines (OB: NOM). As per the original agreement, Pandion has:

1. the right to purchase up to 67,155 oz of gold at the market price, less an undisclosed discount, from months 18 to 60 from the date of advancement of the funds.
2. an option to receive up to 24,000 oz of gold in NOR's shares at a rate of 11,125 share per oz. Approximately 267 million shares of NOR will be issued if Pandion decides to exercise its option in full.

The amended agreement replaced#2 above with the following:

- a payment of US\$1.5 million to Pandion within six months of entering into a definitive agreement;
- issuance of 36.5 million shares, reflecting 19.99% of the total number of shares outstanding;
- issuance of additional shares to maintain Pandion's 19.9% interest, if the current private placement is successful; and
- a 2.5% net smelter return ("NSR")

We were pleased to see that the company was able to negotiate these changes as the original agreement would have resulted in a significant share dilution. The impact of these changes are reflected in our valuation, presented later in this report.

Financials

At the end of Q1-FY2018 (ended April 30, 2018), the company had cash and working capital of \$14.53 million and \$16.65 million, respectively. We estimate the company had a burn rate (cash spent on operating and exploration / development) of \$0.21 million per month in the first three months of FY2018. The following table summarizes the company's liquidity position:

Liquidity Position

CS	2017	2018 (3M)
Cash	\$17,120,211	\$14,526,872
Working Capital	\$18,474,913	\$16,651,140
Current Ratio	11.34	14.62
LT Debt / Assets	1.3%	1.4%
Monthly Burn Rate (incl. investing activities)	\$531,039	\$213,433
Cash from Financing Activities / Others	\$27,159,158	\$1,966,971

Source: Company

At the end of Q1-FY2018, the company also had \$0.42 million in unsecured convertible debentures outstanding (9% p.a. maturing in June 2020; conversion price of \$0.10 per share).

The company currently has approximately US\$5 million in cash.

We estimate the company currently has 10.73 million options (weighted average exercise price of \$0.10 per share) and 14.10 million warrants (weighted average exercise price of \$0.15 per share) outstanding. Currently, 7.05 million options and nil warrants are in the money. **The company can raise up to \$0.54 million if these options are exercised.**

We have adjusted our valuation inputs to reflect the proposed amendments. Our revised Discounted Cash Flow (DCF) valuation on the company is \$0.46 per share versus our previous estimate of \$0.30 per share.

Stock Options and Warrants

Valuation & Rating

DCF	
Operating Life (years)	8
Tonnage	12,827,000
Average Grade (Au)	1.44
Contained Gold	592,698
Recovery Rate	90.4%
Recovered Gold	535,799
Gold Price (US\$/oz)	\$1,300
Op Costs (US\$/oz)	\$863
Long-term C\$:US\$	1.1
After-Tax Net Asset Value (C\$)	\$110,228,920
Working Capital, net of debt (incl. \$10M from PP)	\$12,659,818
Shares issued in \$10M PP	66,666,667
Shares to be issued to Pandion	49,766,667
Total No. of Shares *	264,617,197.42
Value per Share (\$)	\$0.46

* calculated based on the treasury stock method

Source: FRC

The sensitivity of our valuation to key inputs are shown below:

Sensitivity

		Gold Price (US\$/oz)				
		\$1,100	\$1,200	\$1,300	\$1,400	\$1,500
Exchange Rate	1.00	\$0.21	\$0.32	\$0.43	\$0.54	\$0.64
	1.05	\$0.22	\$0.33	\$0.45	\$0.56	\$0.67
	1.10	\$0.22	\$0.34	\$0.46	\$0.58	\$0.70
	1.20	\$0.24	\$0.37	\$0.50	\$0.63	\$0.76
	1.30	\$0.26	\$0.40	\$0.54	\$0.68	\$0.82

Source: FRC

We maintain our BUY rating and revise our fair value estimate from \$0.30 to \$0.46 per share.

We believe the company is exposed to the following key risks (not exhaustive):

- The value of the company is highly dependent on gold prices.
- The company is advancing Laiva to production without a feasibility study.
- Actual operating parameters may be significantly different from our estimates.

Risks

- Exchange rate risks.

We rate Nordic's shares a risk of 4 (Speculative).

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company’s capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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