

Barkerville Gold Mines Ltd. (BGM-V, \$0.94)

Rating BUY
Target Price \$1.60
Return 70%
Overall Risk Profile Very High

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Barkerville Continues to Deliver at Island Mountain

Valuation | Our target price of \$1.60 per share is based on an after tax, 1.0x multiple to our corporate net asset value (NAV) of \$1.59 per share. Our valuation is predominantly based on an enterprise value per ounce (EV/oz) multiple for each of Barkerville's advanced-staged projects. Barkerville trades at 0.59x P/NAV and US\$52 EV/AuEq oz vs Select North American peers at 0.69x and US\$55 EV/AuEq oz.

Impact – Positive | This morning, Barkerville announced further results from its ongoing 130,000 metre Phase II Island Mountain exploration drilling program at the Company's flagship Cariboo Gold Project. The Company currently has 8 rigs in operation. Seven of these rigs are on Island Mountain and the additional rig is testing the area between the former Aurum and Cariboo Gold Quartz Mines. Of the 7 rigs on Island mountain, 4 are currently exploring and delineating the Valley Zone. The Company released results from an additional 7 drill holes in this morning's announcement. Please see highlights below and full drilling results in Table 1.

■ **Highlights of Drill Hole IM-17-081 include:**

- 7.80 metres grading 23.32 g/t gold from a downhole depth of 280 metres, and
- 2.00 metres grading 7.43 g/t gold from a downhole depth of 400 metres.

■ **Highlights of Drill Hole IM-17-085 include:**

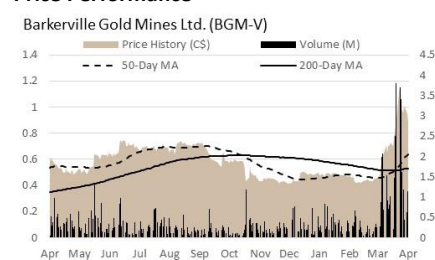
- 14.55 metres grading 13.63 g/t gold from a downhole depth of 250 metres.

Implications | Drilling by Barkerville at Island Mountain continues to demonstrate the potential for significant high grade gold mineralization well beyond the historically mined stopes. Drill hole IM-17-081 is of particular interest as it was drilled in an area that has, to date, remained largely untested. This drill hole, located between the former Aurum and Mosquito Creek Mines, returned several high-grade intersections as indicated in the highlights above, and suggests a possible expansion down plunge of the gold mineralization in the upper portion of the Shaft Zone to the southeast. In addition, drill hole IM-17-085 intersected vein hosted gold mineralization within the Shaft Zone averaging 13.63 g/t gold over 14.55 metres at a vertical depth of 250 metres below surface. The closest gold intersection to this hole is the previously reported drill hole IM-17-036 located approximately 45 metres away along strike and which intersected 5.15 metres grading 16.96 g/t gold. This previously reported intersect was hosted in an analogous vein set and the two occurrences remain open for expansion. Barkerville has ceased drilling as break-up of the ice in the area continues; the Company still has several drill holes outstanding, results of which are expected in the next couple of weeks. Drilling is expected to recommence next month.

Catalysts | 1) Commencement of underground mining at Bonanza Ledge – Q2/17 – Q3/17; 2) Resource statement – Q4/17; 3) Feasibility study – 2018.

Target Price	\$1.60	52-Week High / Low	\$1.18 / \$0.41
Current Price	\$0.94	Shares O/S	333M (basic)
Return (incl. dist'n)	70%		362.5M (F/D)
YTD Performance	119%	Market Capitalization	\$313.2M
Dividend / Yield	n/a	Cash and equivalents (Incl. marketable securities)	\$34.5M
		Debt	\$0M
Haywood Estimates		Enterprise Value	\$278.8M
	2016E	2017E	
Revenue \$M	0	0	
Net Income \$M	(31.7)	(47.3)	
EPS \$/sh	(0.10)	(0.13)	
CFPS \$/sh	(0.09)	(0.14)	
		Daily Volume (3 month avg)	698,170
		Website	www.barkervillegold.com
		CEO	Chris Lodder
		Currency	C\$ unless noted

Price Performance



Please see page 9 for Analyst Certification, pages 9-11 for Important Information Rating Structure, Legal Disclaimers, and Notes.



Investment Thesis

We see the commencement of underground operations at Bonanza Ledge and the release of a revised mineral resource estimate at Cow Mountain as key short-term deliverables for Barkerville. Since the cease-trade order imposed by the Toronto Stock Exchange in July 2012 following release of a deficient mineral resource estimate report for Cow Mountain (subsequently revised in October 2013), in addition to questionable operating practices at Bonanza Ledge, many investors had become wary of Barkerville and the assets under the Company's ownership. The restructuring of management and the Board of Directors in 2015, in addition to significant investments by Osisko Gold Royalties (OR-T, Buy Rating, \$18.25 TP), Osisko Mining (OSK-T, Buy Rating, \$6.50 TP), and Sprott Asset Management, eliminated the outstanding \$28 million debt, increased the Company's cash balance to its current balance of ~\$22 million, and breathed new life into a highly prospective gold district. It is our view that potential investors will look at the delivery of a robust National Instrument 43-101 compliant resource estimate at Cow and Island Mountain as a validation of new management's ability to move the Cariboo project forward, in addition to the successful execution of small-scale production at Bonanza Ledge. Meanwhile, a recent site visit also allowed us to appreciate the geological complexity at Cariboo; the relationship between multiple structural events and the gold mineralization. Gaining a better understanding of the geology at Cariboo will take time and more drilling, but we believe that the Barkerville geological team has the necessary technical experience to do this.



Table 1: Island Mountain Drilling Results

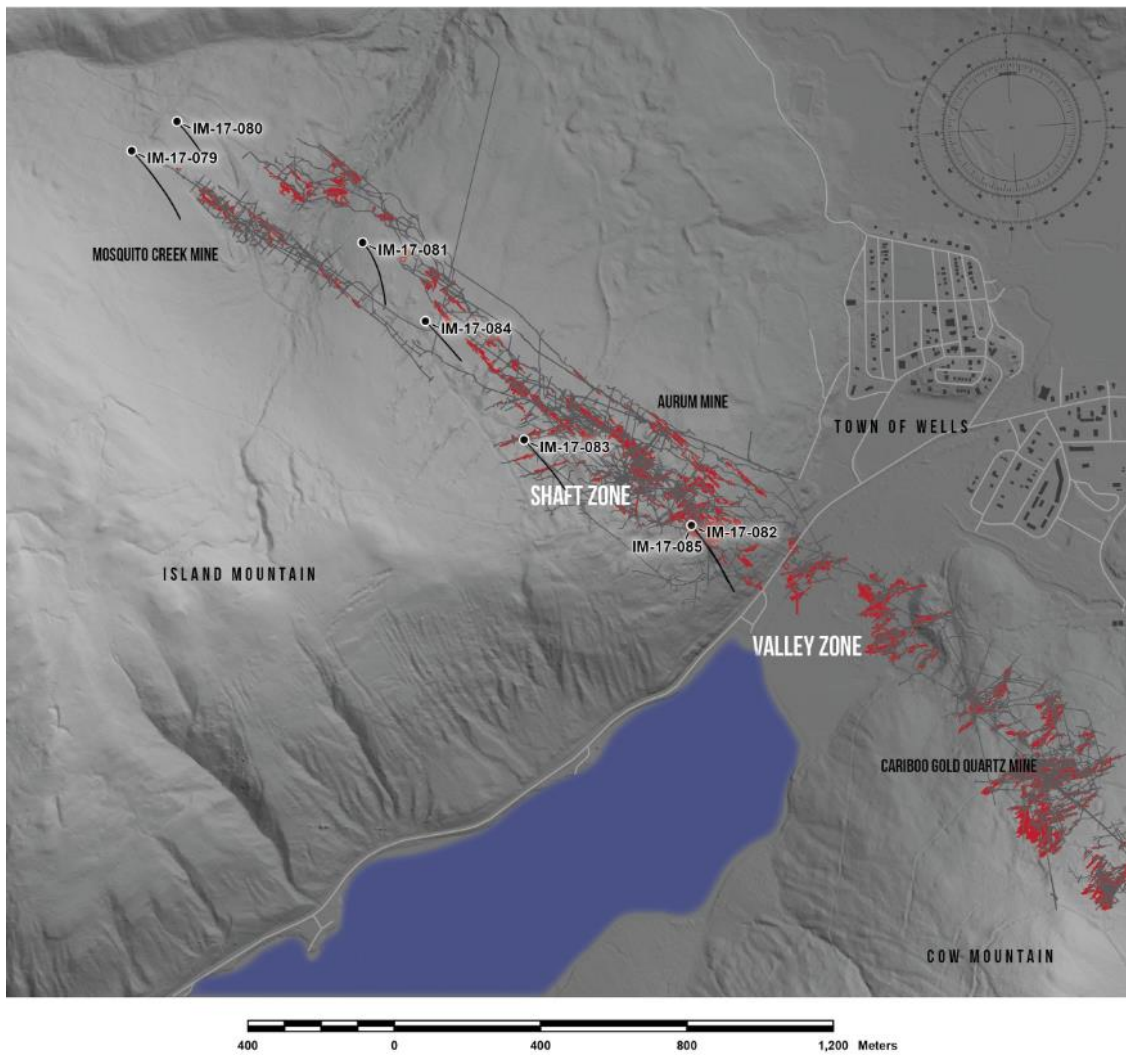
HOLE-ID	FROM (M)	TO (M)	CORE LENGTH (M)	AU (G/T)	AREA	HOLE-ID	AZIMUTH	DIP
IM-17-079	29.85	30.7	0.85	8.89	MC	IM-17-079	136.9	-45.2
IM-17-079	249.4	249.95	0.55	5.65	MC	IM-17-081	139.2	-66.3
IM-17-080	148	152.3	4.3	4.82	MC	IM-17-083	137.3	-41.4
INCL	151.2	151.75	0.55	20.2	MC	IM-17-080	138.6	-45.3
IM-17-081	175.3	176.3	1	10.9	MC	IM-17-082	142.4	-45
IM-17-081	257.5	258	0.5	28.1	MC	IM-17-084	136.6	-45.9
IM-17-081	283.7	291.5	7.8	23.31	MC	IM-17-085	139.2	-64.3
INCL	283.7	284.5	0.8	10.15	MC			
AND	286.1	287.6	1.5	25.4	MC			
AND	287.6	288.5	0.9	18.25	MC			
AND	288.5	289.5	1	55.7	MC			
AND	289.5	290.15	0.65	31.5	MC			
AND	290.15	291	0.85	48.2	MC			
IM-17-081	402.5	404.5	2	7.43	MC			
IM-17-082	113	113.5	0.5	47.6	SHAFT			
IM-17-082	139.6	140.15	0.55	6.03	SHAFT			
IM-17-082	178.85	183.1	4.25	5.6	SHAFT			
INCL	179.9	180.9	1	14.8	SHAFT			
IM-17-082	200.3	200.8	0.5	21.1	SHAFT			
IM-17-082	209.2	209.7	0.5	28	SHAFT			
IM-17-082	297.6	298.8	1.2	5.56	SHAFT			
IM-17-083	20.65	21.15	0.5	11.3	SHAFT			
IM-17-083	216.1	216.6	0.5	8.28	SHAFT			
IM-17-083	221.65	229.25	7.6	5.78	SHAFT			
INCL	221.65	222.3	0.65	21.9	SHAFT			
AND	223.5	224	0.5	18.05	SHAFT			
AND	228.75	229.25	0.5	29.9	SHAFT			
IM-17-084				NSA	MC			
IM-17-085	291.6	292.3	0.7	21.4	SHAFT			
IM-17-085	366.45	381	14.55	13.63	SHAFT			
INCL	367.4	368.45	1.05	32.6	SHAFT			
AND	369.7	370.2	0.5	26.8	SHAFT			
AND	377	377.85	0.85	155	SHAFT			
AND	378.65	379.15	0.5	10.55	SHAFT			

True widths cannot be accurately determined from the information available therefore core lengths are reported. Rock not recovered by drilling was assigned zero grade. Top cuts have not been applied to high grade assays. MC = Mosquito Creek, SHAFT = Shaft Zone.

Source: Barkerville Gold

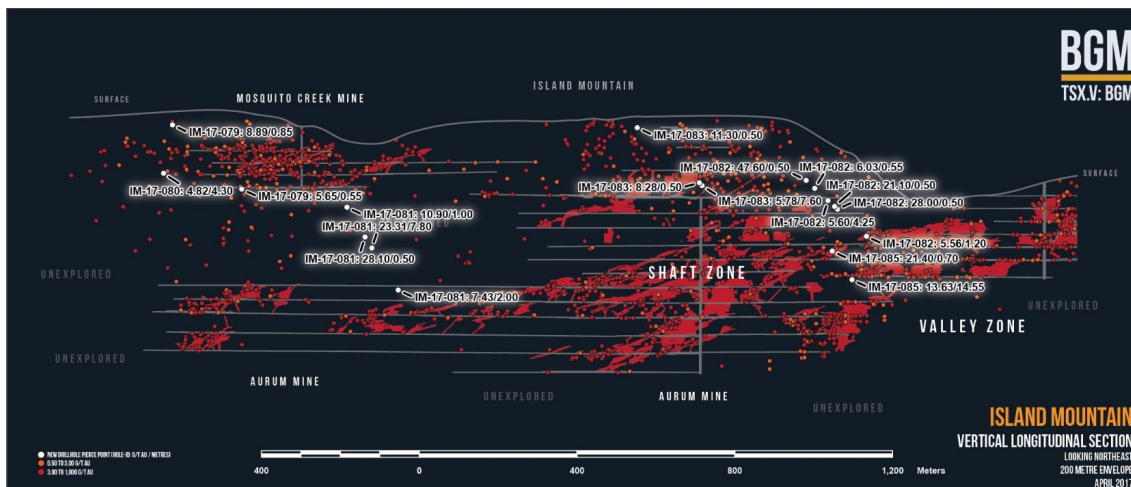


Figure 1: Island Mountain Drill Hole Location Map



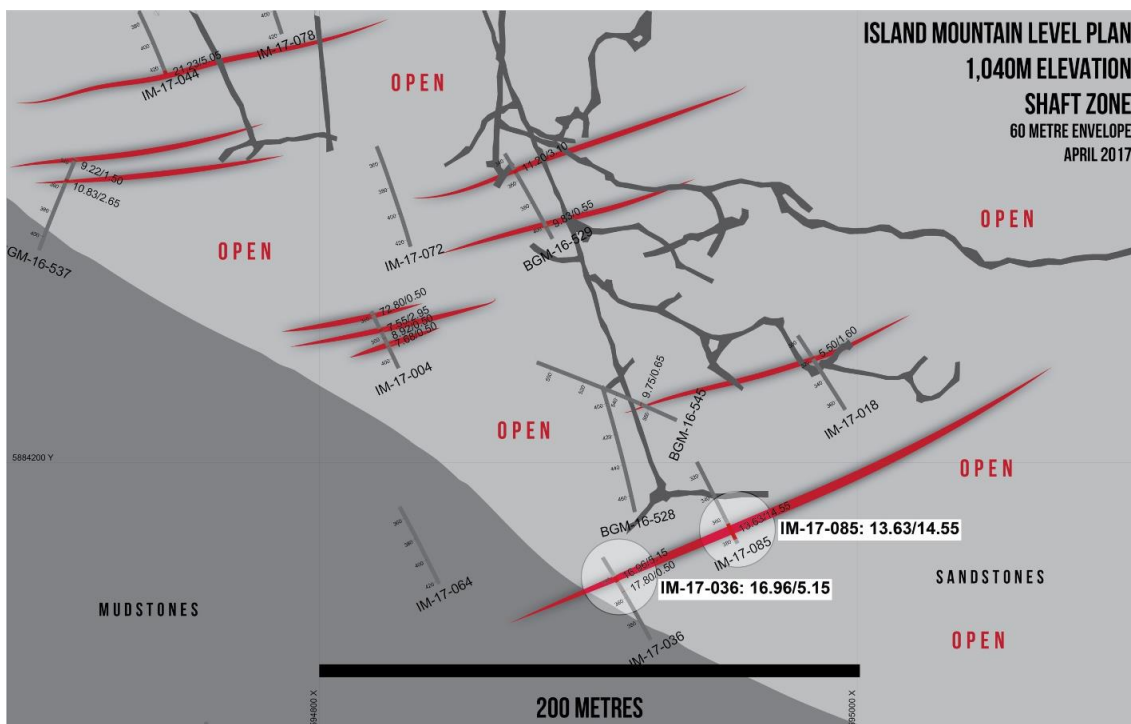
Source: Barkerville Gold

Figure 2: Island Mountain Vertical Longitudinal Section



Source: Barkerville Gold

Figure 3: Island Mountain Level Plan



Source: Barkerville Gold



Risks

Significant Project/Company-Related Risks

The investment to which this report relates carries various risks, which are reflected in our Overall Risk Rating. We consider the following to be the most significant of these investment risks:

- We identify several inherent risks and uncertainties associated with Barkerville's business model. Aside from broad market conditions influencing metal (gold) prices, and general market sentiment, most of the risks identified are typical, or at least reflective of those attributable to other Junior exploration companies, as outlined below:
- **Overall Risk – Very High:** We assign an overall Very High risk rating to Barkerville given the small market capitalization, significant future financing required, and lack of liquidity. Notable risk considerations include the significant capital funding that would be needed to move the advanced-stage projects at Cariboo to production (in the context of the Company's current capitalization). We note that Barkerville expects to commence small-scale underground production at Bonanza Ledge and BC Vein. The operation is viewed as a test case for potential future larger scale mining at Cow and Island Mountain however 30,000 ounces of gold is expected to be produced per year over a three-year period which could perhaps alleviating some of the capital requirements the Company will need to take the project further.
- **Valuation Risk – High:** As Barkerville is in the exploration/resource-definition stage, and the previous mineral resource estimate for Cow Mountain is contentious, we have derived our current evaluation from an EV/ounce metric, rather than a discounted cash flow (DCF) analysis on a hypothetical resource given the lack of data available. We estimate a total of 2.5 million ounces of gold for Island Mountain (1.7 million ounces) and Cow Mountain (750,000 ounces). An estimated resource of 1.1 million ounces has also been incorporated into our model for the Valley Zone, which lies between Cow and Island Mountain. Finally, we have estimated 150,000 ounces at BC Vein, 125,000 ounces at the Bonanza Ledge deposit, and a 1 million ounce resource credit for the remainder of the Cariboo Project area. We expect the updated resource estimate for Cow Mountain expected in H2/17 will represent a downgrade from the March 2015 estimate. As well as deriving our valuation for the Cariboo project from currently trading peers, we have also considered the valuation of several Junior explorers acquired over the past 3 years, as well as the evaluation of several comparable companies in H2/10 when the price of gold was aligned with our current forecasted gold price. We acknowledge the risks associated with such an approach; however, we aim to revisit our evaluation possibly using a different method (e.g., DCF analysis) when the updated mineral resource estimate is released. We also note that specific details pertaining to the restart of mining at Bonanza Ledge are not available for a more in-depth valuation; the Company considers Bonanza Ledge and BC Vein as a test case for future potential large-scale production at Cow and Island Mountains. The Company recently received its underground permit for 150,000 tonnes per annum, where ore will be processed at the recently refurbished QR mill located approximately 100 kilometres to the south. Engineering work completed at Bonanza Ledge will be incorporated into a feasibility study expected in 2018.
- **Financial Risk – Very High:** Barkerville does not generate operating cash flow from its core business, although small-scale production at Bonanza Ledge scheduled to commence in Q3/17 may alleviating some of the capital requirements the Company will need to take the project further. Even so, Barkerville will be reliant on external sources of financing, including future equity financings to fund ongoing operations beyond any revenue generated from Bonanza Ledge.



- **Forecast Risk:** Barkerville's Cariboo Gold Project is located in British Columbia, Canada; therefore, we view political risk as moderate. However, the project's proximity to Imperial Metals' Mount Polley mine may indirectly impact the timing of permits given the sensitivity associated with the 2012 incident which saw a tailings dam breach at the mine. These risks are partly mitigated as Cariboo is located within a historic mining district where significant disturbance has already occurred. Therefore, we rate the risks associated with the permitting of future operations at Cariboo as moderate. As described above, Barkerville received an updated permit for its small-scale mine at Bonanza Ledge and BC Vein, providing confidence that additional permits are obtainable for its other projects
- **Large land package – target prioritization critical:** We view Barkerville as one of several Junior exploration companies that have successfully locked up a dominant land position in a region that historically has been considered highly prospective. A significant land position can be both a blessing and a curse. Barkerville's mineral claim fees are minimal given the exploration work completed by current and former management over the past few years. However, having acquired such a large land package makes the prioritization of exploration targets very important. Systematic geological mapping, sampling, and interpretation need to be completed in a methodical manner to ensure capital is spent on the most prospective targets. This work can take time, so tempering investor expectations is essential.

Our Risk Profile Parameters ratings and Overall Risk Rating are set out on the cover page and are explained in our Rating Structure section under "Overall Risk Rating". These ratings are an integral part of our Report.



Barkerville Gold Mines Ltd. (BGM-V)

4/26/17

HAYWOOD SECURITIES INC.	Barkerville Gold Mines Ltd. (TSXV:BGM, \$0.94)
Rating: Buy	
Risk: Very High	
Valuation: 1.0x NAV	

Target Price (C\$)	\$1.60	Market Cap, C\$M	\$313.2
Return (%)	70%	Company CEO	Chris Lodder
52 Week High/Low (C\$)	\$1.18 - \$0.41	Company Website	www.barkervillegold.com
Daily Volume (3-month avg)	698,170		

CAPITAL STRUCTURE			
	Shares		
	Millions		
Shares	333.2		
Options & Warrants	29.3		
Fully Diluted Shares	362.5		

OWNERSHIP (Source: Capital IQ)			
	Shares	O/S (M)	% O/S
Osisko Gold Royalties Ltd.	116.4		34.93%
Osisko Mining Inc.	54.7		16.41%
M&G Investment Management Limited	9.9		2.97%
RBC Global Asset Management Inc.	4.5		1.36%
Sprott Asset Management, LP	3.3		0.98%
Antares Strategic Investment AG	0.1		0.02%
Management and Insiders	8.2		2.46%

FINANCIAL SUMMARY (US\$)

Year-end December 31	Feb. 2016A	Dec. 2016E	2017E	2018E
FD Shares, M	364.4	364.4	395.8	427.6
EPS	(0.02)	(0.10)	(0.13)	(0.08)
Op. CFPS	(0.02)	(0.09)	(0.14)	(0.08)

Income Statement (US\$M)				
Revenue	10.0	0.0	0.0	0.0
Operating Expenses	(12.4)	(26.4)	(41.4)	(26.3)
General & Admin	(4.4)	(5.4)	(5.9)	(6.0)
Net Income	(6.1)	(31.7)	(47.3)	(32.3)

Balance Sheet (US\$M)				
Cash & Equivalents	19.0	23.4	9.2	9.4
Debt	0.1	0.0	0.0	0.0

Cash Flow (US\$M)				
Op. CF (before W/C)	(6.6)	(30.4)	(51.4)	(32.3)
Financing CF	14.4	23.7	28.5	32.3
Investing CF	8.7	(7.6)	9.2	0.0
Change in Cash	18.6	(13.6)	(13.7)	0.0

NET ASSET VALUE			
	C\$M	CS/sh	
Island Mountain	239	0.65	
Cow Mountain	102	0.28	
BC Vein	21	0.06	
Bonanza Ledge	17	0.05	
Valley Zone	149	0.40	
Regional Project Area	70	0.19	
Total	598.6	1.62	

COMPARABLES						
Company	Ticker	Price C\$	Total Resources (Au Moz)	EV/ Oz (US\$/oz)	P/NAV	
Pure Gold Mining Inc.	TSXV:PGM	0.57	1.2	\$58	0.65x	
Integra Gold Corp.	TSXV:ICG	0.81	6.1	\$40	0.68x	
Marathon Gold Corporation	TSX:MOZ	1.22	2.2	\$46	0.78x	
Osisko Mining Inc.	TSX:OSK	5.00	5.6	\$108	0.83x	
Pilot Gold Inc.	TSX:PLG	0.49	2.0	\$21	0.50x	
Selected Company Average				\$55	0.69x	
Barkerville Gold Mines Ltd.	TSXV:BGM	\$0.94	3.9	\$52	0.59x	

HISTORIC PRODUCTION				
Source Of Production	Production Period	Tons	Recovered	
Island Mountain Mine	1934-1967	1,245,295	569,528 oz gold and 81,658 oz silver	
Mosquito Creek Mine	1980-1983	86,248	27,384 oz gold and 7,747 oz silver	
	1984-1987	16,900	6,897 oz gold and 2,134 oz silver	
Cariboo Gold Quartz Mine	1933-1959	1,681,951	626,755 oz gold and 56,092 oz silver	
Bonanza Ledge Mine	2015	82,766*	23,726 oz gold	

HISTORIC PERFORMANCE



INVESTMENT HIGHLIGHTS

Barkerville Gold Mines is an early stage gold exploration and development company focused on finding and delineating high-grade gold deposits within the Cariboo Mining District in British Columbia, one of the most well-known and prospective gold districts in Canada. The Cariboo property is located 50 miles by road from the city of Quesnel. The property area is easily accessible by a number of gravel and sealed roads. Barkerville also owns a ~800-tonne-per-annum capacity QR mill located ~100 kilometres southwest of Wells.

• **New Management – Moving Cariboo Forward:** After rising from a checkered history, Barkerville have restructured the capital structure, building out a new management team and completing the necessary work to confirm and advance its flagship Cariboo project in B.C.

• **Island and Cow Mountain – Flagship Gold Project** – While the Bonanza Ledge is expected to provide near term production, the Company's primary focus is to update the resource estimate at Cow Mountain in combination with initial resource estimates from Island and Barkerville Mountain. A combined resource estimate is expected in Q4/17. A feasibility study is expected in 2018.

• **Significant Regional Exploration Potential:** Historically, systematic exploration work has been limited owing to a fragmented land position. Through the systematic acquisition of land claims in the Cariboo Gold District, Barkerville has fully consolidated a 2,120 km² highly prospective/under-explored land package. Over 130 exploration targets have been identified that will be followed up with a 30,000 metre drill program in 2018.

ASSET DESCRIPTION - BONANZA LEDGE	
Stage:	Exploration and Development
Historic Production:	23,726 oz gold (2015)
Style of Gold Mineralization:	Quartz vein hosted and sulphide replacement
Description:	The Bonanza Ledge mine is Barkerville's most prospective short-term asset; the Company has a small-mine permit for a 200-tonne-per-day (75,000-tonne-per-year) open-pit operation.
	Ore mined in 2015 from an open-pit was transported from Bonanza Ledge to the Company's QR mill about 110 kilometres away to the west
	Barkerville has submitted an application to the BC government to increase the current small-mine permit to allow a production capacity of 1,000 tonnes per day, with the aim of producing 375,000 tonnes over 28 months.

ASSET DESCRIPTION - COW MOUNTAIN	
Stage:	Exploration and Resource Definition
Historic Production:	626,755 oz gold and 56,092 oz silver (1933-1959)
Style of Gold Mineralization:	Mostly quartz vein hosted
Description:	A technically deficient resource estimate released by former management for Cow Mountain tainted investor confidence - subsequently revised.
	Structural controls and distribution of gold mineralization at Cow Mountain (and elsewhere within the Cariboo Gold District) are complex. Updated resource will incorporate a geological model to constrain the block model and utilize alternate interpolation methods for resource estimation.

ASSET DESCRIPTION - ISLAND MOUNTAINS	
Stage:	Exploration and Resource Definition
Historic Production:	600koz gold and 90koz silver
Style of Gold Mineralization:	Dominately sulphide replacement and lesser quartz vein hosted
Description:	According to drilling and soil geochemical data, the Island Mountain trend has a strike length of approximately 1.5 kilometres—twice that of Cow Mountain.
	Average grades at Island Mountain appear to be higher compared with Cow Mountain, according to drill-hole statistics completed as part of the 2015 Technical Report
	Most of the ore mined at the Island Mountain and Mosquito Creek mines was from pyrite replacement, and the Company believes that a significant proportion of quartz vein-hosted ore still remains.

ASSET DESCRIPTION - REGIONAL EXPLORATION POTENTIAL	
Stage:	Exploration
Style of Gold Mineralization:	Potential for both quartz vein hosted and sulphide replacement
Targets:	Large land package (2,120 km ²) largely un-explored. Numerous soil and rock-chip anomalies both peripheral to and along strike of Cow, Island and Barkerville Mountains

CATALYSTS	
1) Commencement of underground mining at Bonanza Ledge (Q3/17); 2) Resource statement (Q4/17), Feasibility study (2018)	

Source: Company Reports, CapitalIQ, Haywood Securities



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- n/a

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Overall Risk Rating

Very High Risk: Venture type companies or more established micro, small, mid or large cap companies whose risk profile parameters and/or lack of liquidity warrant such a designation. These companies are only appropriate for investors who have a very high tolerance for risk and volatility and who are capable of incurring temporary or permanent loss of a very significant portion of their investment capital.



High Risk: Typically micro or small cap companies which have an above average investment risk relative to more established or mid to large cap companies. These companies will generally not form part of the broad senior stock market indices and often will have less liquidity than more established mid and large cap companies. These companies are only appropriate for investors who have a high tolerance for risk and volatility and who are capable of incurring a temporary or permanent loss of a significant loss of their investment capital.

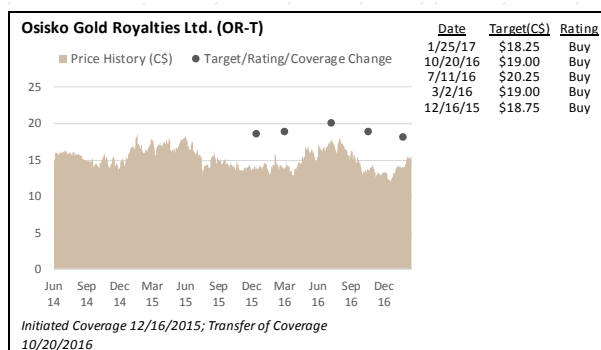
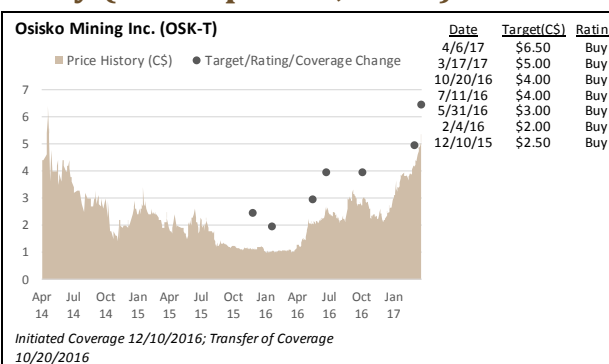
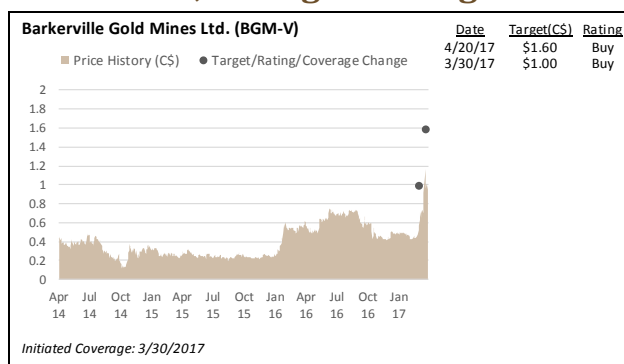
Medium-High Risk: Typically mid to large cap companies that have a medium to high investment risk. These companies will often form part of the broader senior stock market indices or sector specific indices. These companies are only appropriate for investors who have a medium to high tolerance for risk and volatility and who are prepared to accept general stock market risk including the risk of a temporary or permanent loss of some of their investment capital

Moderate Risk: Large to very large cap companies with established earnings who have a track record of lower volatility when compared against the broad senior stock market indices. These companies are only appropriate for investors who have a medium tolerance for risk and volatility and who are prepared to accept general stock market risk including the risk of a temporary or permanent loss of some of their investment capital.

Distribution of Ratings (as of April 26, 2017)

	%	#	IB Clients (TTM)
Buy	77.9%	74	95.7%
Hold	7.4%	7	0.0%
Sell	0.0%	0	0.0%
Tender	1.1%	1	0.0%
UR (Buy)	0.0%	0	0.0%
UR (Hold)	0.0%	0	0.0%
UR (Sell)	0.0%	0	0.0%
Dropped (TTM)	13.7%	13	4.3%

Price Chart, Rating and Target Price History (as of April 26, 2017)



B: Buy; H: Hold; S: Sell; T: Tender; UR: Under Review
Source: Capital IQ and Haywood Securities