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GOVERNMENT APPROVES EXPLOITATION PERMIT FOR ROMERO PROJECT – EISA Process Advancing

GoldQuest Mining Corp. (GQC – TSXV, \$0.44 | U/R)

Mkt cap: \$112M

Impact: Positive

Top Line: GoldQuest Mining announced yesterday that the Minister of Energy and Mines has completed the review of GQC's Exploitation Permit, approved the document and sent it to the President for ratification.

The granting of the Exploitation Permit is conditional upon carrying out an Environmental Impact Study (EIA) and subsequently obtaining an Environmental License.

Highlights:

The Exploitation Permit approval is a key step in the Romero development process as it indicates project compliance, satisfies national interest criteria and sets a 25-year Tax Stability Agreement.

Table 1. Romero Mineral Reserve Estimate (2016 PFS)

	Tonnes (Mt)	Au (g/t)	Au (koz)	Ag (g/t)	Ag (koz)	Cu (%)	Cu (Mlb)
Probable Reserves	7.03	3.72	840	4.33	980	0.88	136

Bottom Line:

This is a positive step forward for the Company as it looks to advance the planned Romero underground mine into production. In a 2016 Preliminary Feasibility Study, the project generated robust economics (After Tax NPV₅ of US\$203 million and IRR of 28%) using US\$1,300 /oz Au, US\$20 /oz Ag and US\$2.50 /lb Cu.

We do note that this is the first of many regulatory hurdles that must be overcome prior to a construction decision and project funding. While there are defined regulatory requirements and timeframes (e.g., 190 day review period for a Category A Project EIA prior to a recommendation to the Environmental Validation Committee) these have not always been followed and the EIA/SIA (i.e. environmental and social agreements) process can take several years.

The Company remains well-funded with over C\$20 million in cash and a strong partner and major shareholder in Agnico Eagle (**TSX: AEM**). Recent exploration success at Cachimbo also demonstrates the mineral potential of the Tiroo Gold-Copper Belt.

Relative Valuation: GQC trades in line with its developer peers at a consensus value of 0.41x P/NAV (versus 0.40).

Analyst: Steve King, P. Geo.
416.603.7381 x261
sking@mpartners.ca

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