

Sage Gold rated a Buy as they move towards a Q4 2017 Production Timeline

The mining industry has got itself a reputation in recent years for slowness, so a project that is moving rapidly towards a production date from a standing start, in less than a year, is impressive indeed. Such a stock is Sage Gold Inc. (TSXV: SGX).

This rocket propulsion is a combination of a skilled management team steeped in mine operating experience combined with an “oven-ready” project that was built at heavy expense by St Andrew’s Goldfields and picked up by Sage’s management for a song. This is the mining industry equivalent of Plug-and-Play.

What Sage has....

The Clavos mine, located within the Timmins mining camp, was mined briefly between mid-2005 until August 2006 and again until May 2007 under the ownership of St Andrew’s Goldfields.

The Clavos property covers 2,540 hectares in total area with the property 100% owned by SGX. Clavos is 20kms from the Hoyle Pond mine, which has produced more than 2.4mn ozs since 1985 and is still in operation.



Historically, some \$60 million was invested by St. Andrew Goldfields and Sage in the mine/project. The existing infrastructure in place, includes underground ramp access to the 300 metre level, underground levels developed every 25 metres, power to site, surface ventilation system and a water management system. The project has an existing mining permit valid up to 2019.

The Black Fox Mill – The Shortcut to Production

A key part of the strategy to minimize the capital spend at Clavos is the utilization of a nearby mill to process the ore from the mine. Clavos is located around 10 kilometres from the Primero Gold’s mill (pictured below) in Stock Township. The Black Fox mill site is located at the past-producing Stock mine, 28 kilometres by road from the Black Fox mine site. The mill is a 2,500 tonnes per day carbon in leach (CIL) facility.



Like Clavos, the mill was previously owned by St. Andrew Goldfields (now Kirkland Lake Gold) during the 2005-2007 period when St. Andrews was operating the Clavos mine. The current operating management of the mill were around when over 100,000 tonnes of Clavos ore was processed hence the familiarity of the mill operators with the Clavos material.

Sage Gold has signed a binding toll milling agreement with Primero over the flow of ore they expect to send to the mill, processing up to 200,000 tonnes per year for a total of 1.1 million tonnes over the estimated seven-year mine life of the Clavos Mine.

It's worth noting that the mill is actually closer to Sage's mine than it is to Primero's. Also, the haul road between Clavos and the mill is owned jointly by Sage and Primero. The haul road is not part of the Provincial highway system and Sage will be able to use larger haul trucks between Clavos and the mill than would otherwise be permitted on the Provincial highways.

The modus operandi will be that rather than a continuous feed from Clavos the ore from the mine will be loaded underground and trucked directly to the mill. It shall be stockpiled there and then the mill will operate alternating between feed from

Clavos and feed from Black Fox in 10,000 tonne batches.

Here's the Plan

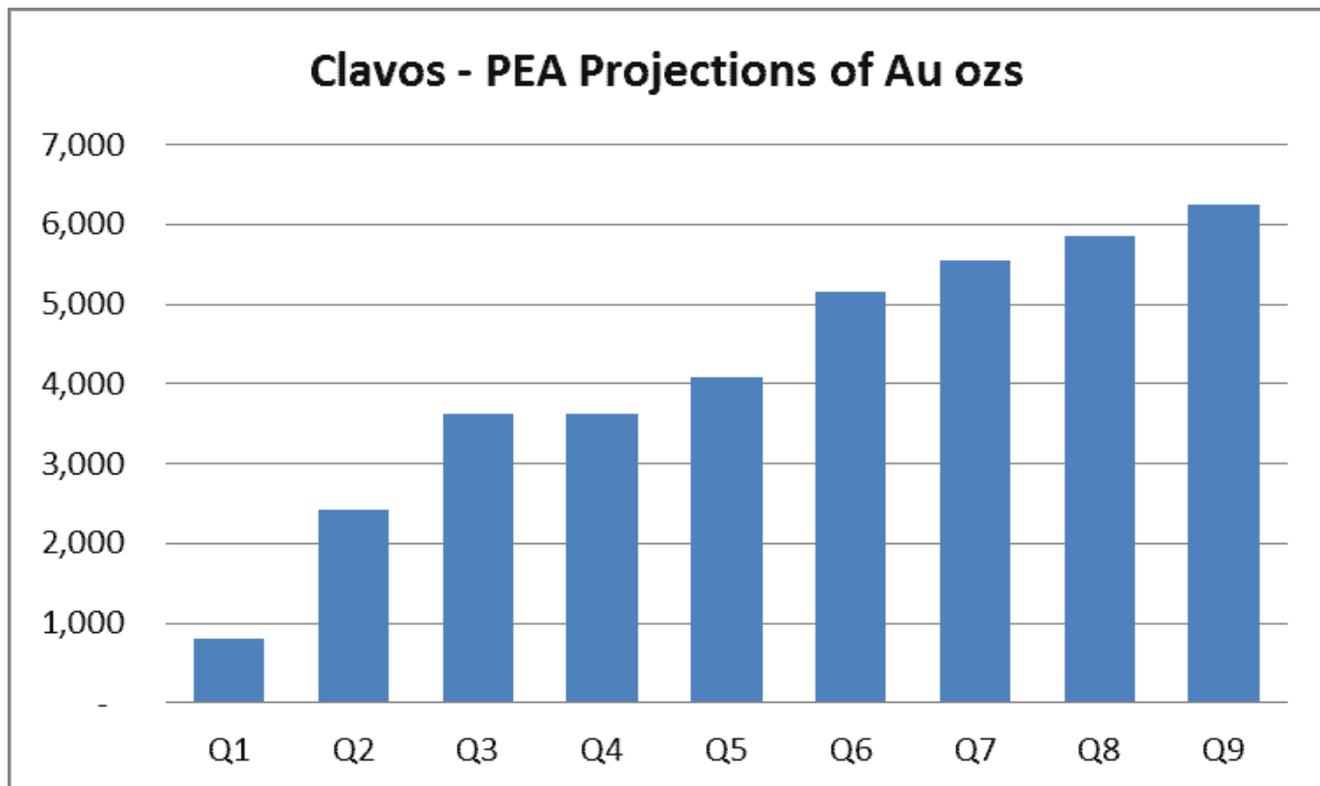
A mine production rate of 600 tonnes per day is optimum for the mineralized structures contained within the Clavos deposit. The mine is however permitted to 700tpd. The plan is to start with 40 tpd production with cut & fill mining of the stopes. An incremental 40tpd per day will be added to production every thirty days until capacity is reached.

This tonnage would permit a life of mine of seven years to extract 70% of the outlined mineral resource estimated tonnage of Indicated 1,258,400 tonnes plus Inferred 796,000 tonnes.

In the Clavos mine plan, there is readily available 847,133 tonnes of the 1,148,900 tonnes to be extracted prior to having to extract the remaining 301,767 tonnes which includes removing the crown pillar. The remaining 30% of the Indicated and Inferred resource estimate was not included in the mineralized material extraction scheduling process.

A 23-month period to permit mine dewatering, mine rehabilitation, definition/delineation diamond drilling and pre-stope development scheduling is envisaged to achieve a full production rate of 600 tonnes per day, or 210,000 tonnes per year based on 350 operating days per year.

During this 23 month period, the following mineralized material will have been delivered to a custom milling facility for processing, and Clavos will have produced the gold as detailed below:



Reasons to Invest

Sage Gold might be looked at as being St Andrews Goldfields Junior. Its main asset was developed by St Andrews at sizeable expense and now Sage Gold have picked it up for a mere fraction of the previously invested amount and are bringing it back to production. Meanwhile Primero Mining had acquired up the Stock Mill complex (changing its name) from St Andrews and in a case of history repeating itself this mill (and the privately owned road connecting mine to mill) will be put back into operation to obviate the need for processing at site. Sage Gold is making the original vision of St Andrews into a functioning reality.

So how can a junior succeed where a well-known mid-tier could not? The secret we believe is a combination of a team that is heavy with skills from first tier players combined with restoring the previous synergies of the various assets and doing so with a strict approach to costs and efficiencies.

With dewatering moving ahead at a brisk pace, production should be initiated in the second half of 2017. With mining

stocks having retreated from 2016 highs the old discriminator of producer versus developer/explorer comes back into play and the move by Sage Gold into production moves it into the most favoured category of mining stocks, those with cashflow.

We rate Sage Gold as a **Long** and are have upped our twelve-month share price target to CAD\$0.94.

Sage Gold fast-tracking into production

It's not that long since St Andrew's Goldfields disappeared from the scene but already we can talk of some companies as being the "offspring" of that storied name. In the case of Sage Gold Inc. (TSXV: SGX) it is a case of doing it better than St Andrews as it picks up the pieces of the Clavos mine and works together with Primero (which also owns ex-St Andrews assets in the vicinity) and puts them back into a cohesive and functioning package.

Background

The Clavos mine is located within the Timmins mining camp in German, Stock and Clergue townships and is comprised of 69 patented and leased claims and 14 unpatented claims. The patents, leases and claims are 100% owned by SGX. The Clavos property comprises 2,540 hectares in total area. Clavos is close geographically (20kms) to Hoyle Pond mine which has produced more than 2.4mn ozs since 1985 and is still in operation.

The Clavos deposit was mined briefly between mid-2005 until August 2006 and again until May 2007.



The mill was previously owned by St. Andrew Goldfields (now Kirkland Lake Gold) during the 2005-2007 period when St. Andrews was operating the Clavos mine. The current operating management of the mill were present at the time when over 100,000 tonnes of Clavos ore was processed hence the familiarity of the mill operators with the Clavos material.

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Proposed Mining Plan and Processing

A mine production rate of 600 tonnes per day was selected as being optimum for the mineralized structures contained within the Clavos deposit. The mine is however permitted to 700tpd.

The plan is to start with 40 tpd production with cut & fill mining of the stopes. An incremental 40tpd per day will be added to production every thirty days until capacity is reached.

This tonnage was based on a 2.75 g/t cut-off proposed tonnage estimate, with a 60 g/t cut grade, and would permit a life of mine of seven years to extract 70% of the outlined mineral resource estimated tonnage of Indicated 1,258,400 tonnes plus Inferred 796,000 tonnes.

Both Indicated and Inferred resources (70%) were included in the mine design, scheduling of mineralized material extraction and economic analysis for the Clavos deposit.

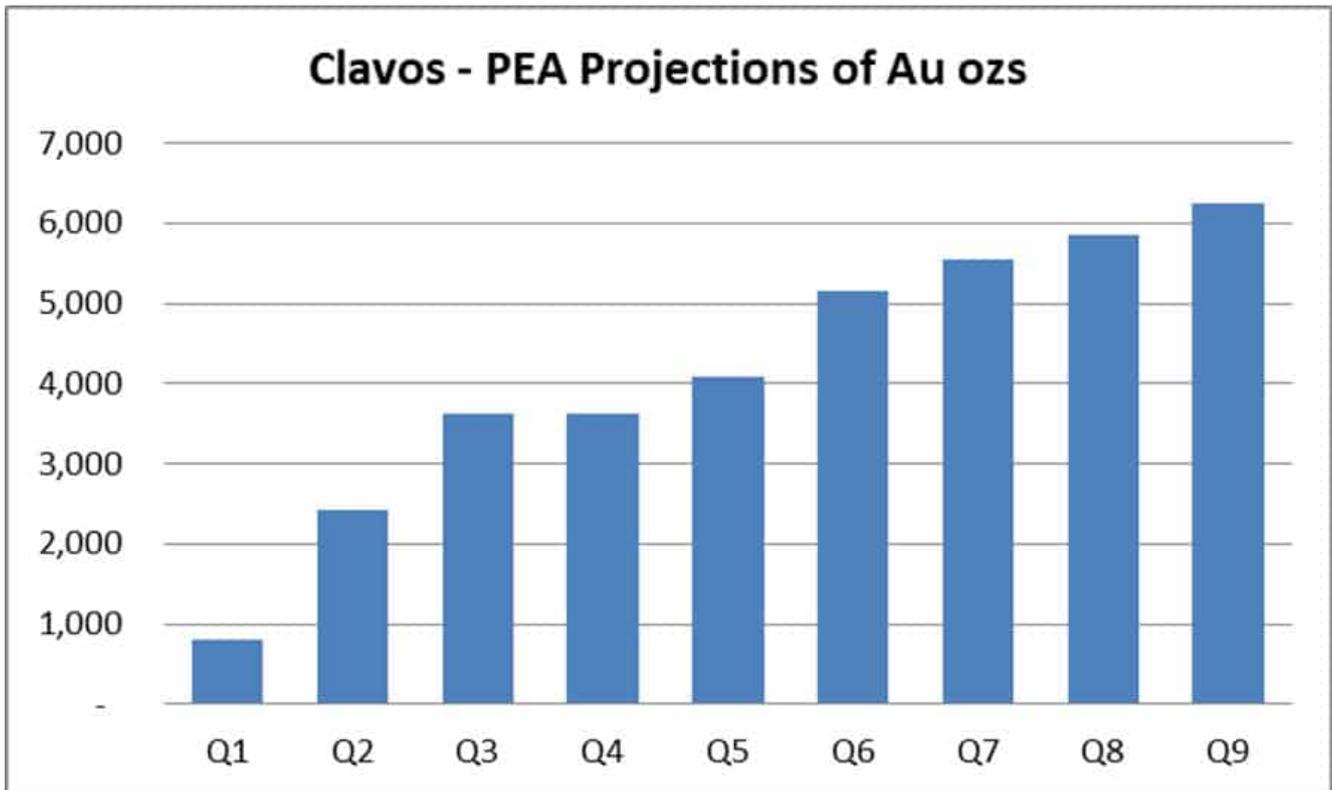
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A 23-month period to permit mine dewatering, mine rehabilitation, definition/delineation diamond drilling and pre-stope development scheduling is envisaged to achieve a full production rate of 600 tonnes per day, or 210,000 tonnes per year based on 350 operating days per year.

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Conclusion

In some ways Sage Gold could be seen as St Andrews Goldfields Junior. Its main asset was developed by St Andrews at sizeable expense and now Sage Gold have picked it up for a mere fraction of the previously invested amount and are bringing it back to production. Meanwhile Primero Mining had acquired up the Stock Mill complex (changing its name) from St Andrews and in a case of history repeating itself this mill (and the privately owned road connecting mine to mill) will be put back into operation to obviate the need for processing at site. Sage Gold is making the original vision of St Andrews into a functioning reality.

The question arises as to how a junior can succeed where a well-known mid-tier could not. The secret we believe is a combination of a team that is heavy with skills from first tier players (two of the board are involved at Yamana) combined with restoring the previous synergies of the various assets and doing so with a strict approach to costs and

efficiencies.

With dewatering moving ahead at a brisk pace, production should be initiated in the second half of 2017. With mining stocks having retreated from 2016 highs the old discriminator of producer versus developer/explorer comes back into play and the move by Sage Gold into production moves it into the most favoured category of mining stocks, those with cashflow.

Therefore we are rating Sage Gold as a **Long** call and are instituting a twelve-month share price target of CAD\$0.94.