

# *Creating the Next North American Mid-Tier Gold Producer*



**Corporate Presentation**

September 2014





# Forward Looking Statements

*This presentation may contain forward-looking statements, including current expectations on the timing of the commencement of commercial production and the rate of production, if commenced. These forward-looking statements entail various risks and uncertainties that could cause actual results to differ materially from those reflected in these forward-looking statements. Such statements are based on current expectations, are subject to a number of uncertainties and risks, and actual results may differ materially from those contained in such statements. These uncertainties and risks include, but are not limited to, the strength of the Canadian economy; the price of gold; operational, funding, and liquidity risks; the degree to which mineral resource estimates are reflective of actual mineral resources; and the degree to which factors which would make a mineral deposit commercially viable are present; the risks and hazards associated with underground operations. Risks and uncertainties about San Gold and Kerr Mines Inc. and their businesses are more fully discussed in each company's disclosure materials, including their annual information forms and MD&As, filed with the securities regulatory authorities in Canada and available at [www.sedar.com](http://www.sedar.com) and readers are urged to read these materials. San Gold and Kerr Mines Inc. assume no obligation to update any forward-looking statements or to update the reasons why actual results could differ from such statements unless required by law.*



# Merger in Process With Kerr Mines Inc.

## Important Step to Achieve Critical Mass

- Assets include producing, developing and exploration properties
- Annual gold production >100,000 oz by end of 2015
- Cash flow from 2 operating mines by 2015
- Increase in reserves and resources

## Strategic Shift: Consolidator of Deep Value Assets

- Focus on optimum mining rates to match ore body geometry
- Strict grade control on all assets
- Low capital requirements
- Mining friendly jurisdictions



# Combined Asset Portfolio

Rice Lake Mine In Production



Copperstone Mine Production Ready



Kirkland-Larder-Timmins Advanced Projects





# Combined Asset Portfolio

	San Gold	Kerr Mines	Combined
<b>Key Assets</b>	Rice Lake Complex	Copperstone, Kirkland-Larder-Timmins Properties	
<b>Status</b>	Production	Development, Exploration	Production, Development, Exploration
<b>Gold Resource</b>	3,456K oz	1,546K oz	5,002K oz
<b>Annualized Gold Production</b>	53-60K oz	50K oz (Start-up in 2015)	103 – 110K oz
<b>Shares Outstanding</b>	373.4 million	95.2 million	
<b>Market Cap</b>	C\$50.4 million <sup>1</sup>	C\$33.5 million <sup>1</sup>	C\$83.9 million <sup>1</sup>
<b>Shareholders</b>	Institutions [52.2] Retail [47.4] Insiders/Management [0.4]		

<sup>1</sup> Market closing price as at 1 August 2014



## Opportunity for Re-Rating Compared With Peers

Company	Production	(m oz)	Operating	All In	Market cap (C\$m)*	Notes
Lake Shore Gold <sup>1</sup>	160-180k	6.92	675-775	950-1050	489	\$105m debt, \$53m cash as at June '14
Kirkland Lake Gold <sup>2</sup>	120-140K	4.57	839	1500	301	\$120m debt, \$41m cash
<b>San Gold Corp / Kerr Mines<sup>3</sup></b>	<b>103-110K</b>	<b>5.00</b>	<b>850</b>	<b>1019</b>	<b>90</b>	<b>\$80m debt, \$9.5m cash (unaudited)</b>
Claude Resources <sup>4</sup>	50-54k	1.60	753-920	1050+	54	\$24.9m debt, \$5.6m cash (unaudited)

Resource includes Proven & Probable, Indicated and Inferred

Market Cap as at market close 6 August 2014

<sup>1</sup> 2014 production targets

<sup>2</sup> 2014 to 2015 production targets, cash cost targets are published at a run rate. Cash and debt quoted in Canadian dollars

<sup>3</sup> Estimated production run rate based on the combined entity. Positive cash flow is expected in 2015

<sup>4</sup> Production is based on a run rate target in 2014

- Companies have successfully demonstrated turn around strategies have seen significant re-ratings:
- Lake Shore Gold share price up 300% over the past 12 months
- Kirkland Lake Gold share price up 37% over the past 12 months
- Claude Resource share price up 32% over the past 12 months
- San Gold share price up only 4% over the past 12 months



# Rice Lake Mine Complex: Manitoba



230 km northeast of Winnipeg with good road access, hydro power and other services.

# Rice Lake Turnaround

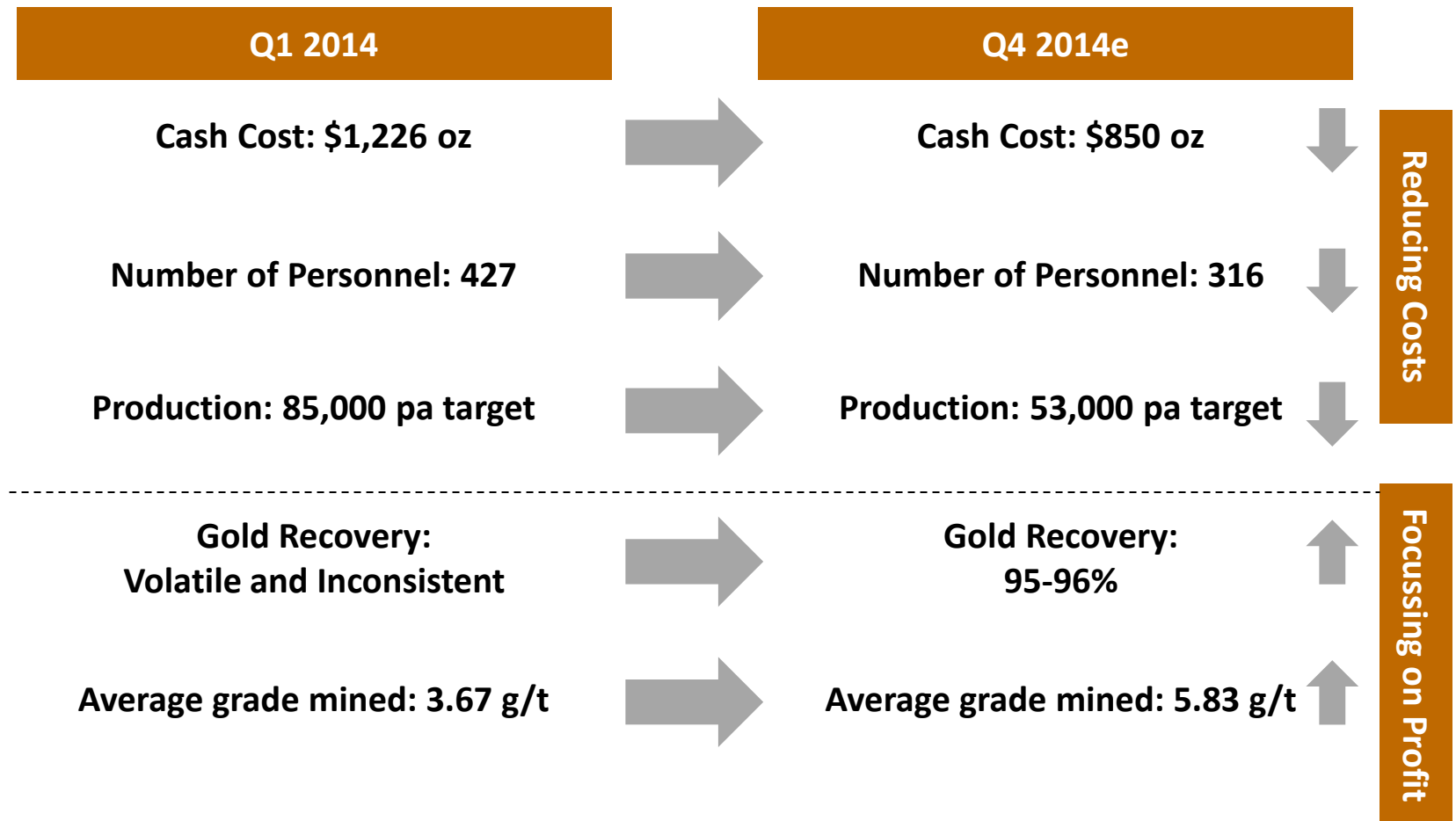
## Changes Implemented Since March

- Revised Mine Plan: 50-55,000 oz gold, down from 80-85,000 oz
- Revised Mining Methods
  - Increased Use of Longhole Mining
  - Reintroduce Conventional Methods
- Strict Grade Control
- Reduced Operating Costs
- Reduced Capital Expenditures
- Improved Use of Working Capital
- Improved Mill Recoveries

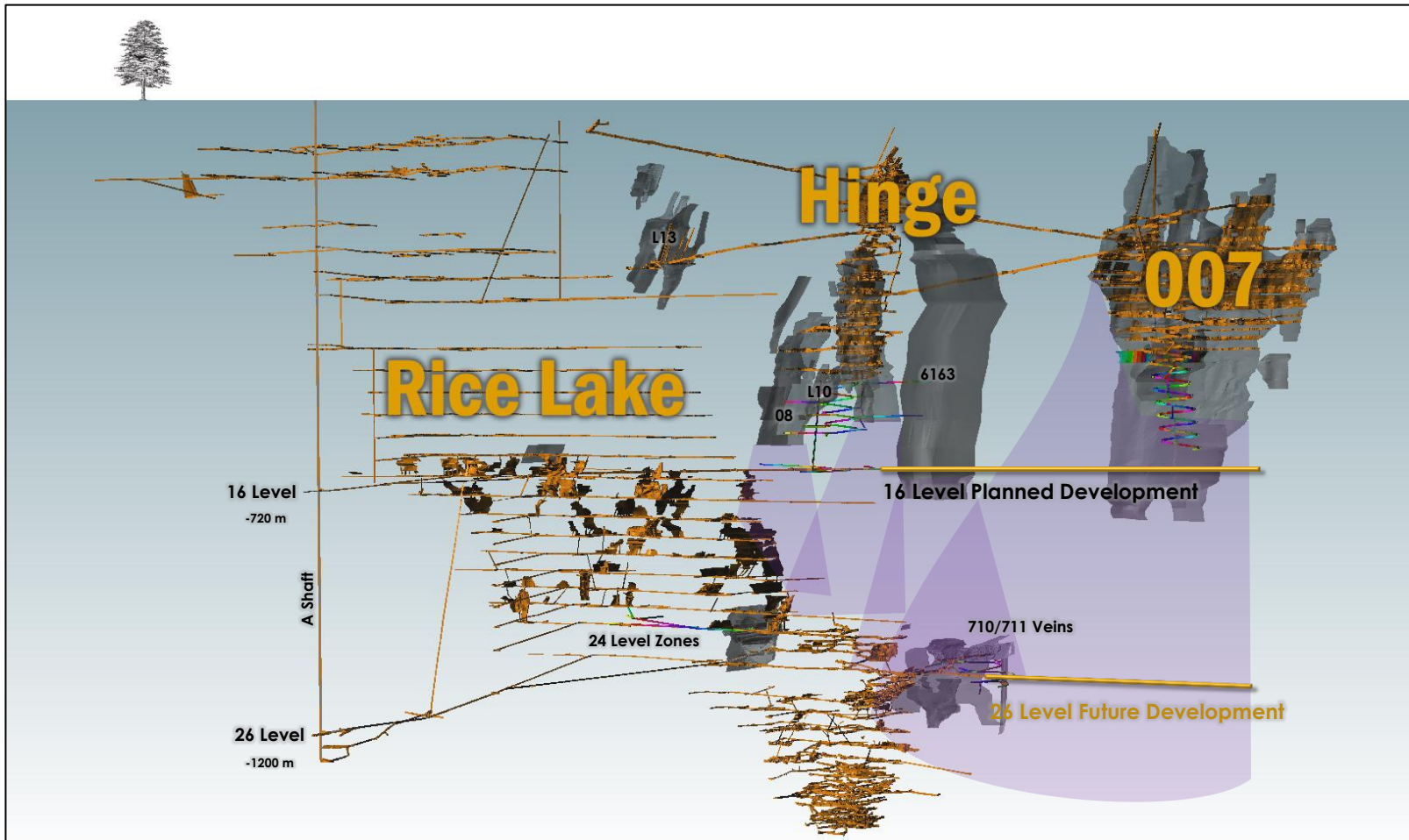


# Rice Lake Turnaround

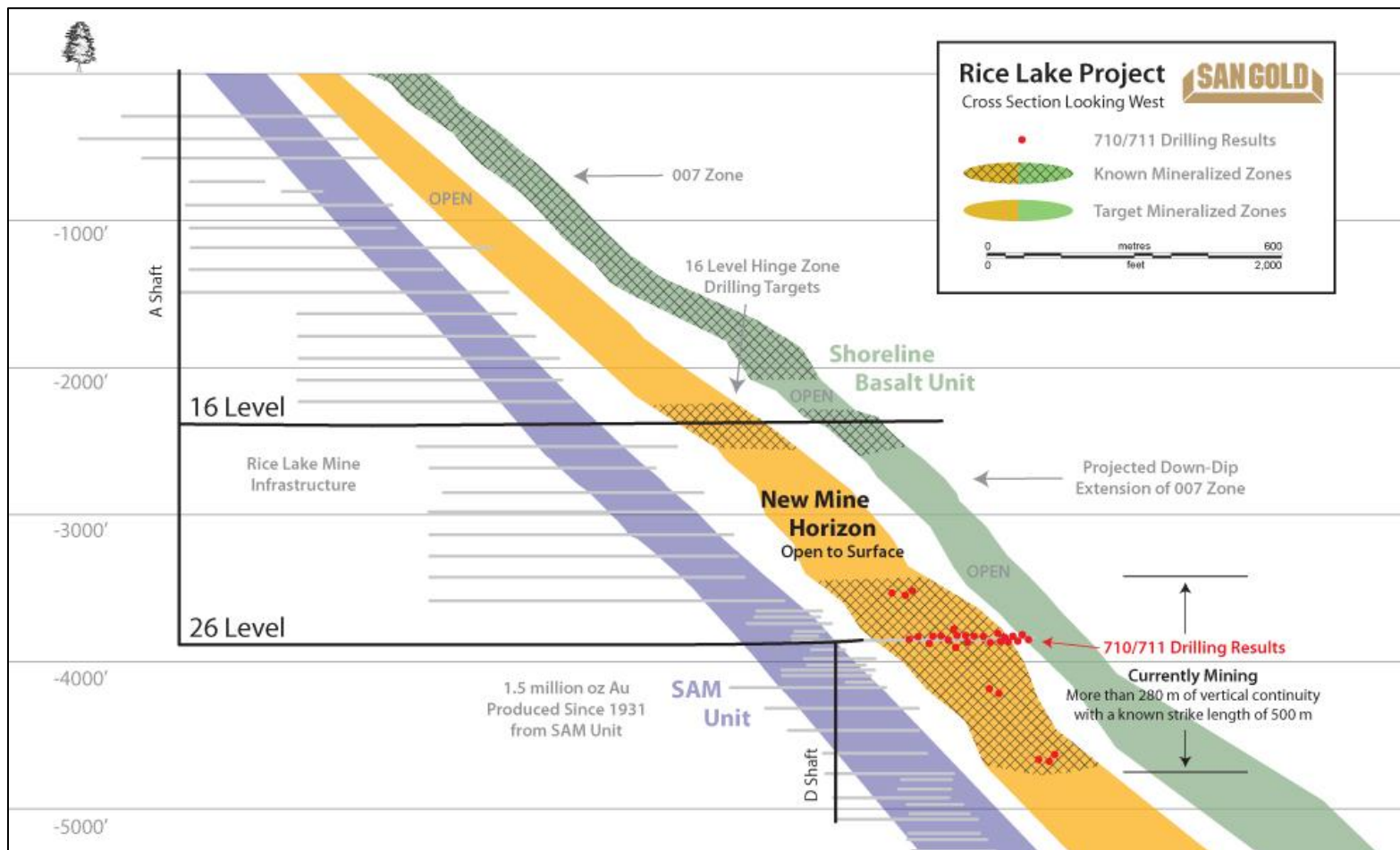
Mining profitable ounces, not tonnes



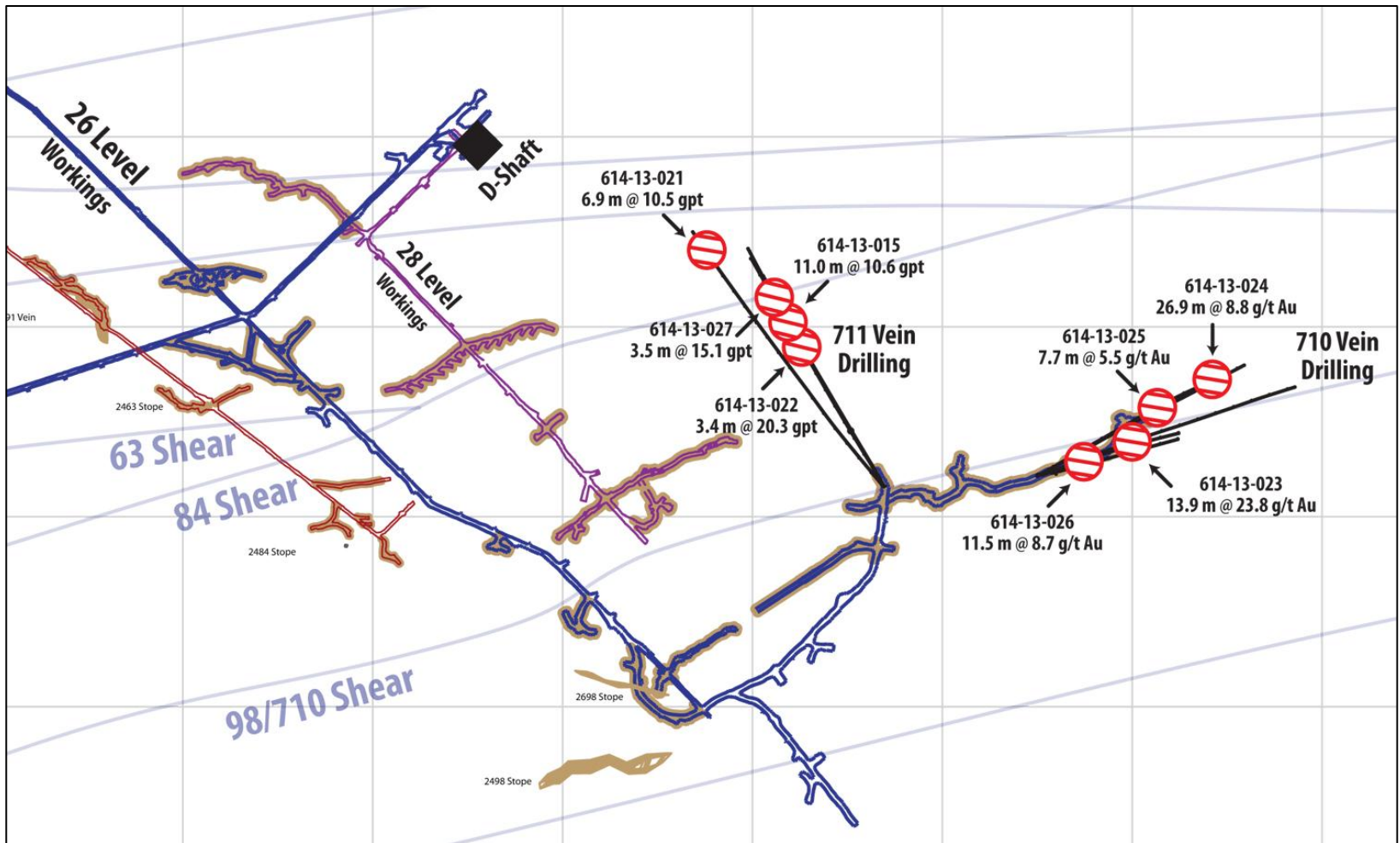
# Rice Lake Deposits & Infrastructure



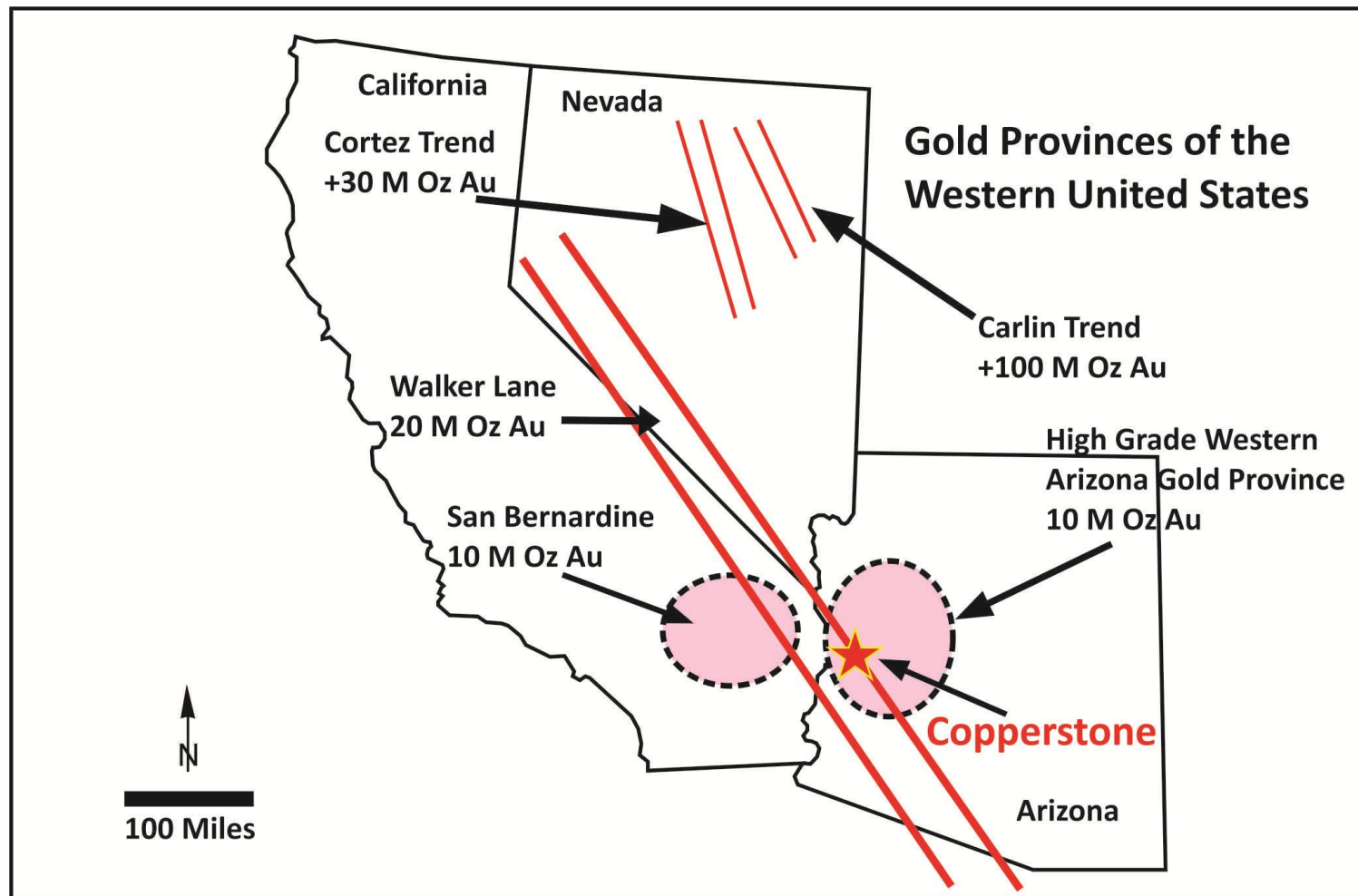
# Rice Lake New Mine Horizon



# 710/711 Vein Drill Results: In Development



# Copperstone Mine: Arizona



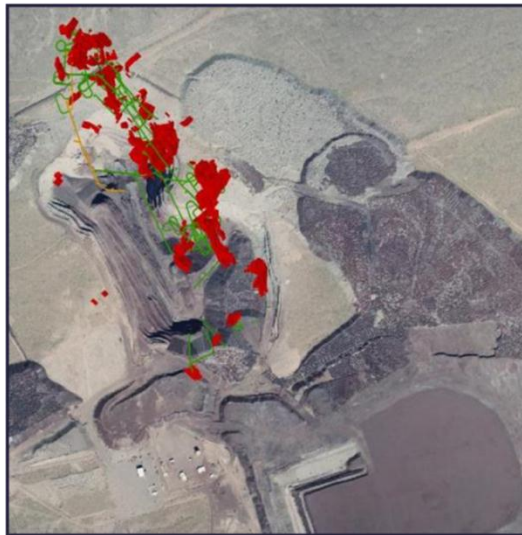
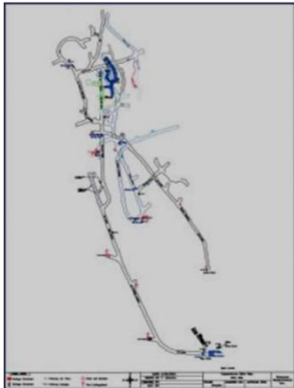
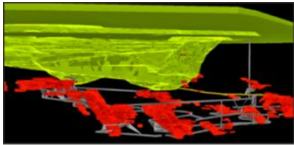


# Copperstone Mine: Fully Constructed

## Processing Facility

- Consistent performance for over 12 months
- 80% to 90% recoveries with steady feed & grade
- Permitted for 450 tpd; plant capacity to 600 tpd
- Crush, grind, gravity, flotation circuit
- Oxide ore – no cyanide required for free gold in oxides

## Mine Plan

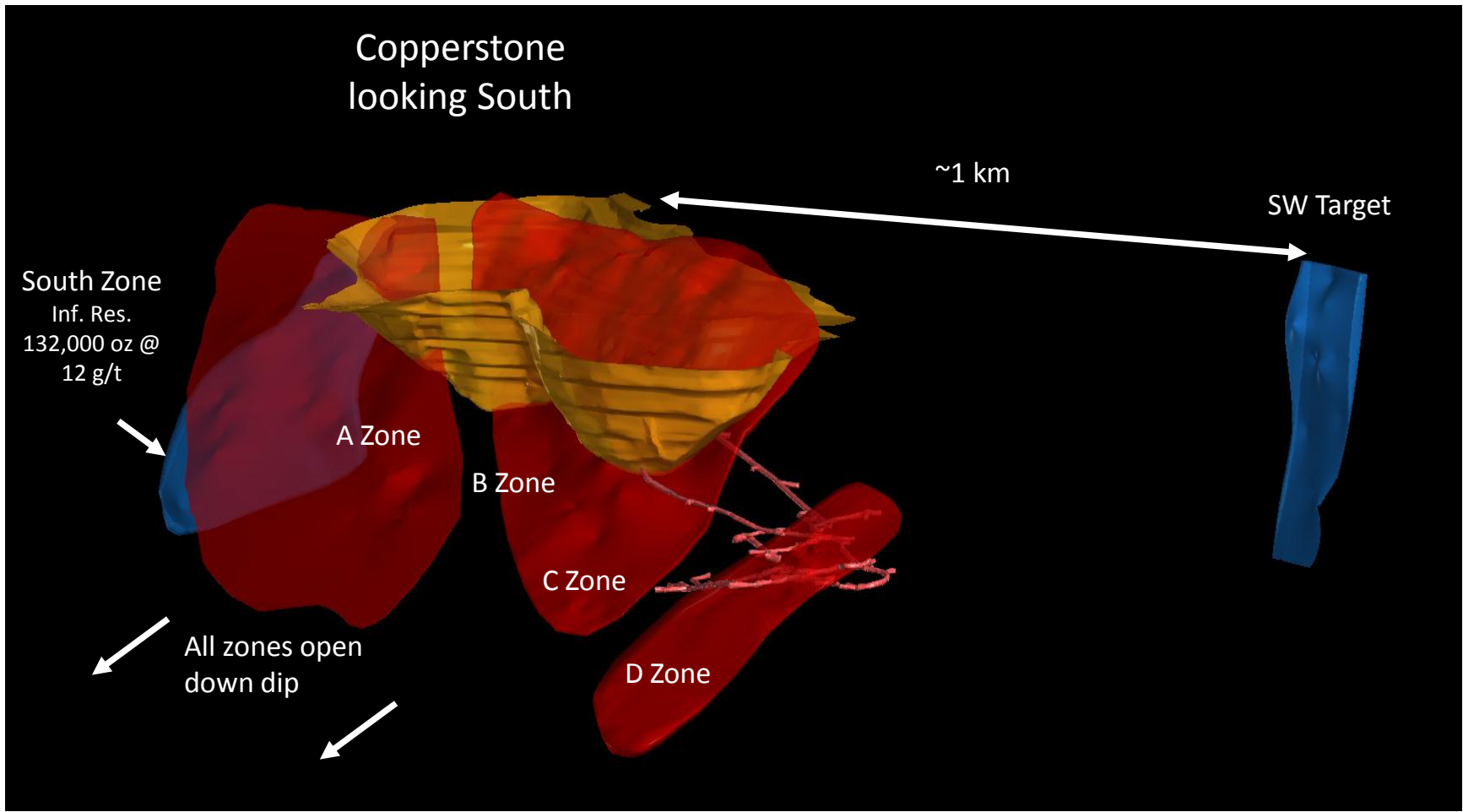


**Processing Plant**



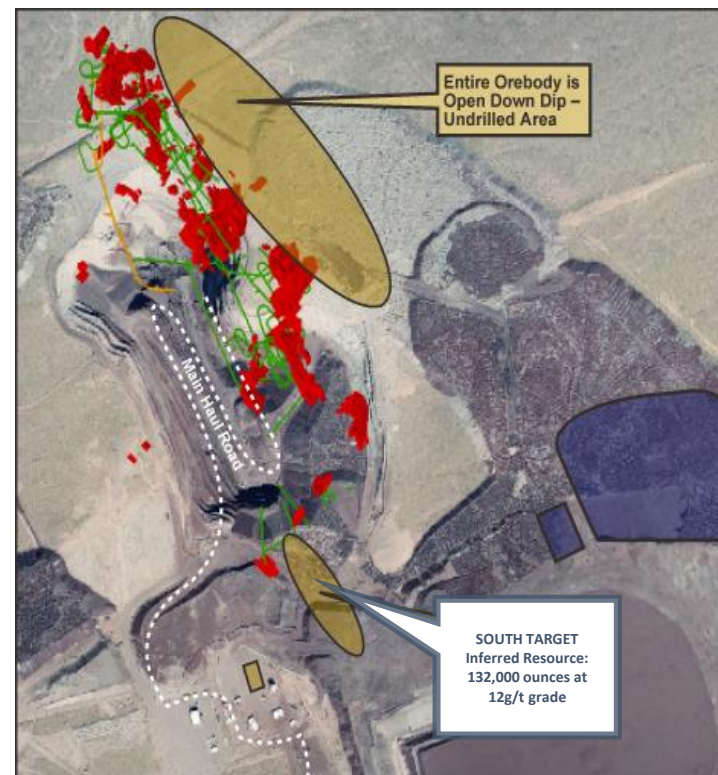
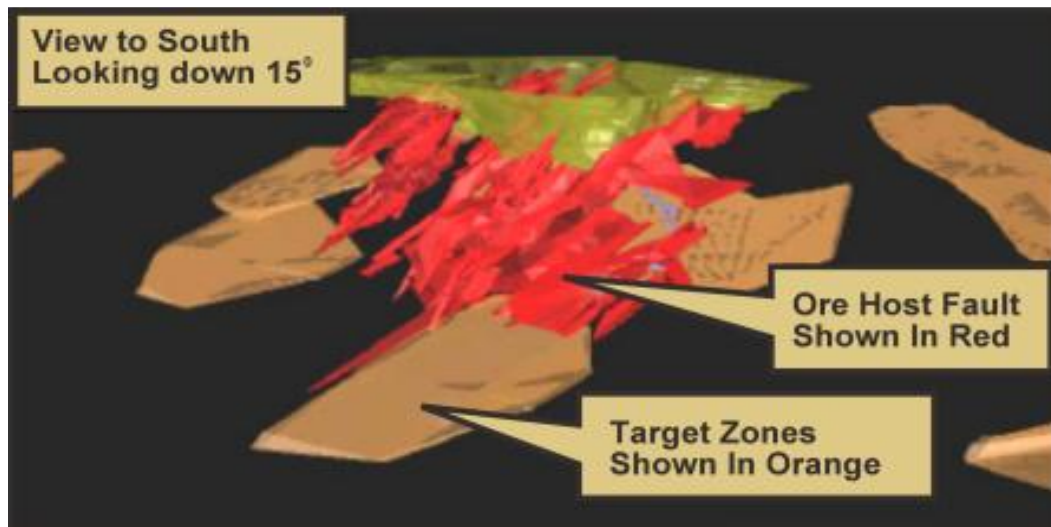
**Secondary Crusher**

# Copperstone Mine: Zone Locations

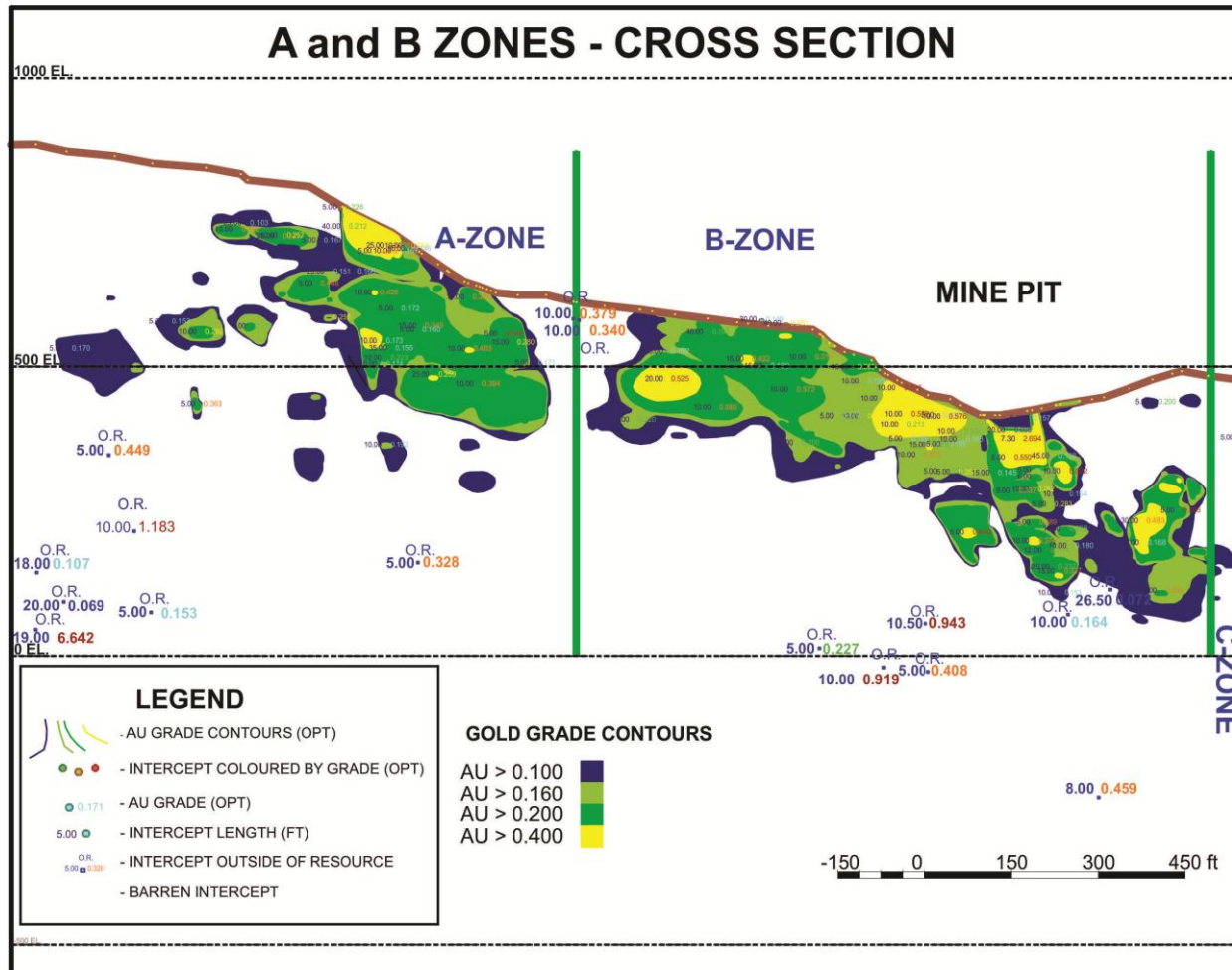


# Copperstone Mine: Expansion Potential

- Expansion potential within mine plan & permit area to expand current resource
- Several structural and geophysical exploration targets warrant additional follow-up drilling for resource discovery
- South Target Inferred Resource
- SW Target drilling anticipated



# Copperstone Mine: Expansion Potential

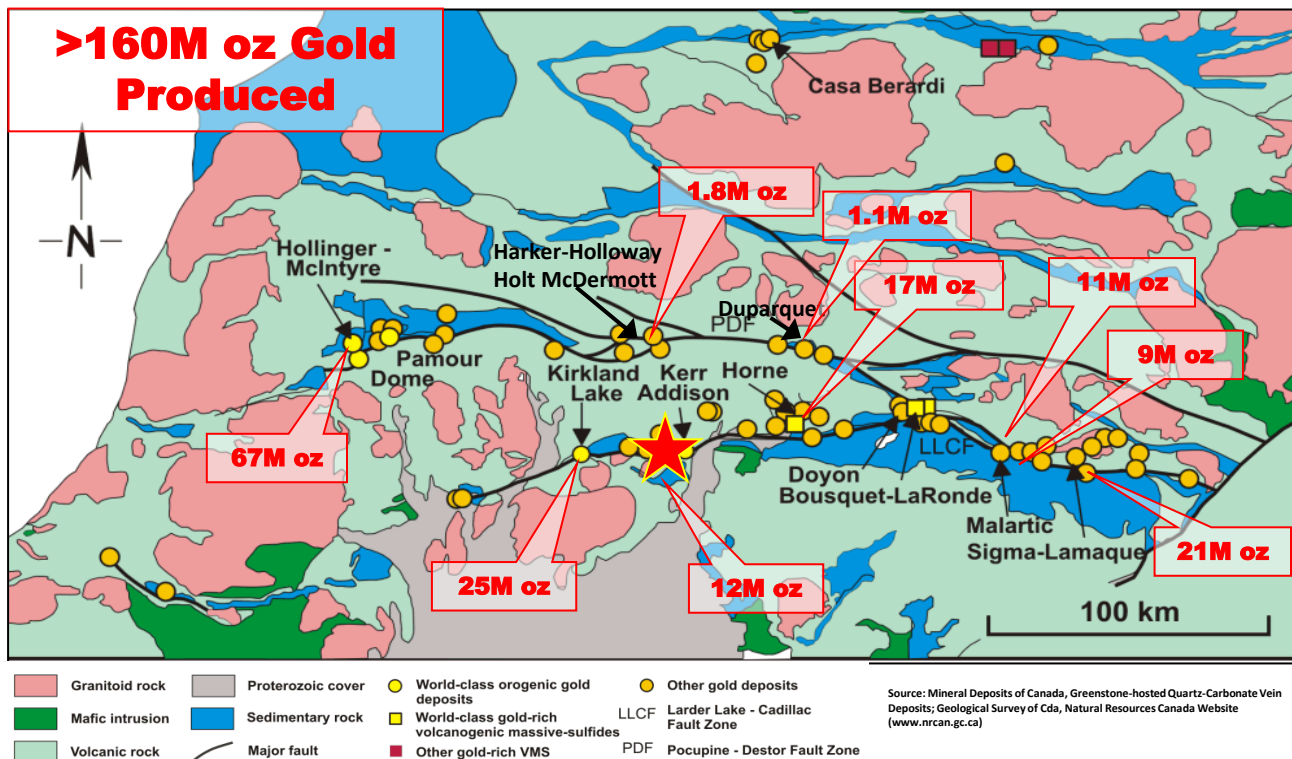




# Kirkland-Larder-Timmins Properties

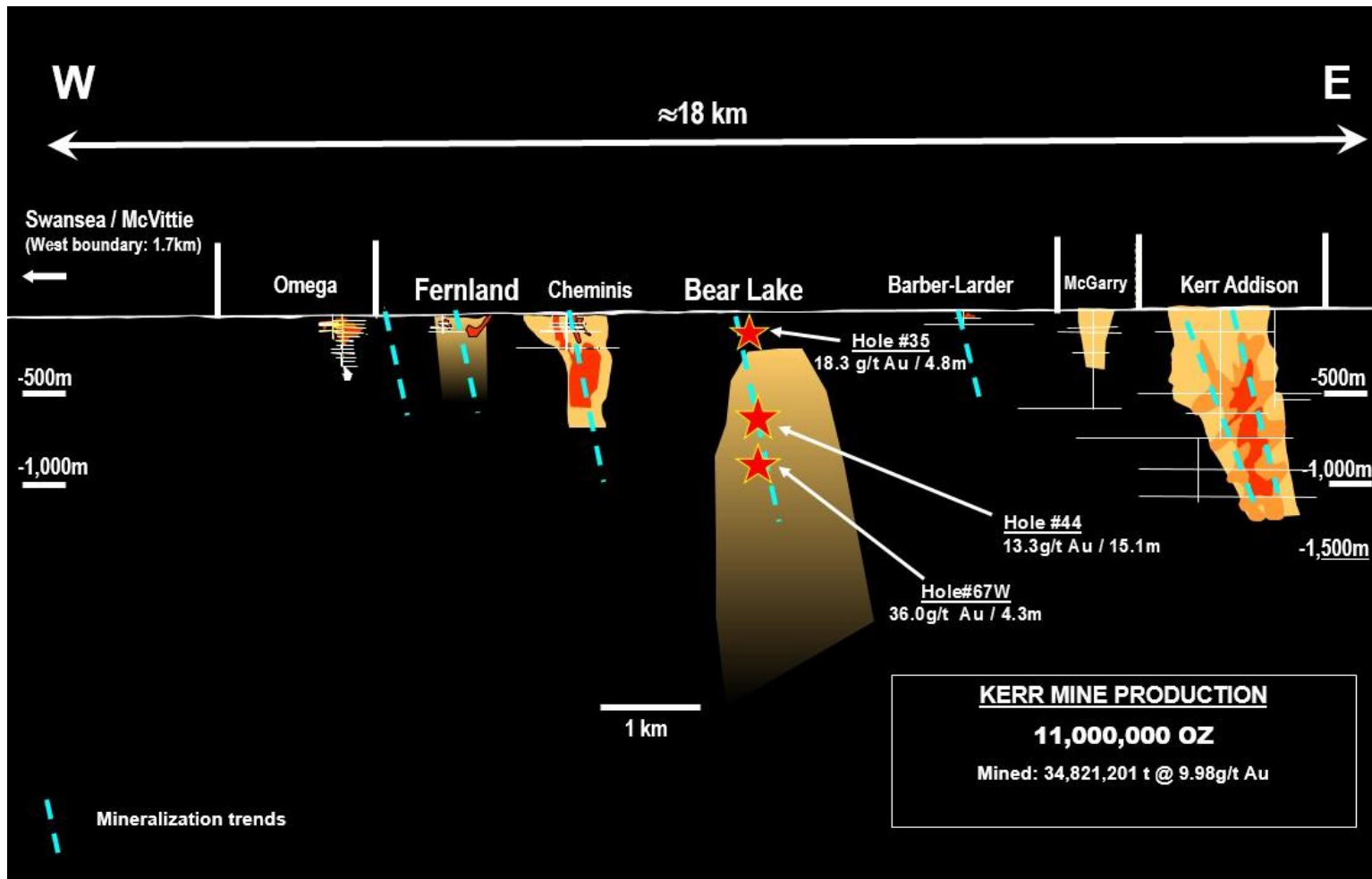
## Two mines & large land package in world-class mining camp

- Past-producing Kerr-Addison property covers 6 km of strike, adjacent and east of McGarry Mine property
- Some underground workings from the Kerr-Addison Mine extend directly onto the McGarry Mine property

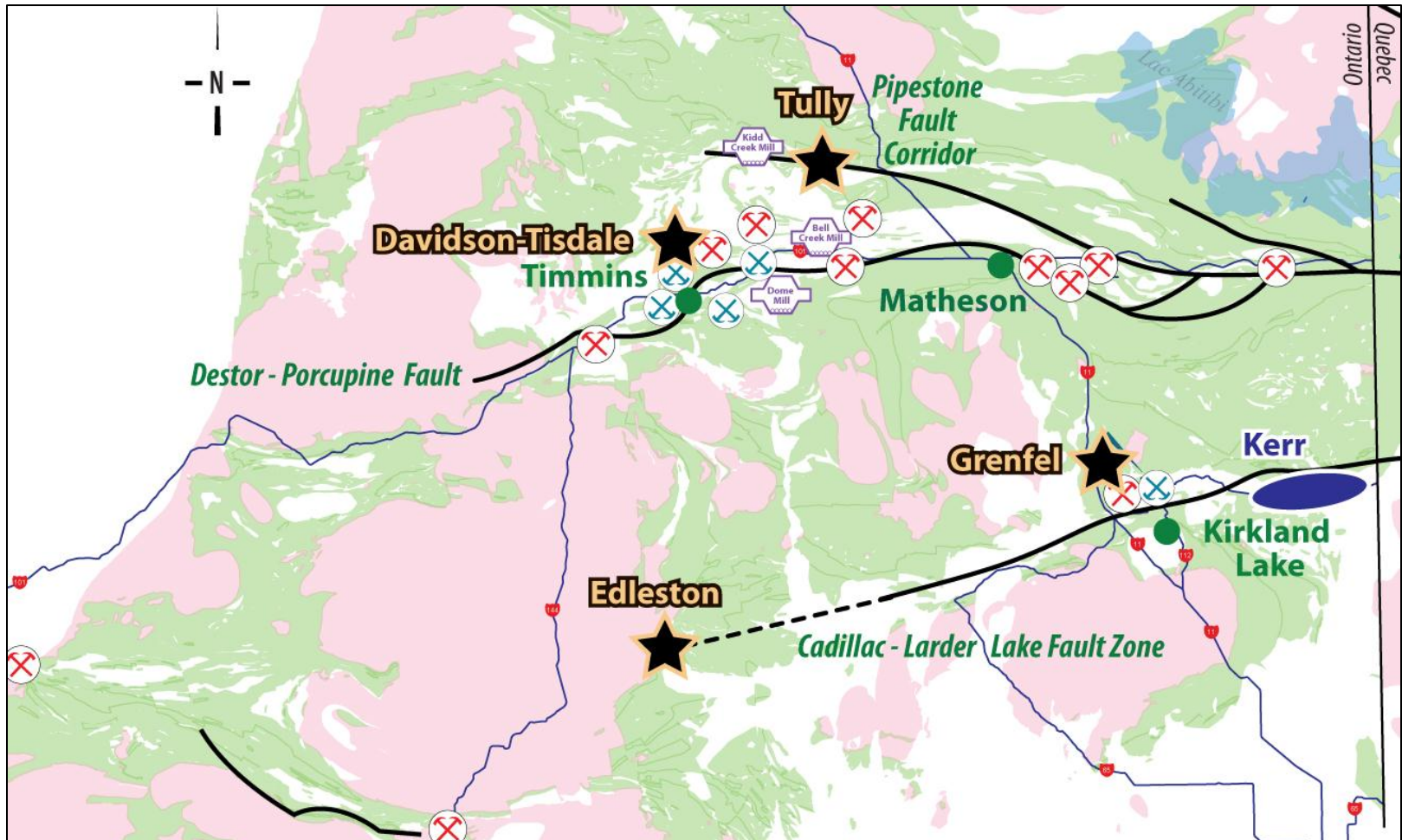




# Larder Lake Longitudinal Section



# Timmins-Larder-Kirkland: Properties via SGX





# Global Resource

<b>San Gold</b>	Tonnes	Cut-Off (g/t)	Grade (g/t)	Contained Au (oz)	<b>SGR + KER Combined Au (oz)</b>
<b>Rice Lake, MB<sup>1</sup></b>					
<b>Total 2P Reserves</b>	2,653,900		5.24	<b>405,000</b>	<b>661,000</b>
<b>Total M &amp; I</b>	2,790,000		6.83	<b>555,600</b>	<b>1,024,400</b>
<b>Total Inferred</b>	15,939,300		6.24	<b>2,900,000</b>	<b>3,978,000</b>
<b>Kerr Mines</b>					
<b>Copperstone, AZ</b>					
2P Reserves <sup>2</sup>	910,000	4.50	8.80	256,000	
M & I <sup>3</sup>	942,000	5.10	10.30	313,000	
Inf. <sup>3</sup>	335,000	5.10	12.20	132,000	
<b>McGarry, ON<sup>4</sup></b>					
Ind.	492,000	3.11	7.15	112,000	
Inf.	172,000	3.11	5.29	29,000	
<b>Larder Lake, ON<sup>5</sup></b>					
Ind.	335,000	2.50	4.07	43,800	
Inf.	5,141,000	2.50	5.55	917,000	
<b>Total 2P Reserves</b>	910,000		8.80	<b>256,000</b>	
<b>Total M &amp; I</b>	1,796,000		8.16	<b>468,800</b>	
<b>Total Inferred</b>	5,648,000		5.97	<b>1,078,000</b>	

Notes: 1. Mineral Reserves and Resources at Dec. 31, 2013 - San Gold press release dated Feb. 20, 2014

2. Vezer International Jan. 2011 – reserves prepared for American Bonanza

3. Telesto Nevada Inc. Feb. 2010 – resources prepared for American Bonanza

4. Python Mining Consultants Sept. 2011 – prepared for Armistice Resources

5. P&E Mining Consultants June 2011 – prepared for Bear Lake Gold

- Resources are inclusive of Reserves

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