

Moneta Porcupine Mines Inc. – TSXV:ME

May 22, 2018

Site Visit: What was Old, is New Again

Impact: Positive

We recently visited Moneta Porcupine's Golden Highway project and were impressed by the company's ongoing efforts to reinterpret the geology and change the story.

- **Golden Highway is transforming from a low-grade open-pit to a high-grade underground project**
- **Updated resource later this year is likely to change the story**
- **With a higher-grade resource we expect Moneta to become a target for its neighbors**

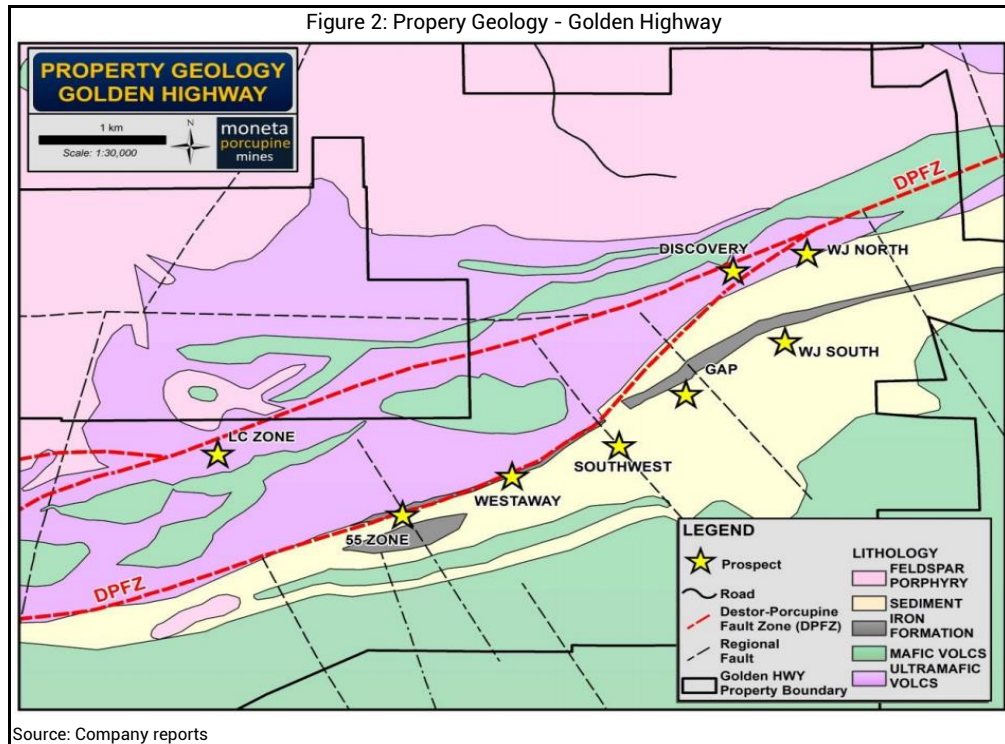
We believe that the likely high-grade resource at Golden Highway, suggests that the company trades at discount to the likely takeout value.

We recently visited **Moneta Porcupine Mines Inc.'s (TSXV:ME)** Timmins assets and were generally impressed with our visit, as the company is returning to the "old" approach of putting together a higher-grade underground resource, versus the lower-grade open-pits which had become popular in the last few years.

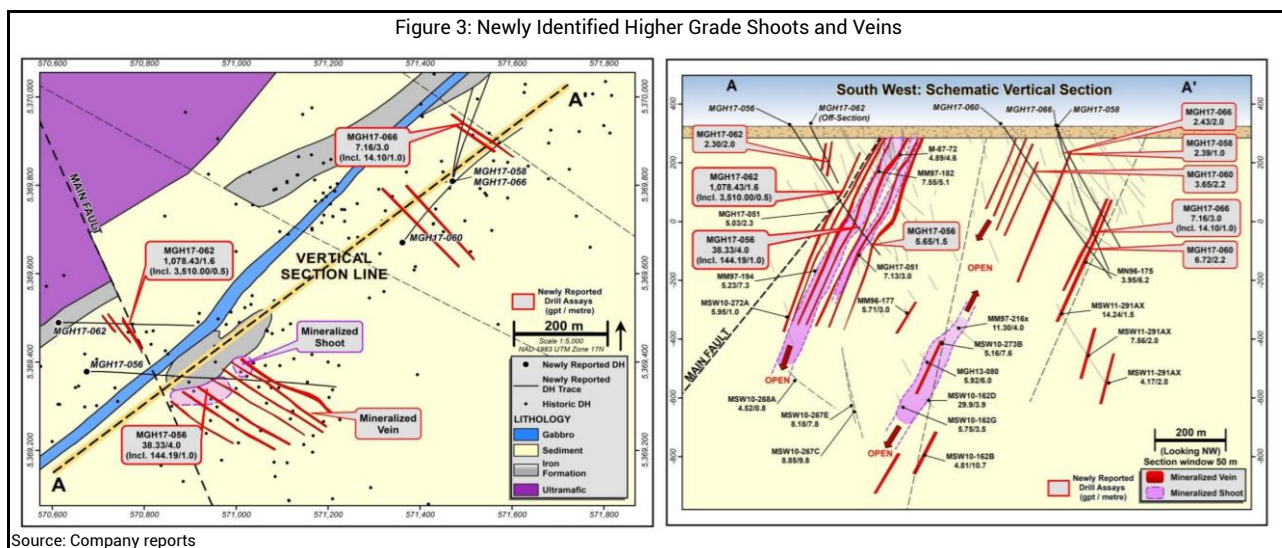
Golden Highway is transforming from a low-grade open-pit to a high-grade underground project. The Golden Highway project currently hosts a large lower grade resource (Figure 1). At the time this was generated it was the industry trend to focus on larger-lower grade deposits, a detailed review of the data along with follow-up drilling in 2017 and 2018 has revealed much higher-grade zones within the resource. We note that while the project has had a significant amount of drilling (>300km), much of it was designed to develop a large-low-grade resource, with a substantial amount drilled in an orientation that would have missed these newly identified higher-grade structures.

In Pit	M Tonnes	Au g/t	Au Moz
Indicated	30.0	1.01	0.977
Inferred	71.6	0.86	1.971
Total	101.6	0.90	2.948
Out of Pit	M Tonnes	Au g/t	Au Moz
Indicated	1.08	3.29	0.114
Inferred	11.68	3.28	1.233
Total	12.76	3.28	1.347
Combined	M Tonnes	Au g/t	Au Moz
Indicated	31.1	1.09	1.09
Inferred	83.3	1.20	3.20
Total	114.4	1.17	4.30

cut-off grade: 0.37 g/t Au in pit, 2.00 g/t Au out of pit
Source: Company reports, RCKS

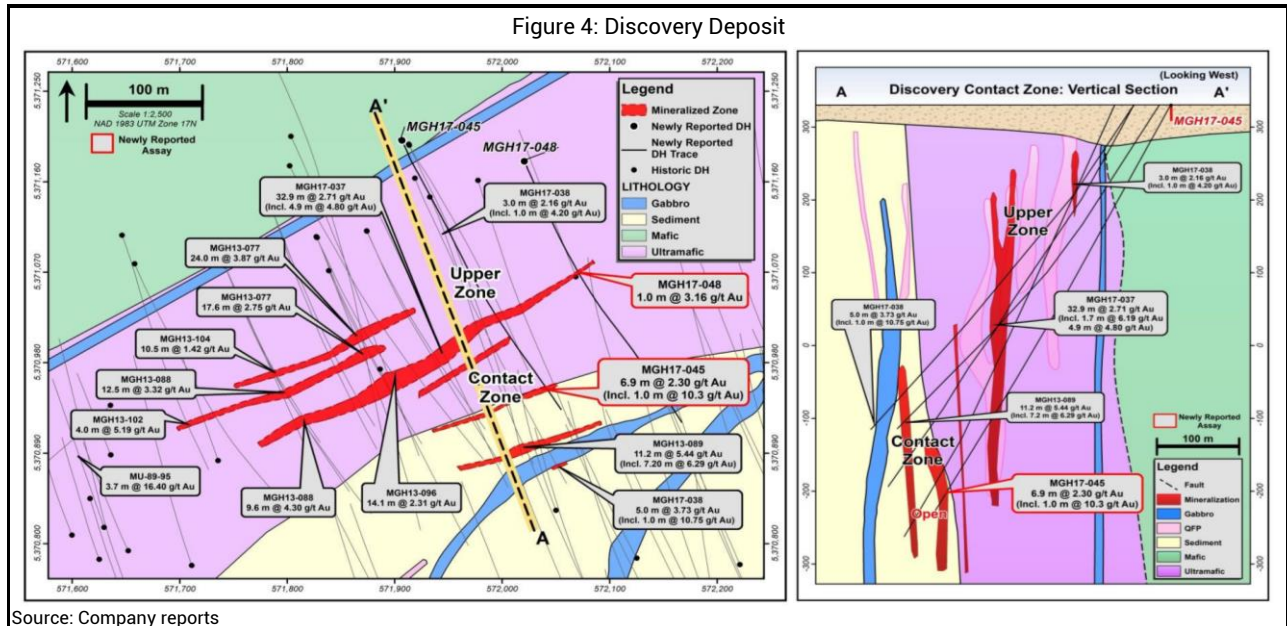


Six higher grade veins and two higher grade shoots identified at South West just the start. To-date the reinterpretation work and follow-up drilling has been focused at the Southwest zone, where the company has clearly identified six veins and two shoots (Figure 3). However, work-to-date suggests there could be many more veins and multiple shoots, as suggested by the figure below. In our view, the company has just started unlocking the high-grade potential of the Golden Highway project and the ongoing geologic reinterpretation and pending resource update are likely to only be the first step.



Discovery deposit appears to be a bulk-tonnage underground target. A portion of the 2017/2018 drill program was focused on the Discovery deposit, which is just west of a point where the Destor-Porcupine Fault Zone (DPFZ) splits. This deposit has identified thicker zones of mineralization, with grades similar to those seen at Tahoe's Bell Creek and Timmins West mines, which we consider to be lower grade underground operations. While follow-up drilling is required to better understand the full potential of this system, we believe this deposit would complement well the higher-grade zones discussed above and help provide sufficient tonnage for a stand-alone operation.

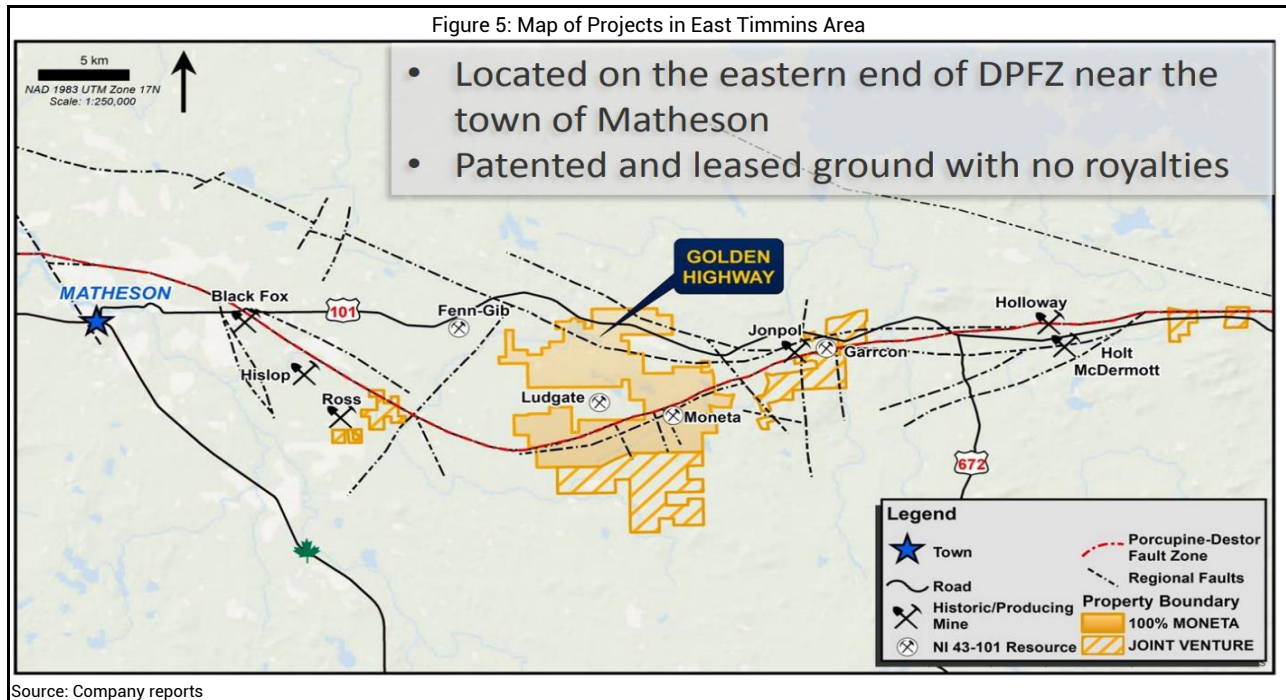
Figure 4: Discovery Deposit



Source: Company reports

Updated resource later this year is likely to change the story. The final results from this winter's drill program are still pending, after which we expect the company to complete some interpretive work and likely release an updated resource focused on these higher-grade veins and shoots. While we expect the maiden underground resource to be substantially smaller than the current one, a significant increase in grades is likely to make this project far more economic and depending on the zones included, we expect there to be significant exploration upside.

Team appears to have a good mix of experience and youth. We had the opportunity to meet with most members of the company's geology team, and we were generally impressed as there appeared to be a good mix of industry veterans and young geologists with new ideas. As well, moral appeared to be good, which we view as an important measure of senior management.

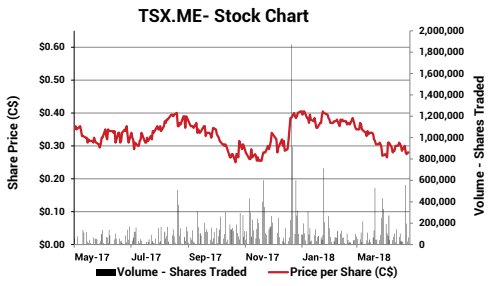


With a higher-grade resource we expect Moneta to become a target for its neighbors. By moving to a higher-grade resource, this deposit is likely to be attractive to one of the larger companies in the area with an underfed mill, including; Kirkland Lake (TSX, NYSE:KL), McEwen Mining (TSX, NYSE:MUX), Tahoe Resources (TSX:THO, NYSE:TAHO) and Goldcorp (TSX:G, NYSE:GG). We highlight that there are few juniors in the camp with quality resources and there have been a number of corporate transactions in the camp recently, including:

- McEwen Mining acquired Lexam VG for C\$29/oz in 2017
- Tahoe Resources (then Lake Shore) acquired Temex Resources for C\$5/oz in 2015 (C\$43/oz excluding low-grade resources)
- Goldcorp acquired Probe Mines for C\$95/oz in 2015

We believe that once a maiden high-grade resource is completed, Moneta is likely on the path to being taken out by one of these larger producers.

Market is undervaluing the potential for defining a significant maiden underground resource. Based on the current resource, Moneta trades at a steep discount to peers (C\$7/oz vs. peers at C\$33/oz); however, based on our view of a smaller but more economic higher-grade resource this multiple is not necessarily representative. We would expect a higher-grade resource in the Timmins camp to trade at ~C\$50-75/oz. This implies the market is assuming a resource of ~350-530k oz, which we view as very achievable and somewhat conservative given the existing resources already defined. In our view, the maiden high-grade resource is the next key catalysts for Moneta, which we expect to be followed by a new drill campaign to grow resources.

Company Information: Moneta Porcupine Mines Inc. (TSX:ME)																																																																						
<p>Moneta Porcupine Mines is a mineral exploration and development company focused on its 100% interest in five gold projects located along the highly prospective Destor Porcupine Fault Zone in the Timmins Camp of Ontario. The projects are located within the company's 200 sq. km land package over the prolific Golden Highway and Porcupine Mining Camps. A PEA for the company's flagship asset, the Golden Highway Project, was released in 2012 with a pre-tax NPV of C\$748M. We are expecting an updated high-grade underground resource at Golden Highway to be an upcoming catalyst for the company.</p>																																																																						
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