Mining Review Sunday Update 15th May 2022

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Chinese copper stocks are low, but the price of copper continues to fall. […]



Eloro Resources – Iska Iska project view.

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A truly awful week for investors in mining stocks and precious metals, as the strong US dollar pushed down the price of gold,

silver, stocks, and bonds.

Chinese copper stocks are low, but the price of copper continues to fall. The price of nickel is also falling despite the Chinese 'Big Shot' only managing to unravel half of his short position so far.

Commodity prices falling

Firstly we have to remember that the US dollar is extremely high at the moment, a multi year high, so in fact some commodity prices will not be falling so much, if at all, in local currencies.

Last month for example, the price of gold fell in US dollar terms, but ROSE in UK £ terms, due to the rise of the dollar versus the £.

Even so the some of the falls in commodity prices over the last week were breathtaking, Tin -16.9%, Iron ore -11%, zinc -11%, nickel -8.6%, copper – 5.54%, and remember, these are WEEKLY price movements!

As well as the strong US dollar there are some economic concerns, the principal one being the effects of the covid lockdowns in various Chinese industrial cities, reducing the need for raw materials temporarily. The second of course is the Ukrainian conflict.

The only commodity that rose in price last week was coking coal, despite India increasing imports from Russia, at a discount, presumably.

Mining stocks took a battering this week, even profitable producers are being slaughtered in the rush to sell. One example being **Karora Resources (TSX.V: KRR)**, producing gold with a nickel by product with low AISC.

Stocks on our watchlist in the news this week.

Orla Mining Q1 2022 Earnings Call Transcript

Eloro Resources Completed a Discounted Bought Deal

Colonial Coal CEO Presentation Enthuses Investors

Pure Gold Mining – Diary of a Disaster

Ascot Resources Commenced their 2022 Drilling Program

Karora Resources welcomed Tony Makuch as an Advisor

Calidus Resources Poured first gold at Warrawoona

Market Data (US$)

Precious Metals

Gold	1812	-3.77%
Silver	21.11	-5.59%
Palladium	1946	-5.21%
Platinum	945	-1.87%
Rhodium	16000	-8.57%

Base Metals

Copper	4.09	-5.54%
Nickel	12.52	-8.61%
Zinc	1.61	-11.05%
Tin	15.37	-16.92%

Energy metals

Cobalt	35.94	-2.73%
Manganese	3.45	-3.63%
Lithium	62982	-1.61%
Uranium	52.75	-4.35%

Bulk commodities

Iron Ore	127	-11.99%
Coking Coal	494	+1.44%
Magnesium	5155	-11.30%

Metal ETF’s

GDX	30.88	-9.81%
GDXJ	37.1	-10.49%
Sil	28.77	-9.47%
SILJ	10.67	-10.03%
GOEX	26.2	-11.04%
GLD	168.79	-3.55%

COPX	35.46	-6.64%

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Disclosure

At the time of writing the author owns shares in all the

companies mentioned in this report except Pure Gold Mining, bought in the market at the prevailing price on the day of purchase.

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Pure Gold Mining Diary of a Disaster

Pure Gold Mining (AIM: PUR / TSX.V: PGM)

What a shambles of a story Pure Gold Mining has become, after such a promising start.

A financing at C$0.15 cents per share has dragged down the share price to a new low as the company desperately scrambles to rebuild their treasury. […]

Pure Gold Mines	AIM: PUR / TSX.V: PGM
Stage	Production / development
Metals	Gold

Market cap	C$92 m @ 18.5c
Location	Red Lake, Ontario, Canada



Pure Gold Mine, Red Lake area, Ontario

Pure Gold Mining lurching from Disaster to Disaster,

Can the Latest Financing stop the rot?

Pure Gold Mining (AIM: PUR / TSX.V: PGM)

What a shambles of a story Pure Gold Mining has become, after such a promising start. I always thought a company with a C$400 million cap prior to production was a bit racy, but what has transpired since to such a promising project beggars belief.

Pure Gold's mine is located at Red Lake in Ontario, at the top of the Premier League of tier 1 mining jurisdictions. For that reason there were always high expectations for the company.

Pure Gold Mining – Diary of a disaster

Pure Gold – The problems were not apparent early on in news releases – here they are in chronological order

In December 2020, the share price of PGM reached a peak of C$2.58, the mine was going into production, and all looked on

track.

On March 3rd 2021, PGM announced the ramp-up was progressing steadily, and commented *"performance to date has met or exceeded expectations with respect to underground development and ore production rates, milling performance and gold recovery."*

The following day PGM announced three high grade gold intercepts. So far so good.

At the end of March 2021 PGM announced the mill had achieved design capacity, and also raised "additional liquidity" with Sprott Financial, and the deferral of some cash interest payments until the end of June.

On the 8th April PGM announced a bought deal financing for C$10, million, subsequently upsized to C$17.250,024 all "flow through", *not good news*, and maybe a sign that things weren't going to plan?

May saw a "final stages of ramp up" news release, followed by a "*milestone Q2*", in July, and a Declaration of Commercial Production on August 3rd.

> *So, up until this point everything looked rosy, apart from the flow through financing, but many miners raise during production startup taking advantage of price strength to put some cash into the treasury in case of future need, and that makes sense.*
>
> *Apart from a falling shareprice (And PGM was overvalued for a while in my opinion) there were no announcements that acknowledged any issues or problems at the mine.*

On September 8th PGM announced a bought deal for C$20,000,400,

closed on the 28th September for C$23 million.

On October 5th PGM announced a C$3.45 non brokered financing, which closed on October 15th.

On October 27th, PGN released Q3 results, which looked good as everything was ramping up, and mill upgrades has been completed. There was also a leadership change, with the experienced turnaround specialist Maryse Bélanger as Mine General Manager, effective immediately. This was a clear sign there were problems, but management had taken decisive action to bring in an experienced manager.

On October 28th high grade gold drill intercept news was released.

Then came the Q3 results on November 12th, and a whopping loss of C$13.2 million, costs were simply too high. Another employee, VP operations was 'retired', with Maryse Bélanger adding these duties to her Mine Manager role.

Moving into 2022

Pure were quickly out of the blocks on January 4th, replacing the CEO and other senior management in a clear out, effective Jan. 1st. Two other minor news releases were issued in January.

On February 15th a bought deal for C$25 million at *53 cents per share* was announced, which closed at C$31.2 million, with AngloGold Ashanti increasing ownership to 19.9%.

Two days later, February 17th, yet more management changes, and Maryse Bélanger had vacated her position of Mine Manager, but retained a seat on the board as an advisor.

On March 28 PGM released an Operations Update, and gave the cash position as C$9 million, and then stated they need to

raise C$25 million immediately, and a further C$25 million within 6 months. Results followed on 30th March.

Then the company reported a civil claim by shareholders on 7th April.

On April 22nd PGM announced a C$6 million liquidity and waver from Sprott Lending, and PGM agreed to undertake another C$5 million by May 15th.

On May 6th, the company announced ***a C$30 million raise at just 15 cents per share***.

Experienced executive Tony Makuch joined the board as Technical Advisor.

Comment

The fall in shareprice from C$2.58 has been short and precipitous, and an education for investors about what can go wrong if a mine start up plan is not well executed.

The issues included being undercapitalised, mining costs were too high, and poor cost management control.

I am not surprised by the legal action, although that will be a distraction for the company at a time when it needs maximum focus on developing the mine to fulfill its potential.

Shareholders who bought at much higher prices have seen the value of their original investment eroded significantly, although the current low price offers an opportunity to average down if they still believe in the project, and abilities of the new management team.

For anyone just looking at the story, this might be a good level to consider an investment, it's hard to see the price

falling much more unless the project totally fails, but with new management involved one would hope that won't happen.

The arrival of Tony Makuch is a good sign in my view, he has an abundance of experience and is well connected, so he should be able to get things done, if anyone can.

Management are on a strong cost saving plan and have reduced by $C8 million per month, and plan to be corporate cashflow positive by Q1 2023. The principal issues have all been addressed and a new scoping study is awaited.

So, Pure Gold is a watch and wait in my opinion. There are around 500 million shares in issue, which is far too high, and has taken away the uplift potential from the original holders.

There are around 44 million warrants heavily out of the money, so unless they are repriced, they will disappear within the next year.

For someone looking to invest, with a long term view, this may well prove to be a good starting point, time will tell.

I am contemplating a small purchase with a long term view.

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Pure Gold Mining slumps on Financing Requirement

Pure Gold Mining (TSX.V: PGM / AIM: PUR)

The company reported an operations update and guidance for the remainder of 2022, which included the requirement to raise another C$50 million, which spooked the market and the shareprice slumped as a result.

By announcing the financing in advance, the price has sold off and obviously this has disadvantaged current holders as they will be diluted further as a result of a discounted placing. […]

Pure Gold Mining	TSX.V : PGM / AIM: PUR
Stage	Production
Metals	Gold
Market cap	C$189 m @ C$0.38
Location	Ontario, Canada



Pure Gold Mining – drilling at the face

Comment

Pure Gold Mining is in our ***recovery watchlist of companies that have fallen in value****, mainly due to poor project execution, but with a good looking project that might recover in value in the hands of either a new management team, or a new plan, or both.*

Pure Gold Mining is a perfect example of such a company, with old management now replaced by a more experienced team, who are trying to rectify the mistakes made.

This is clearly proving more difficult than investors thought,

and they have published their guidance for moving forward, which required ANOTHER financing, this time for C$50 million! (They recently closed a C$25 million financing).

Sadly they have announced the need for a financing in advance, and the market has punished them by slamming down the share price, thus diluting existing shareholders as the placing price will be lower now.

This looks an extraordinarily poor decision, and will reward new investors climbing on board the train at a much lower ticket price, at the expense of existing investors.

At the lower price, and if management execute their new plan well, and given the project is in a prolific mining belt in Canada, this may turn out to be a potential turnaround and good recovery story for new investors at this lower level in my opinion, but not until after the financing price has been announced.

I for one will be watching for an opportunity here.

PureGold Mine Operations Update and 2022 Corporate Outlook

March 28, 2022

VANCOUVER, B.C. – Pure Gold Mining Inc. (TSX-V:PGM, LSE:PUR) ("PureGold" or the "Company"), is pleased to provide an operations update from the Company's PureGold Mine in Red Lake, Ontario and to provide an updated corporate outlook for 2022.

Revitalized Operational Leadership Team

Significant changes have been made to PureGold's executive management team to date in 2022, reflecting the Company's commitment to building a culture of operational excellence.

Since the beginning of 2022, new appointments include President & CEO, COO, CFO, VP Mine General Manager, VP Finance, and VP Technical Services among others.

This revitalized operational leadership team, who collectively bring several decades of underground operating, ramp-up and turnaround experience to PureGold, have been working together now for six weeks and in that time have kicked off several initiatives which are expected to *improve ore production, increase head grades, reduce operating and sustaining capital costs, and increase cash flow* throughout the 2022 calendar year.

Additionally, work in support of an updated Mineral Resource, Mineral Reserve, and Life of Mine plan is underway, and *an updated NI 43-101 Technical Report is expected to be released in late Q3 or early Q4 2022*.

The updated Life of Mine plan will set out the Company's vision for developing, operating, and potentially expanding the PureGold Mine based on all available data and operating experience to date.

Pure Gold Mining management comments

“The wide-ranging optimization initiatives underway at PureGold designed to improve production, boost grade, and reduce costs all share one thing in common, and that is that they are long-term solutions designed to address the fundamental, underlying issues to ensure sustainable long-term success.

“This asset offers tremendous upside in terms of organic growth and exploration potential, but we need to operate efficiently as a first step in order to unlock that potential.

“In our first six weeks here, the new operational leadership team have made great progress but we have more work to do and look forward to providing further updates on our progress throughout 2022.”

Terry Smith, Chief Operating Officer of PureGold Mining

“Throughout my career I have been a part of several underground start-ups and turnarounds and in my experience, success is a product of a strong culture which starts with leadership from the top.

“We are building a new culture at PureGold centered around

open communication, clear goals and strategy, and accountability.

“In the few weeks I’ve been on the job I can already sense we have an incredible group of people who are up to the challenge, and I look forward to showing them and everyone else what we can achieve.”

Bryan Wilson, VP Mine General Manager of PureGold Mining.

For brevity, this summary has been redacted, to read the full news release, please click HERE

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