



Digging Through The Dirt

April 2014



| Index/Commodity | as of Apr. 30 th | Performance This Month |
|-------------------|-----------------------------|------------------------|
| S&P/TSX Venture | 1,001.50 | + 0.7% |
| S&P/TSX Composite | 14,651.87 | + 2.2% |
| S&P 500 | 1,883.95 | + 0.62% |
| Dow Jones | 16,580.84 | + 0.75% |
| Nasdaq Composite | 4,114.56 | - 2.0% |
| Gold (US\$/oz) | \$ 1,290.80 | + 3.37% |
| Silver (US\$/oz) | \$ 19.15 | - 3.14% |
| Copper (US\$/lb) | \$ 3.02 | 0% |
| Nickel (US\$/lb) | \$ 8.28 | + 15.16% |
| Oil (US\$/barrel) | \$ 99.74 | - 1.71% |

| In The Crosshairs | as of Apr. 30 th | Performance This Month |
|-----------------------------|-----------------------------|------------------------|
| Desert Star Res (DSR-V) | \$ 0.22 | + \$ 0.06 |
| True Gold Mining (TGM-V) | \$ 0.40 | + \$ 0.01 |
| Roxgold Inc (ROG-V) | \$ 0.68 | + \$ 0.04 |
| Macro Enterprises (MCR-V) | \$ 5.68 | + \$ 0.29 |
| New Zealand Energy (NZ-V) | \$ 0.185 | - \$ 0.03 |
| Fission Uranium (FCU-V) | \$ 1.21 | - \$ 0.46 |
| Cayden Resources (CYD-V) | \$ 1.90 | - \$ 0.05 |
| Brilliant Resources (BLT-V) | \$ 0.085 | + \$ 0.005 |
| Savant Explorations (SVT-V) | \$ 0.055 | - \$ 0.015 |

Heads Up!

If you have not yet added our newsletter to your email contacts please do. We have some recipients whose email service tags our newsletter as spam. We intend to use our email distribution provider in the future for email alerts of financings, news etc.

Updates

Macro Enterprises MCR-V **\$ 5.68**
Nothing to report this month directly from the company however we can expect Q1-2014 financial results to be released the last week of May. Since PI Financial's analyst, Jason Zandberg, has not released his quarterly forecast for fiscal 2014 we can use the company's recent comments as guidance.

Last quarter the company's management provided guidance for Q1-2014 financials, announcing "revenues [Q1-2014] are expected to be above those in Q1-2013, mainly due to pipeline construction and integrity work in the Fort McMurray area and increased pipeline integrity work in Saskatchewan and Manitoba. The company does not expect to duplicate the margins experienced by the company in Q1-2013".

As a refresher, Q1-2013 financial results were the company's best quarter to date;

Revenue \$60.12 million
EBITDA \$15.02 million
EBITDA margin 25%
Net Income \$9.68 million

With this said, we expect Macro Enterprises to have their best quarter ever in terms of revenue and anticipate EBITDA margins to be more in line with those in Q4-2013 (16%). Going into month end (April), the market seems to have renewed their interest in the company as the stock as performed exceptionally well. Buyers in the market appear to be pricing in yet another successful quarter, share price is up 20% in the last two weeks.



Roxgold Inc.

ROG-V

\$ 0.68

Late this month Roxgold announced results from their feasibility study (FS) for the 55 zone of their Yaramoko project. The feasibility study came in-line with the PEA (preliminary economic assessment) and our expectations. It seems as though the feasibility study had met the market's expectations also as the stock appreciated little post release; closing up 4 cents at 66 cents the day of the news. Below is a quick summary of the FS results;

* Base case scenario assumes 100% ownership and \$1,300 per ounce gold

| | |
|----------------------------------|-----------------|
| NPV (5% discount) After Tax | \$250 million |
| IRR After Tax | 48.4% |
| Payback | 1.6 years |
| Pre Production Cap-ex | \$106.5 million |
| Avg Annual gold production (LOM) | 99,500 ounces |
| Avg mill feed grade | 11.59 g/t |
| Total gold recovered | 735,430 ounces |
| Cash operating cost (LOM) | \$402 / oz |
| All In Sustaining Cost (LOM) | \$590 / oz |

The economics appear to be quite attractive. Though we have a couple of issues with the 55 zone moving forward. The scalability of the 55 zone is a concern as it appears to be limited at this point. The company had been hitting mineralization below the proposed underground mining operations (sub 550m) however it is uneconomic to drill from surface given the length of hole required to target depth. Expect the company to conduct underground drilling once the decline ramps have been constructed. This should allow the company to add mineable ounces on their books. Construction of the underground ramp will start Q3/Q4 2014 at the very earliest. Which means we do not expect the contained gold ounces in the 55 zone to grow until well into 2015.

During a conference call held to discuss the FS results, management reiterated the desire to finance the 55 zone project through a combination of debt and equity (\$106.5 million cap-ex). As mentioned in a previous issue, the split is expected to be 60% debt / 40% equity. Even though the company currently has approximately \$40 million cash, an additional equity financing (or two) is anticipated. The company's burn rate is ~ \$700,000 per month (excluding any drilling) and a regional exploration program budgeted at \$5 million is still ongoing. This would imply ~ \$10 million cash will be spent before year's end excluding any capital expenses on the 55 zone. We could expect the next equity financing (+ \$10 million) to refresh this capital. Roxgold has appointed an advisor to assist in securing project debt financing with banks and alternative financiers with the expectation to finalize Q4-2014.

Though we believe financing such a project should not be too difficult, our primary concern is the dilution that is expected to take place in the near term. The big question over the performance of the stock is how much value will management be able to derive by de-risking the asset against the continued dilution to existing shareholders. The one saving grace may be a significant bump up in the price of gold and valuations assessed for gold in-situ.

Savant Explorations

SVT-V

\$ 0.055

Savant is a company that we have featured in our previous issues. They are an early stage copper explorer with projects located in Arizona and Nevada. On April 1st Savant announced the closing of a \$537,400 private placement. This additional money should give Savant the ability to complete geophysical surveys, further define drill targets on the projects and drill test one or two of the projects. On April 22nd, Savant announced that they had started exploration activities on their projects. A summary of the work to be completed is outlined below:

Frazier Creek, NV

The company is currently re-mapping the project with particular emphasis placed on structural mapping to further refine the best locations to drill test this project. Once this process is completed the company plans on drilling two widely spaced holes to evaluate the copper porphyry potential and the size of the hydrothermal system, contingent on results at the company's other projects.

Buckhorn, AZ

Savant plans on running 1-3 lines of IP over the property and if there turns out to be a large chargeable high under the quartz-sericite alteration then the porphyry system has not been eroded away and they will have defined a drill target on the property. If, on the other hand, no anomaly is present then the porphyry system may have been eroded away and the project is of no further merit. Savant began running the IP lines late last week and results of this survey should be made public by the end of May.

Jasper Canyon, AZ

The company plans on running 1-2 CSMAT lines to get a handle on how thick the unconsolidated sediments are and if the basement rocks are conductive. Positive results of this geophysical survey (i.e. less than 300m to conductive bedrock) will result in a drill ready target on the Jasper Canyon project, which has been previously undrilled. Savant is scheduled to begin this survey in mid-May with results of the survey made available sometime in June.



Once this initial work is completed the projects will be re-ranked and drilling priority assigned to each project. We anticipate that drilling of the company's top targets will not take place until late summer/early fall. Savant offers superior technical abilities and a history of discovery which we hope will result in a significant copper discovery within three highly prospective porphyry projects.

New Zealand Energy NZ-V \$ 0.185

As has been the company's new marketing strategy, no news was released over the course of the month. We can expect an operational update on the 1st of May. We anticipate the company to announce production from two additional wells this month; Waihapa-2 and Toko-2B.

Waihapa-2 is an up hole re-completion of a past producing Tikorangi well targeting the Mt. Messenger formation. Installation of an artificial lift should have been completed and production should have started mid-April.

Toko-2B is reactivation of a Tikorangi well targeting the Tikorangi formation. This is an existing well drilled by a previous operator. The company had previously announced that installation of an electronic submersible pump was in the works and production was to be expected mid-April.

Update – This morning New Zealand Energy announced their year-end and fourth quarter results and an operational update. Production for the month of April has dropped from the previous month, from 233 barrels per day net to 228 barrels per day net. This is disappointing since two additional wells were put into production as expected; Waihapa-2 and Toko-2B. The company sites that two wells were taken offline midmonth to allow for full evaluation of Toko-2B.

True Gold Mining TGM-V \$ 0.40

During April, True Gold provided an update on the development of their Karma Gold project. Specifically they addressed construction of the barrage and detailed engineering which are both on track. Additionally they highlighted that earthworks are scheduled to begin in Q2-2014 and mine construction is to follow in Q3-2014. The fresh water barrage is now 80% completed. Upon completion it is anticipated that the barrage will capture water during the wet season, resulting in excess water capture to support the project's construction and annual operational needs. It is anticipated that the barrage will be completed May 2014, two months ahead of schedule. Completion of the barrage is a significant milestone that will enable gold production from the Karma project.

Detailed engineering and construction-level design work are now 70% completed and are expected to be completed May 2014. Once completed, True Gold will be able to go forward with early earthworks and ordering of materials for mine construction. Second quarter earthworks activity will include upgrading the site access road and starting the plant site earthworks. This early earthworks will allow True Gold to continue earthworks throughout the wet season. True Gold is still evaluating debt financing alternatives but remain on track to be Burkina Faso's next producing gold mine. As True Gold advances towards production and further reduces project risk, we expect higher valuations and/or a potential buyout of a low cost gold producing asset with significant growth potential.

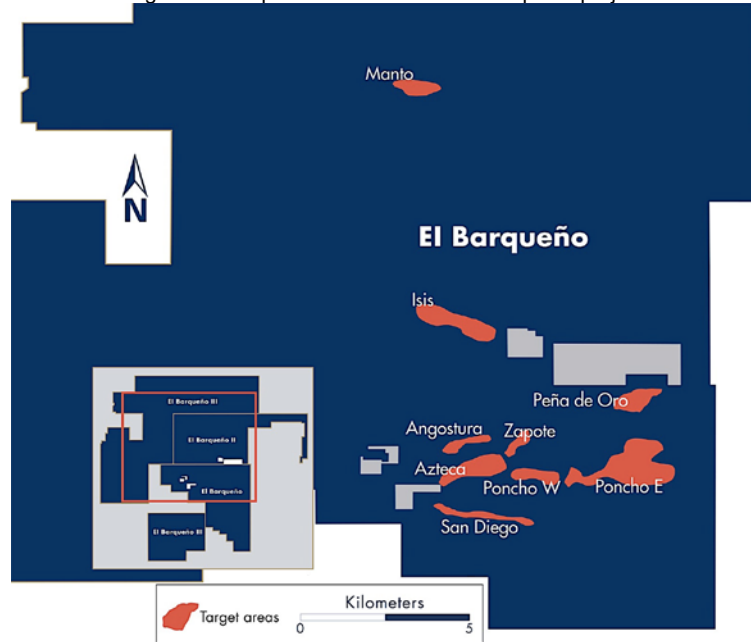
Cayden Resources CYD-V \$ 1.90

We have been following Cayden from the beginning of DTD and we continue to like the story. During April Cayden released results from recent drilling at their previously untested Pena de Oro prospect on their El Barqueno project. Additionally, preliminary metallurgical results from five composite samples across their Azteca prospect on the El Barqueno project were reported (Figure 1). It is very early days at Pena de Oro, however Cayden announced on April 22nd the results of their initial drill program into this target, and they did not disappoint. Of the seven drill holes reported, all hit gold mineralization at or near surface. Highlights of the drilling results include 27m at 4.46 g/t Au, 12m at 4.77 g/t Au, 23m at 1.48 g/t Au and 15m at 2.29 g/t Au. Currently there are an additional 10 holes with pending assays and on the back of this early success the company is adding 4,000m of drilling to their phase 1 drill program at Pena de Oro. The company is currently permitting access and site locations so that better access can be gained to test the surface mineralization in the Pena de Oro area. The remainder of the phase 1 program is meant to test as many of the targets as possible in the Pena de Oro area. Contingent upon phase 1 results, a phase 2 program will delineate the mineralized systems. Currently the company has identified several large outcroppings of mineralized vein breccia and stockwork systems and we anticipate further success as they continue to drill test these areas.

Meanwhile, the company also released preliminary metallurgical results from the Azteca area. Whole ore cyanidation tests yielded gold recoveries of 61.8%, 91%, 94.5%, 95.4% and 96.9%. Cayden notes that the sample that yielded 61.8% recoveries is a relatively rare form of mineralization consisting of fault gouge with high gold and copper abundances. They also note that they could float the sulphides to optimize the leaching process. On that note, rougher floatation tests yielded gold recoveries of (in the same order as the previously listed samples) 72.5%, 78%, 81.4%, 80.9% and 82.4%. The tests were done at 100 and 90 micron grind size respectively. Although it is early in the metallurgical evaluation process, early indications are that the mineralized systems at Azteca are amenable to produce gold using a standard leach plant and/or floatation plant or some combination of the two that will maximize gold recoveries and minimize costs. For the most part, it appears to me that Cayden is being mainly valued on their land holding adjacent to Goldcorp's Los Filos mine, but they may be able to unlock significant value at El Barqueno if drilling continues to produce discoveries with continuity. The El Barqueno project is slowly developing from a single prospect to camp scale potential.



Figure 1. Prospect locations at the El Barqueño project.



Kaminak Gold

KAM-V

\$ 0.80

As Kaminak is approaching their 2014 development and exploration campaign they continue to de-risk their Coffee Gold project in the Yukon Territory. On April 17th Kaminak released the latest results from their ongoing metallurgical program. This news release outlined the results of four column leach tests from large volume samples taken from the Supremo and Latte zones. Each sample was subjected to tests done at 6 inch and 1 inch crush sizes at temperatures of 22°C and 4°C, respectively. The 6 inch leaches are meant to provide the company with information not only on the optimal crush size for gold recovery, but also may give some indications if the oxidized material can be mined on a run of mine basis. The leaches performed at 4°C provide information on the behavior of the leaching process on the oxidized rocks at variable temperatures. This is particularly important at Coffee since it is in a cold weather environment. Results from the leach test completed at 6 inch crush and 22°C, returned 85% and 88% recoveries for Supremo and Latte, respectively. Results from the 1 inch and 4°C leach test yielded 92% and 92% recoveries from Supremo and Latte, respectively. These results are encouraging from the point of view that larger crush sizes leach very well and the oxidized material out of Supremo and Latte also leach well at low temperatures. I would note that while this is obviously positive for the project, they are only simulations and that in the natural environment much colder conditions are expected than the simulated leach in addition to a run of mine fragment size being larger than 6 inches. However these results are pointing in a direction that suggests large crush sizes at low temperatures could yield very good gold recoveries at Coffee. We expect the next major news for the company to be the results of their PEA, to be followed by results of the 2014 exploration and development program.

Cordoba Minerals

CDB-V

\$ 0.365

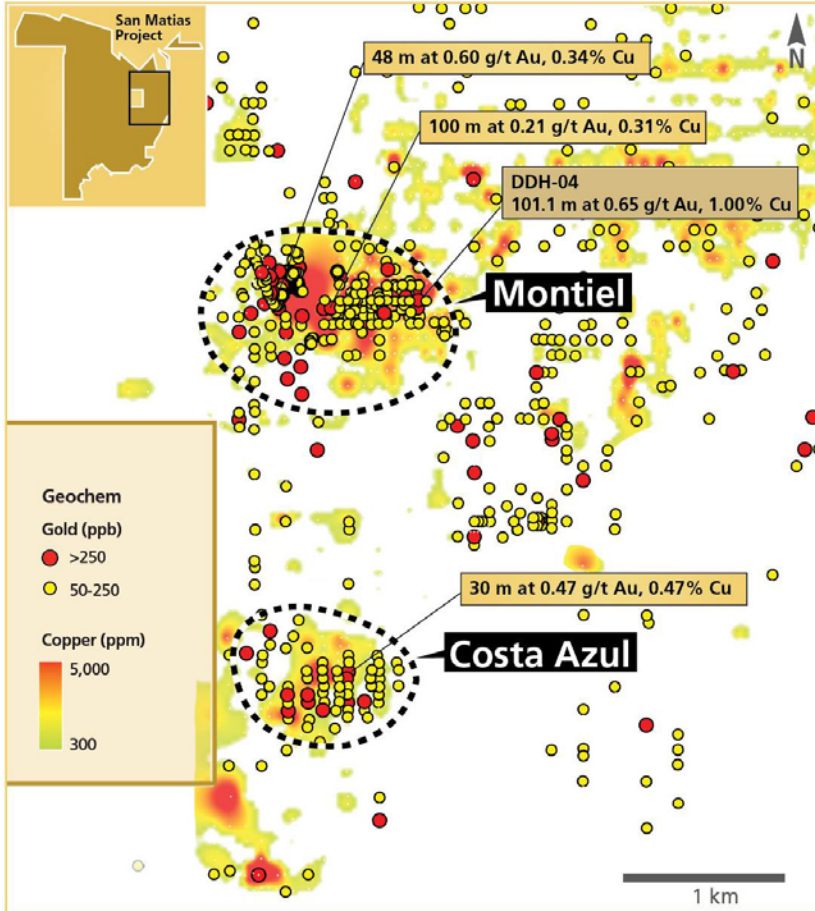
You will recall that in previous issues of DTD we outlined a significant copper/gold discovery made by Cordoba at its San Matias project in northern Colombia within prospective porphyritic rocks. The highlight drill hole returned 101m at 1% Cu and 0.65 g/t Au. The main point of contention was the continuity of the system. That is, two areas of known mineralization are separated by saprolitic rocks for approximately 700m. In order to establish continuity of the system Cordoba planned a RAB drill program that would effectively sample the rocks below the saprolite between the known mineralized areas.

On April 21st the company provided an exploration update for the project. Thus far, 50 RAB holes have been completed in the western area of the known mineralized outcrops. Going into May and June the company should start progressing east towards the eastern outcrop and perhaps by mid-July we will know the outcome of this program and be better able to judge the potential size of the system. Meanwhile, the company has been exploring outside the core Montiel prospect area and has been completing mapping, geochemical, trenching and RAB programs. A highlight trench sample from the Costa Azul prospect area (approximately 1.5km south of Montiel) returned 75.6m at 1g/t Au and 0.3% Cu. Additionally, the company discovered a new prospect approximately 1km south of Costa Azul, where a channel sample returned approximately 4% Cu over "significant widths" with elevated LREE's (light rare earth elements) and uranium (Figure 2). Within this release the company also stated that it has commenced a stream sediment sampling program in the southern part of the tenure (south of Costa Azul) and a RAB drilling campaign immediately north of the Montiel west area. Once all of the RAB data is received by the company and the ground work is completed, Cordoba will plan a follow-up diamond drilling campaign, which is tentatively scheduled to start in late June.



On April 23rd the company announced a 2:1 share consolidation, pending approval by the TSX-V. This will bring the issued and outstanding shares down to 58,812,103. Although Colombia is currently not a politically favorable jurisdiction, if you are looking for exposure to a newly defined area of highly prospective porphyry Cu-Au potential, this is a company to watch. Though it will be important to establish the continuity of the Montiel trend to justify the current market capitalization of the company.

Figure 2. Prospect locations on the San Matias project.



Fission Uranium

FCU-V

\$ 1.21

After enjoying a good run up to a high of \$1.73 a share, Fission pulled back and closed at \$1.21 on the month. What's fueling the pullback? I do not know for sure, but the news that Cameco does not expect the price of uranium to go up in the short term doesn't help. Coupled with the fact that Fission put out what would be considered poor holes, for them, over the month of April. Though they did release some drill holes that were quite good as well. For the most part the drill holes that were put out were located on previously drilled section lines and were more focused on defining the limits of mineralization and closing off the section lines. Thus given that the mineralized body is such a small target in the first place, it would have been expected that these holes would not come back stellar.

The first set of these reported drill holes came in on April 14th, when Fission reported assay results for 14 drill holes located on section lines spanning from 315E to 960E (Figure 3). Highlights included 8.5m at 1.3% U₃O₈, 4m at 6.74% U₃O₈, 10.5m at 2.41% U₃O₈, 3.5m at 8.48% U₃O₈ and 8m at 2.59% U₃O₈. These would be considered very good drill holes on most other projects but are not the sort of values that we have become accustomed to at the PLS project. Of the 14 drill holes 7 did not contain significant mineralization, though all contained some form of mineralization.

The net effect in my running model from this release was to downgrade some volumes of rocks and upgrade others, which virtually left the model unchanged in terms of contained pounds U₃O₈ (see the March DTD issue for the previous modelled values). On April 22nd Fission released additional assays from 9 drill holes located along section lines 285E to 915E. As with the previous release, most of the holes were drilled on previously drilled sections and it was not surprising to see 5 of the 9 holes come back with not very significant mineralization. The highlight drill hole was PLS14-187 which yielded 102.5m at 5.98% U₃O₈. This hole was drilled on section line 660E, for which no previous holes have been reported. Though the extent of mineralization along this section line is not yet spatially constrained, this drill hole adds significant



amount of pounds of U_3O_8 . In all, my final values after this release now have the system at 1,028,176 tonnes at 2.79% U_3O_8 for a total of 57.6 million lbs of U_3O_8 .

On April 24th, Fission released scintillometer counts for 12 drill holes from section line 135E to 1620E. Of particular note are two holes on section lines 645E and 660E (PLS14-214 and PLS14-215) which yielded 24.05m of composite off-scale mineralization within 119.5m of composite mineralization and 23m of composite off-scale mineralization within 153.5 composite mineralization. This obviously bodes well for the area between 615E and 750E, for which only one drill hole has assays reported. So we can expect more good things to come from this area in particular. I anticipate that when these assays are reported that they should be in the range of 65-75 million lbs of contained U_3O_8 , in the model that I keep.

On April 28th Fission announced results of drilling on regional exploration targets outside of the main PLS mineralized trend, which yielded no significant results. This does not trouble me as the company is, and will be in for the foreseeable future, valued on the main PLS trend. In the news release they also announced the end of the winter drilling campaign. They should be able to start drilling off barges in the summer months beginning sometime in June. In the meantime, there are still several drill holes yet to be reported, by my count 43 in the core area between sections lines 255E and 1155E. The most significant of the drill holes yet to be reported will come from the area between 615E and 750E, which we will keep a close eye on. Based on an estimated enterprise value of \$362.5 million and approximately 57 million lbs of contained U_3O_8 , Fission is being valued at approximately \$6.35 /lb of U_3O_8 , which we consider to be on the low side. As Fission has pulled back over the month to \$1.21, it appears to have been oversold, while nothing fundamentally went wrong with the project or the company. At these prices we consider this an opportunity to accumulate Fission Uranium.

Figure 3. 2014 PLS winter drilling campaign and drill hole locations (see next page)

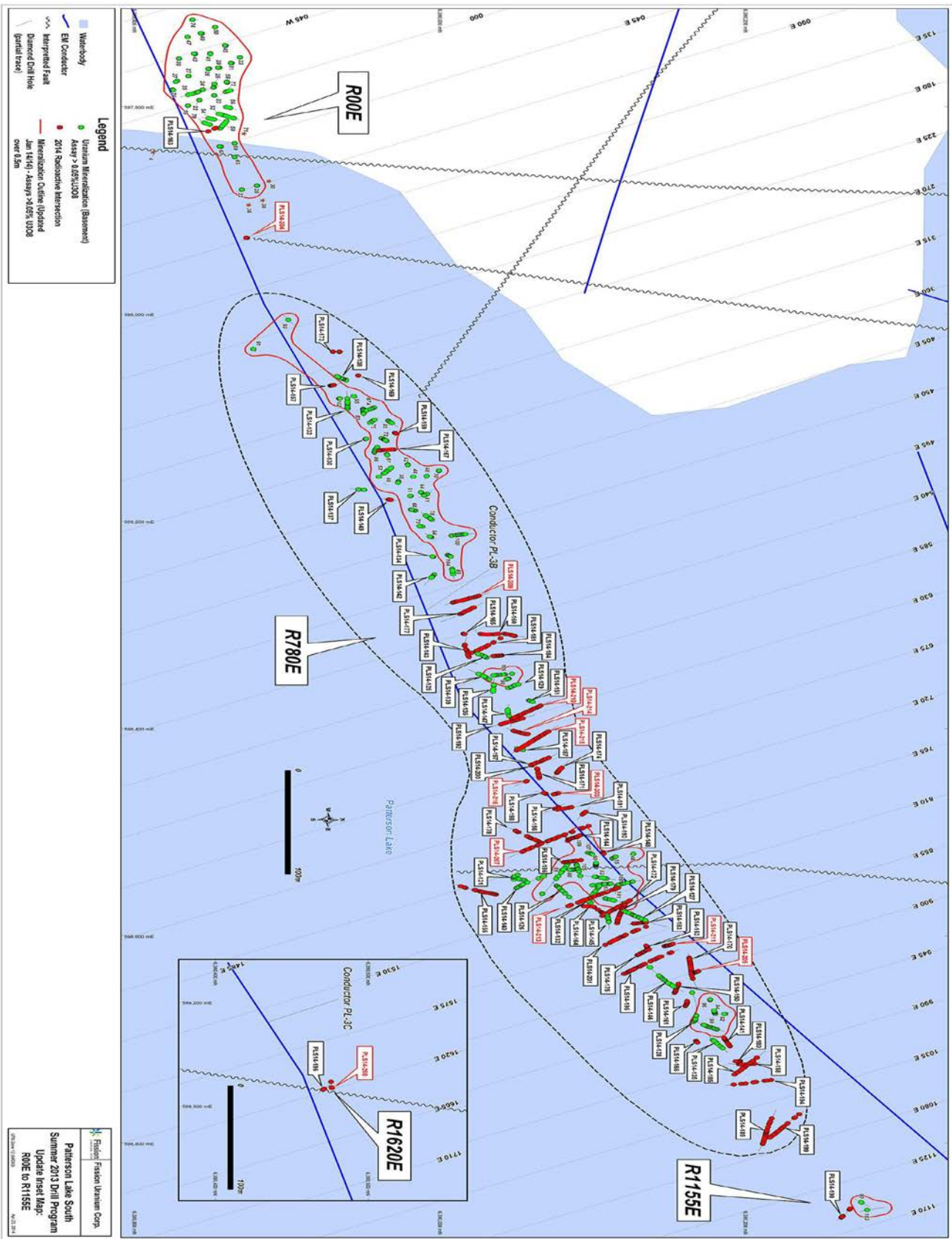
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Fission/Fusion Uranium Corp.
Patterson Lake South
Summer 2013 Drill Program
Update Heat Map
RO0E to R1155E
PI 13-0000
MAY 2014

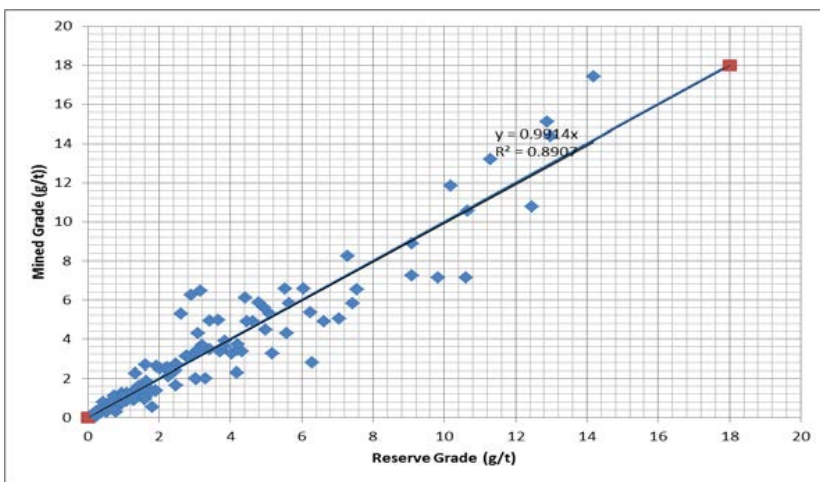


Random thoughts

Based on a colleague’s suggestion that producing gold companies are high grading their mines to make their mines more profitable, he suggested it would be interesting to look at the reserve grades of the gold mines vs their mill head grades. I thought this would be an interesting exercise that may establish if this was indeed taking place. Since I currently maintain a database of resources and reserves for over 130 producing gold mines globally it should be very easy to input the mill head grades from the last quarter for all of the companies I track. While I will admit that the list of companies is not complete, it does contain the most of the world’s top 10 gold miners (by ounces produced) and provides a good cross-section of the industry. Included in this list is(in no particular order): Kinross, Osisko, IAMGold, Agnico Eagle, Newmont, Barrick, Goldcorp, AngloGold, Eldorado, Yamana, Polyus, Randgold, Goldfields and Centerra. There are a few holes in the data.

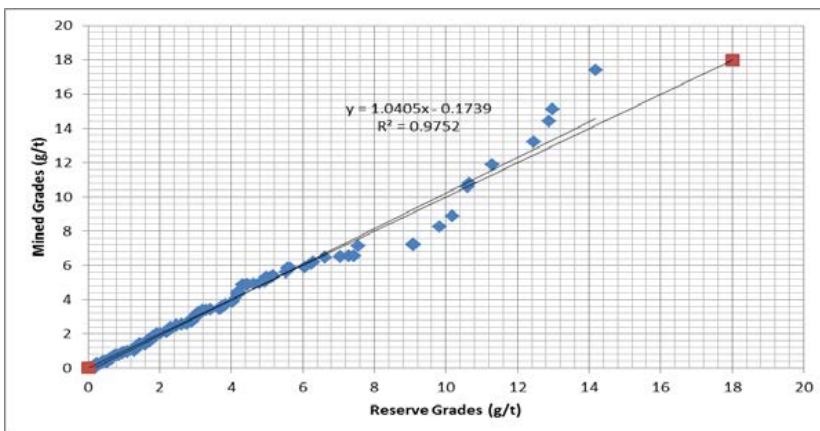
Firstly, the reserve numbers for about 75% of the mines are about one year out of date, but realistically these probably haven’t changed significantly in terms of grade. Secondly, some companies when reporting their mill head grades batch a region together as opposed to breaking down into individual mines, for example, Newmont batches their entire Nevada operations together, so they were not included in this dataset. With that said lets have a look at the data.

Figure 4. Mill Head Grade/Mined Grade vs Reserve Grade



Based on this plot I see little to no high grading actually happening on a global basis. Though there is variation in the dataset it remains more or less one to one. When going into great detail within the dataset, I noted that Barrick and Newmont are the only companies consistently producing higher grades than their reserve grades. Note again that Newmont’s Nevada operations are not included in this. Additionally, there was a regional emphasis for mines located in Africa and Australia to produce higher grades than their reserve grades, though this is not a great correlation. Now, lets take the data set one step further and produce a quantile plot, which should eliminate mine by mine bias and look at the validity of the above statements on a broader data set scale.

Figure 5. Quantile plot of mined grade vs reserve grade.



This plot shows that for the most part there is little variation in the mined grades vs reserve grades, but does break down in the high grade mines beyond about 7/g/t. After eliminating mine by mine bias this again shows very little to no high grading is actually happening.



Although I don't readily have the numbers together, I suspect where the "cost savings" may be coming from is by boosting production at more profitable mines and scaling back production at less profitable mines. In addition to "cutting out the fat" by scaling back exploration budgets, laying off staff that are not critical to their operations and perhaps scaling back compensation to executives and directors.

Simply put the mine plan dictates the grade produced and not the commodity prices or market conditions. That is once a mine plan is put in place there may not be an option to high grade the deposit any any given time, so the producers, for the most part have to remain committed to the mine plan.

That's what I see from the data! An interesting exercise that I may be able to expand on in the future.

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