

Fundamental

Research Corp.

Investment Analysis for Intelligent Investors

November 8, 2018

Corvus Gold Inc. (TSX: KOR / OTCQX: CORVF) – Robust PEA Beats our Expectations

Sector/Industry: Junior Resource

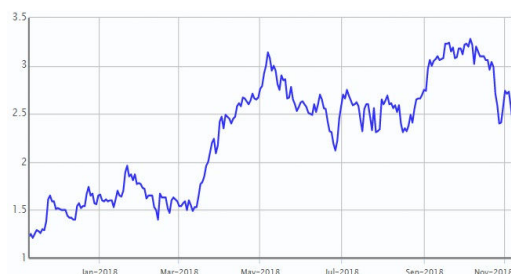
www.corvusgold.com

Market Data (as of November 8, 2018)

Current Price	C\$2.49
Fair Value	C\$3.85
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C\$1.18- C\$3.39
Shares O/S	105,985,945
Market Cap	C\$263.91 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	17.6x
YoY Return	99.2%
YoY TSX	-4.9%

*see back of report for rating and risk definitions.

* All figures in US\$ unless otherwise specified.



Highlights

- Corvus Gold Inc.'s ("company", "Corvus") share price is up **196%** since we initiated coverage in July 2017.
- On November 1, 2018, the company announced results of a Preliminary Economic Assessment ("PEA") combining the North Bullfrog Project ("NBP") and the Mother Lode project. Based on a gold price of \$1,250 per oz, the PEA showed an after-tax Net Present Value / AT-NAV at 5% of \$586 million, and an after-tax Internal Rate of Return / AT - IRR of 38%.
- **The AT NPV is \$237 million (C\$308 million) at a gold price of \$1,050 per oz. The current market capitalization of Corvus is just C\$255 million.**
- The potential average annual production in the first four years is 347 Koz, which we believe is significantly higher than most comparable deposits in the region. The cash cost estimate is \$591 per oz in the first four years.
- A Phase III drill program at Mother Lode is likely to result in an updated resource estimate by Q1-2019.
- The company expanded its land package in the area, and is planning an exploration program.
- Management, board and key investors hold 55.4% of the outstanding shares.
- **The initial resource at Mother Lode, and the updated PEA have strengthened our view on Corvus as an acquisition target.**
- We are raising our fair value estimate from C\$3.14 to C\$3.85 per share.

Key Financial Data (FYE - May 31)

(C\$)	2018	2019 (3M)
Cash	\$2,610,541	\$4,783,695
Working Capital	\$2,562,047	\$4,777,761
Mineral Assets	\$5,238,789	\$5,283,809
Total Assets	\$8,188,030	\$10,397,885
Net Income (Loss)	-\$9,522,823	-\$2,397,080
EPS	-\$0.09	-\$0.02

Strong PEA

The latest PEA, which combined the NBP and the Mother Lode project, showed a significant improvement over the 2015 PEA, which was solely based on the NBP. The 2018 PEA also beat our estimates as shown in the comparison table below. **The 2018 PEA showed an AT-NPV at 5% of \$586 million, versus our estimate of \$508 million.** Note that our base-case estimate, which was based on a higher 11.5% discount rate, was \$304 million.

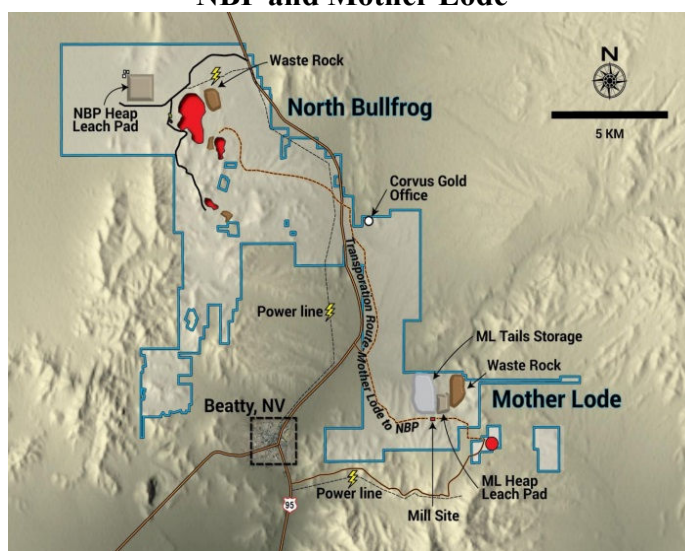
2018 PEA vs 2015 PEA and FRC Estimates

	2018 PEA	2015 PEA		FRC	
Mine Life	9	10		12	
Total Tonnage (Mt)	269	163		199	
Average Throughput (t/day)	81,680	44,400		47,400	
Total Recovered Gold (Koz)	2,542	1,192		1,932	
Total Recovered Silver (Koz)	3,488	2,485		5,986	
LOM Average Annual Gold Production(Koz)	282	117		172	
LOM Cash Cost (US\$ per Aueq ounce)	\$680	\$620		\$590	
Initial Capital Cost (US\$M)	\$424	\$175		\$240	
Gold Price (US\$ per oz)	\$1,250	\$1,200	\$1,300	\$1,300 / 5% Discount Rate	\$1,300 / 11.5% Discount Rate
AT NPV @ 5% - US\$M	\$586	\$246	\$317	\$508	\$304
AT IRR	38%	38%	46%		

Source: FRC / Company

The significant improvement in the PEA was a result of the addition of Mother Lode, which was acquired for just C\$0.81 million from Goldcorp (TSX: G) in mid-2017. The proximity of the Motherlode project (10 km away from the NBP) allows for higher-grade ore to be processed in a single mill facility, with each project having its own heap leach pad. The following map shows the location of the projects, the proposed mill and heap leach pad.

NBP and Mother Lode



Source: Company

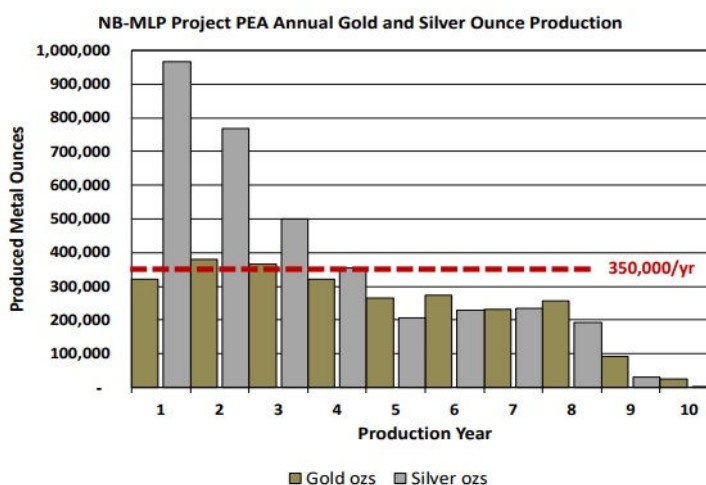
A summary of the 2018 PEA is shown below.

	2018 PEA
Mine Life	9
Total Tonnage (Mt)	269
Average Throughput (t/day)	81,680
Total Contained Gold (Koz)	3,257
Total Contained Silver (Koz)	8,007
Overall Strip Ratio	1.08
	Mill / Heap Leach
Recovery (%) Au	83% / 74%
Ag	74% / 6%
Total Recovered Gold (Koz)	2,542
Total Recovered Silver (Koz)	3,488
Year 1-4 Average Annual Gold Production (Koz)	347
LOM Average Annual Gold Production(Koz)	282
Cash Cost Years 1-4 (US\$ per Aueq ounce)	\$591
LOM Cash Cost (US\$ per Aueq ounce)	\$680
Initial Capital Cost (US\$M)	\$424
Sustaining Capital Cost (US\$M)	\$60
Gold Price (US\$ per oz)	\$1,250
AT NPV @ 5% - US\$M	\$586
AT IRR	38%

Source: FRC / Company

Similar to the 2015 PEA, the 2018 study was based on a combined oxide mill with an additional circuit for sulphide, and run-of-mine (“ROM”) heap leach processing. The mine plan is based on a 81,700 tpd open pit operation (previously 44,400 tpd), approximately 73,500 tpd will be delivered to the heap leach facility, and the remaining 8,200 tpd to the mill. **The final gold production is expected to be approximately 50/50 split between the mill and heap leach facilities.** The project would mine a total of 269 Mt of ore (previously 163 Mt) at an average grade of 0.23 gpt (heap leach) and 1.69 gpt (mill) over 9 years (previously 10 years).

The average annual production in the first four years is estimated to be 347 Koz, and the life-of-mine (LOM) average is estimated at 282 Koz (previously 117 Koz). The production profile is shown below.



The cash cost estimate is \$591 per oz in the first four years and \$680 per oz LOM (LOM operating cost is \$692 per oz). The initial CAPEX estimate is \$424 million versus the previous estimate of \$175 million. The revised CAPEX includes \$193 million (direct costs) for the mill, and \$13 million for the heap leach facilities.

The project has an AT-NPV at 5% of \$586 million, and an AT-IRR of 38%. The NPV and IRR's sensitivity to gold prices, and the discount rate, is shown below. **Note that the project has an AT-NPV of \$237 million, and an AT-IRR of 20%, even at a gold price of \$1,050 per oz.** The low operating cost and the robust economics, we believe, make the combined NB/Mother Lode project highly attractive relative to its comparables.

Gold Price (\$/oz.)	NPV,5% (\$M) Post Tax	NPV,7.5% (\$M) Post Tax	NPV,10% (\$M) Post Tax	Post -Tax IRR (%) / Payback (yrs)
\$1,050	\$237	\$184	\$138	20/2.9
\$1,150	\$413	\$345	\$285	30/2.4
\$1,250	\$586	\$501	\$428	38/2.1
\$1,350	\$756	\$656	\$569	46/1.8
\$1,450	\$914	\$799	\$700	53/1.7

Source: Company

Although the average grade of Corvus' resource is relatively low versus comparable projects in Nevada, we believe it has one of the largest gold resources, and estimated annual gold production.

The PEA was based on the following resource.

Resource Expansion Potential

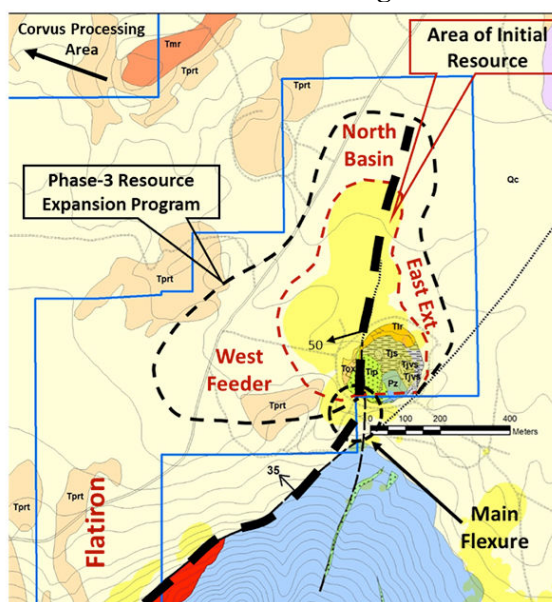
	Mill Resource (oxide & sulfide)			Run of Mine Heap Leach		
	(0.63-0.78 g/t cut-off grade)			(0.06-0.10 g/t cut-off grade)		
	Tonnes (M)	Gold (g/t)	Gold (kozs)	Tonnes (M)	Gold (g/t)	Gold (kozs)
Measured	9.31	1.59	475	34.56	0.27	305
Indicated	18.25	1.68	988	149.37	0.24	1,150
Total M & I	27.56	1.65	1,463	183.93	0.25	1,455
Inferred	2.28	1.61	118	78.74	0.26	549

Source: Company

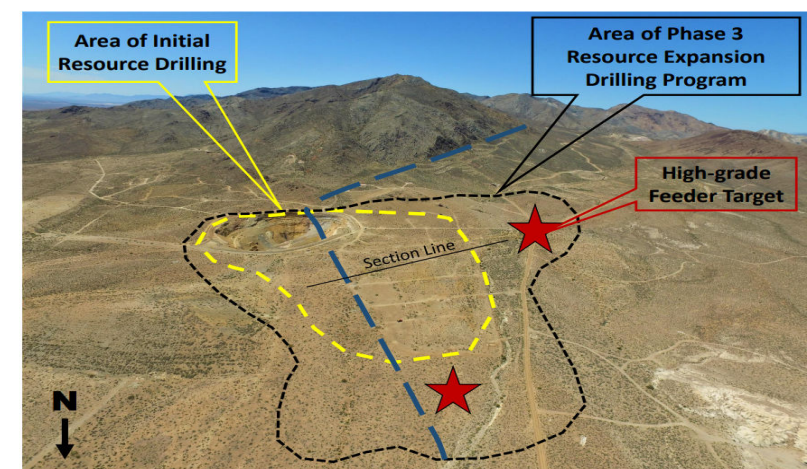
The above estimate includes NBP's resource as well as the initial estimate of 1.16 Moz of measured and indicated resources, and 0.24 Moz of inferred resources announced on the Mother Lode project in September 2018. This was a significant increase from the historic resource estimate of 8.5 Mt at 1.6 gpt gold totaling 430,000 oz of gold. **The estimate was in line with management's original guidance of delineating a 1+ Moz resource on the project.**

Motherlode's resource estimate was based on Phase I & II drill programs on the property. The company is currently conducting a Phase III / 20,000+ m step-out resource expansion drill program.

Phase III Drill Targets



Source: Company

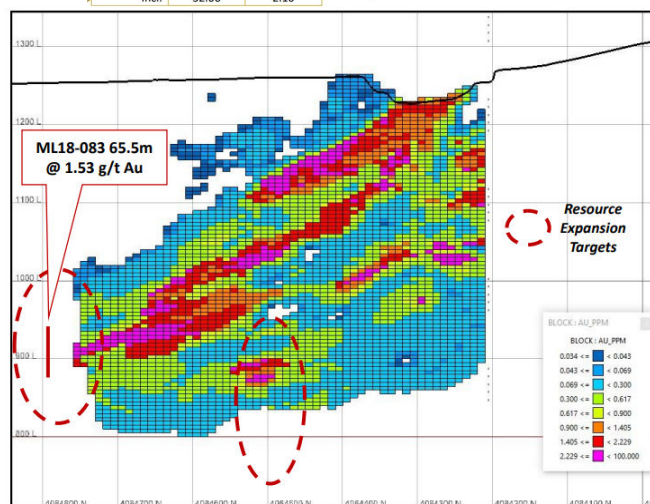


Source: Company

Highlights of the drill results announced to date are shown below. Results of the first few holes of Phase III have been encouraging, especially from hole ML 18-083, which showed 65 m of 1.53 gpt.

Drill Results

Drill Hole #	Interval (m)	Gold (g/t)	Drill Hole #	Interval (m)	Gold (g/t)
ML-17-001	59.83	1.95	ML-17-018	82.29	1.11
Incl.	24.73	3.67	Incl.	27.43	1.57
Incl.	11.01	5.78	ML-17-020	96.01	1.35
	25.6	2.17	Incl.	22.86	3.08
ML-17-002	58.94	2.77	ML-17-021	30.48	2.54
	2.83	10.25	Incl.	35.05	1.95
Incl.	8.38	6.45	ML-17-025	50.29	1.74
ML-17-003	66.28	1.24	ML-17-028	51.82	1.86
ML-17-004	42.67	1.97	Incl.	19.81	3.43
Incl.	28.96	2.57	ML-17-038	53.34	1.57
ML-17-005	62.48	2.10	ML-17-042	28.95	2.02
Incl.	10.67	6.27	Incl.	21.33	2.62
ML-17-006	45.72	1.35	ML-18-045	39.63	2.45
	33.53	2.54	ML-18-049	7.62	21.77
Incl.	19.81	3.54	ML-18-052	53.3	1.90
ML-17-007	42.67	1.82		41.2	1.52
	54.87	2.70	ML-18-060	24.4	3.10
Incl.	9.14	6.96	ML-18-067	19.8	3.76
ML-17-009	86.87	1.44	ML-18-068	109.73	1.40
ML-17-011	38.10	2.67	ML-18-074	39.63	1.67
inc	13.71	5.71	ML-18-077	59.44	2.36
ML-17-014	59.43	1.68	ML-18-080	129.5	1.12
ML-17-017	35.06	1.97	ML-18-083	65.5	1.53
Incl.	32.00	2.10			

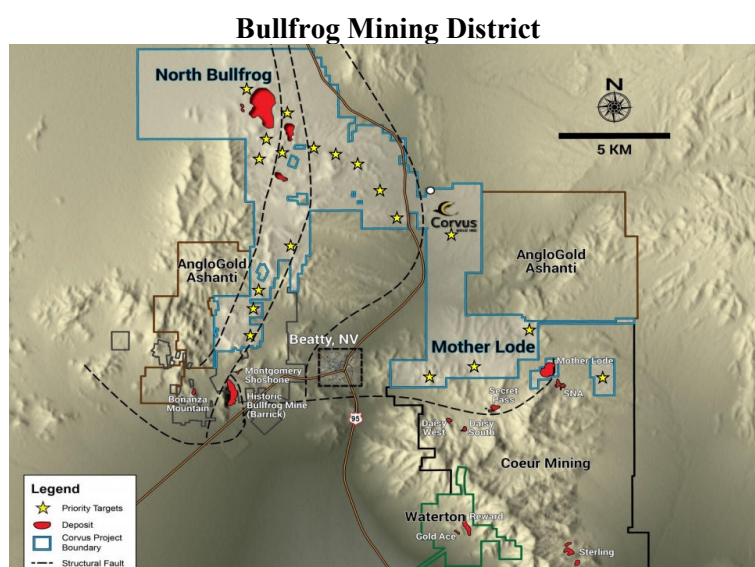


Source: Company

Expanded Land Package

The Mother Lode deposit, which currently covers 650m x 450m, with an average thickness of 75 m, is open in all directions. **The company has planned another eight holes to the north, and northeast, of hole ML 18-083. Phase III is expected to be completed by Q1-2019.**

The NBP has exploration upside potential considering that a large portion of the project remains underexplored. Only 25% of the prospective areas at NBP have been drilled to date. In October 2018, the company announced that it has **staked another 15.2 sq. km** in the Bullfrog Mining District to increase its land package to 123.1 sq. km. The new package, which is located immediately east of AngloGold Ashanti's (JSE: ANG) land, includes multiple new target areas along a structural zone connecting the historic Bullfrog Mine area with the NBP (see below).



Source: Company

We expect the company to announce exploration plans for the new package shortly.

Financials

At the end of Q1-FY2019 (ended August 31, 2018), the company had cash and working capital of C\$4.78 million and C\$4.78 million, respectively. We estimate the company had a burn rate (cash spent on operating and investing activities) of C\$773k per month in the first three months of FY2019. The following table summarizes the company's liquidity position:

(in C\$)	2018	2019 (3M)
Cash	\$2,610,541	\$4,783,695
Working Capital	\$2,562,047	\$4,777,761
Current Ratio	8.75	17.88
LT Debt / Assets	-	-
Monthly Burn Rate (incl. investing activities)	-\$706,929	-\$773,016
Cash from Financing Activities	\$9,966,014	\$4,485,397

Source: FRC / Company

**Stock Options
and Warrants**

At the end of August 2018, the company had 9.86 million options outstanding (weighted average exercise price of C\$0.85 per share) and nil warrants outstanding. All the options are in-the-money, implying the company can raise up to C\$8.41 million if all of the options are exercised.

**Valuation and
Rating**

Several majors / significant investors continue to hold large investments in Corvus. AngloGold Ashanti owns 19.9%, and Goldcorp (TSX: G) owns 1% of Corvus' outstanding shares. In total, management, board and key investors hold 55.3% of the outstanding shares.

Major Investors	
	% of Total
Tocqueville Asset Management L.P	19.8%
AngloGold Ashanti Limited	19.9%
Van Eck Global	8.3%
Corvus Mgmt and Directors	6.4%
Goldcorp Inc	0.9%
Total	55.3%

Source: FRC / Company

Corvus is currently trading at an Enterprise Value ("EV") to resource ratio of C\$79 per oz versus the comparables average of C\$44 per oz. Note that we have used 100% of measured and indicated, and 50% of inferred resources for this calculation. We do not believe that the higher EV to resource ratio of Corvus indicates that its shares are fully valued. We attribute the higher ratio to the following factors – one of the largest resource estimates in the region, relatively low cost, high annual gold production estimate, and strong management and backing from major mining companies.

In August 2018, Coeur Mining (NYSE: CDE) acquired Northern Empire for C\$108 million, net of cash held by Northern. Coeur Mining's Sterling Gold project is just 8 km from Corvus. **Sterling has an inferred resource of 709 Koz, which valued the deal at over C\$300 per oz, considering 50% of inferred resources.**

We continue to estimate the fair value of Corvus through a Discounted Cash Flow ("DCF") model. We have used 100% of the measured, indicated and inferred resource totaling 293 Mt. **Our revised fair value estimate on Corvus' shares is C\$3.85 per share versus our previous estimate of C\$3.14 per share.**

DCF Valuation	
Operating Life (years)	10
Tonnage (mill) - Mt	29.8
Tonnage (heap leach) - Mt	262.7
Recovery	83% (mill) / 74% (heap leach)
Total Gold Produced (Moz)	2.80
Total Silver Produced (Moz)	3.98
Average Annual Production (Au equiv. oz)	286,087
Average Price of Au (\$/oz)	\$1,300
Average Price of Ag (\$/oz)	\$20
LT avg. exchange rate (US\$:C\$)	1.10
Initial Capital Cost (\$M)	\$424
Discount Rate	11.5%
Tax	25%
After-Tax Net Asset Value (C\$)	\$429,536,795
Working Capital - Debt (C\$)	\$3,231,730
Fair Value of KOR (C\$)	\$432,768,524
No. of Shares *	112,357,358
Fair Value per Share (C\$)	\$3.85

* calculated based on the treasury stock method

Source: FRC

The following table shows the sensitivity of our valuation to gold prices and discount rates.

Fair Value - Sensitivity

		Gold Price (US\$ / oz)				
		\$900	\$1,100	\$1,300	\$1,500	\$1,700
Exchange Rate (US\$:C\$)	\$1.00	-\$0.36	\$1.57	\$3.50	\$5.44	\$7.37
	\$1.05	-\$0.38	\$1.65	\$3.68	\$5.71	\$7.74
	\$1.10	-\$0.40	\$1.73	\$3.85	\$5.98	\$8.10
	\$1.20	-\$0.44	\$1.88	\$4.20	\$6.52	\$8.84
	\$1.30	-\$0.48	\$2.03	\$4.55	\$7.06	\$9.57

US\$:C\$ - 1.1		Gold Price (\$/oz)				
		\$1,000	\$1,200	\$1,300	\$1,400	\$1,600
Discount Rate	5.0%	\$1.84	\$4.93	\$6.48	\$8.02	\$11.11
	8.0%	\$1.21	\$3.79	\$5.09	\$6.38	\$8.96
	11.5%	\$0.66	\$2.79	\$3.85	\$4.91	\$7.04
	15.0%	\$0.26	\$2.03	\$2.91	\$3.80	\$5.57
	20.0%	-\$0.14	\$1.25	\$1.95	\$2.64	\$4.04

Source: FRC

We reiterate our BUY rating on Corvus' shares. We had mentioned in our previous reports that we believe the company will be a good acquisition target if it is successful in delineating a half a million plus ounce gold deposit at the Mother Lode project. The initial

Risks

resource (which showed over a million ounce gold resource), and the updated PEA, have strengthened our view on Corvus.

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

- The value of the company is highly dependent on gold prices.
- Exploration and development risks.
- Although the NBP has a low operating cost estimate, approximately 50% of the measured and indicated gold ounce used in the PEA is low-grade.
- A potential acquisition may take longer than expected.
- Over 55% of the shares are tightly held by management, board members and institutions. A takeover attempt is likely to be challenging for potential acquirers.
- Delay in receipt of permits.
- Access to capital and potential share dilution.

As with most junior exploration / development companies, we rate KOR's shares a risk of 5 (Highly 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:

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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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