

Research Update

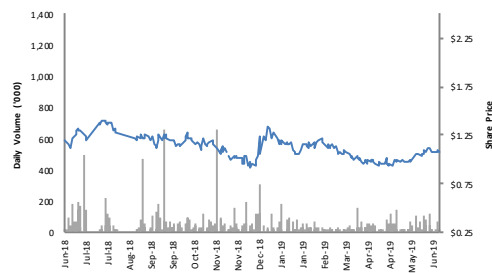
June 14, 2019

Rating:	SPEC BUY	(unchanged)
Price Target:	\$2.40	(unchanged)
Last Price:	\$1.08	
Ticker:	PRB-V	

Market Data

Target return (incl. dist.):	122.2%
Distribution/yield:	\$0/0%
Units outstanding (M, FD):	110.7
Market capitalization (\$M):	120
Net Asset Value (NAV) (\$/sh):	2.40
52-week range (\$):	0.91 - 1.49
Last fiscal year ended:	Dec. 31, 2018
Average weekly volume:	263,925
Currency (unless otherwise indicated):	CAD

Key trading multiples	F19E	F20E
\$/oz	\$54	\$40
% of Insitu Au Value	3%	2%



Probe Metals Inc is a Canadian gold exploration company listed on the TSX Venture Exchange. The company's principal asset is the Val d'Or - Est project in northern Quebec.

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Agnico Shows their Cards, Locking Up Land in Val D'Or; Probe Still has the Best Ground and Known Mineralisation in the Camp

Last night, Agnico Eagle (AEM-T, Not Rated) announced its intention to acquire 100% of Alexandria Minerals Corp. (AZX-V, Not Rated) for \$26M (\$0.05/share).

Highlights

- Cadillac Break Property Package in Val d'Or Targeted:** Alexandria owns a 35km stretch (Exhibit 1) of land claims along the Cadillac Break (>100Moz Au historically mined in the area) regional fault zone in Val D'or, Québec.
- O3 Unlikely to Make Counter Bid:** Chantrell Ventures Corp. (CV.H-V, Not Rated), to be renamed O3 Mining, recently also made a bid for Alexandria at \$0.04/share. Recall, O3 Mining is the rollup investment vehicle in which Osisko Mining Inc. (OSK-T, \$3.43, Buy, Target \$4.50) will transfer its non-core Garrison and Marban assets to. We view O3 as unlikely to make a counter bid given the size of a senior producer like Agnico Eagle.
- Agnico Showing Its Cards has Ramifications for Probe:** Agnico operates its Goldex and La Ronde mines in the region. The bid for Alexandria signals larger ambitions in the area that may include Probe Metals or possibly Eldorado Gold's Lamaque mine (ELD-T, Not Rated) down the line. Probe owns a large land package (120km²) in the area (Exhibit 2) and would put them on Agnico's list of companies to potentially acquire. We also note, Wesdome (WDO-T, \$5.15, Strong Buy, Target \$6.50) is advancing it's Kiena deposit directly adjacent to Goldex.
- Drilling to Materially Increase Resource Due Out in Fall:** The focus on near surface mineralization (0-300m) is paying off. The inclusion of winter drilling with previous expansion drilling will have materially increased the size of the existing 1.4Moz at 2.4g/t Au deposit to ~2.2Moz grading 2g/t (mainly openpit at ~1.7g/t). Probe is well financed with a cash position of \$28M (~\$0.25/share).

Valuation

Using a 10% of in-situ value rule, a 1.4Moz resource in Val-d'Or would be worth \$2.40/share (Au: US\$1,500/oz and FX: US\$0.80/\$). At current gold prices and Canadian dollar, the value would be \$2.34/share (US\$1,350/oz, US\$0.75/C\$).

Bottom Line

The fall resource will likely exceed ~2Moz Au and elevate Probe as a takeover candidate. This is essentially a re-run of management's previous success of selling their Borden mine to Goldcorp (now Newmont, NEM-N, Not Rated) for \$530M in 2015.

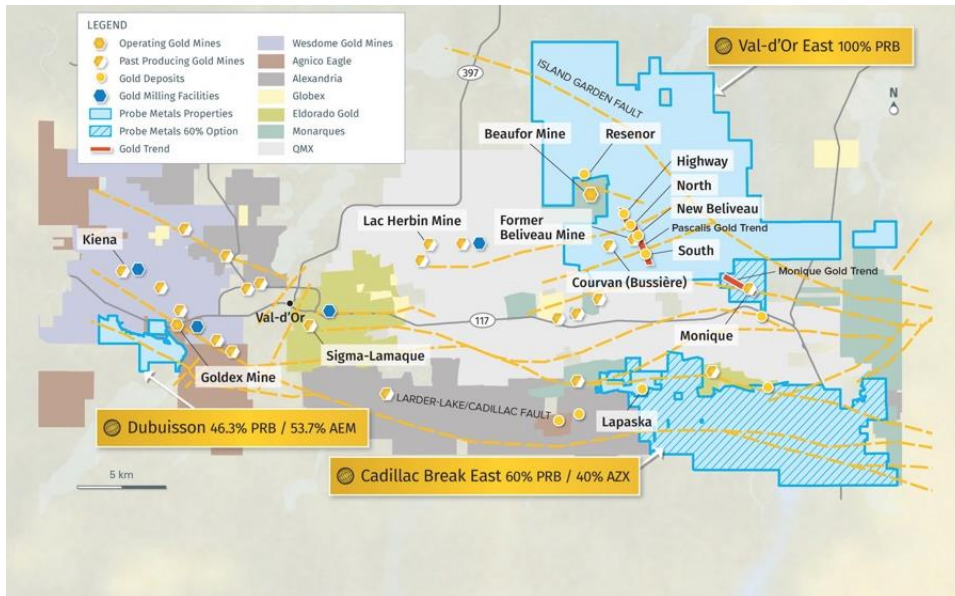
Management's strategy of building economic resources in a camp domiciled by several senior producers will pay off within a couple of years, the longer it runs, the higher the eventual takeout price. We note that Integra Gold was acquired by Eldorado Gold for \$590M (US\$197/oz in-situ) when it had a 2.3Moz underground resource in the same camp. Agnico's continued backing of the camp is another positive. We maintain our Speculative Buy rating and 12-month target price of \$2.40/share.

Exhibit 1: Alexandria Minerals Land Package



Source: Probe Metals Inc.

Exhibit 2: Probe's Val-d'Or East Project Map and Land Package



Source: Probe Metals Inc.

Exhibit 3: February 2018 Resource Estimate

	Open Pit			Underground			Combined		
	Tonnes (Mt)	Grade (g/t)	Gold (Koz)	Tonnes (Mt)	Grade (g/t)	Gold (Koz)	Tonnes (Mt)	Grade (g/t)	Gold (Koz)
M&I	7.7	2.2	536	1.3	3.4	147	9.0	2.4	682
Inferred	5.3	1.5	247	4.0	3.7	475	9.3	2.4	722
							18.3	2.4	1,404

Source: Probe Metals Inc.

Investment Recommendation Rating System

Strong Buy:	Expected to provide a substantial return over the next 12 months, with a lower level of risk than comparable investments.
Buy:	Expected to provide a reasonably positive return over the next 12 months.
Speculative Buy:	Expected to provide a positive return over the next 12 months, but with a high level of risk, or based on a future uncertain event.
Hold:	Expected to remain in a trading range near the current share price for the next 12 months.
Sell:	Expected to deliver a negative return over the next 12 months.
Under Review:	Currently available information is inadequate to provide an investment rating.
Tender:	Investors should tender their shares to the current offer.

Company related disclosures:

Issuer Company	Ticker	Exch.	Disclosures
Probe Metals Inc.	PRB	V	3, 7
Osisko Mining Inc.	OSK	T	3, 7
Wesdome Gold Mines Ltd.	WDO	T	7

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