

## Company Report

# FAIRMONT RESOURCES INC.

## The Smart Gold Play

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**FAIRMONT RESOURCES INC. (TSX:V – FMR - \$0.11, OTC:PK – FRSSF - \$0.07)**

Price Target: \$0.35

Rating: Speculative Buy

### COMPANY SNAPSHOT

Fairmont Resources Inc. is an aggressive explorer with a focus on development of gold projects with "Camp Scale" potential, within cost effective, politically friendly, mining friendly regions of Canada. Fairmont's key properties, Marmion Contact South, Powell-Clay, and Houghton Creek properties are all located in the mining friendly jurisdiction of Ontario, which has a history of numerous successful gold occurrences. The Marmion property is contiguous with the well-known Hammond Reef gold deposit which contains an inferred resource of 10.52 million ounces of gold.

### KEY STATISTICS

Price as of 10/22/12	\$0.11
52 Wk High – Low	\$0.24 – 0.04
Current Shares Outstanding	19.8M
Market Capitalization	\$2.18M
3 Mo Avg Vol	23,000
Exchange	TSX:V

### COMPANY INFORMATION

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### INVESTMENT HIGHLIGHTS

**Fairmont Resources Inc. has options to acquire 3 properties in a section of Ontario with a history of numerous gold occurrences that could prove to be extraordinarily lucrative.**

**One of these properties, Marmion South Contact, is contiguous with Osisko's (TSX:OSK) well-known Hammond Reef gold deposit which contains an 43-101 compliant inferred resource of 10.52 million ounces of gold at 0.62 g/t.** The Hammond Reef project has been one of the largest drilling/exploration projects in North America over the last couple of years.

**A number of milestones in the near term should drive the stock higher.** These include winter drilling programs by Fairmont and an updated resource estimate and feasibility studies by Osisko on Hammond Reef

**Brett Resources, which owned the Hammond Reef property, was acquired by giant Osisko for \$360M.** We believe that even if a satellite deposit of 500,000 – 1 million ounces were found on the Marmion Contact South site, it could be worth at least \$25M to FMR.

**With fewer than 20 million current shares outstanding, Fairmont has one of the lowest share counts among its peers, whose typical capital structures tend to be in the hundreds of millions of shares.** This is a major advantage for investors and a differentiator for FMR.

**Given that Hammond Reef is the most advanced project in Osisko's pipeline, with all indicators pointing to its serving as Osisko's next mine and the potential for Fairmont to discover significant gold mineralization on its contiguous Marmion South Contact property, we view FMR as an inexpensive way to play the likely blockbuster success of Hammond Reef.** Moreover, with meaningful value potentially assessed to the other properties based upon upcoming milestones, we project FMR could reach \$0.35 in the coming months and hit \$1.00 if gold occurrences are validated. We rate these shares Speculative Buy.

## **COMPANY OVERVIEW**

Tracking its roots to 2007, Fairmont Resources Inc., formerly known as Strike Explorations Corporation, was founded in Vancouver, British Columbia, and is engaged in acquiring, exploring, and development of properties in minerals, primarily gold and secondarily copper, zinc, nickel, and platinum. The Company is focused on projects with “Camp Scales” in areas with proven past producing and recent discoveries in politically friendly jurisdictions. The management team has over 20 years of experience in exploration and an intimate knowledge of the geology of Ontario. Fairmont is currently involved with three main projects in the Thunder Bay mining district of Ontario in the Wabigoon Sub-province: Marmion Contact South Project, Houghton Creek Project, and the Powell-Clay Project.



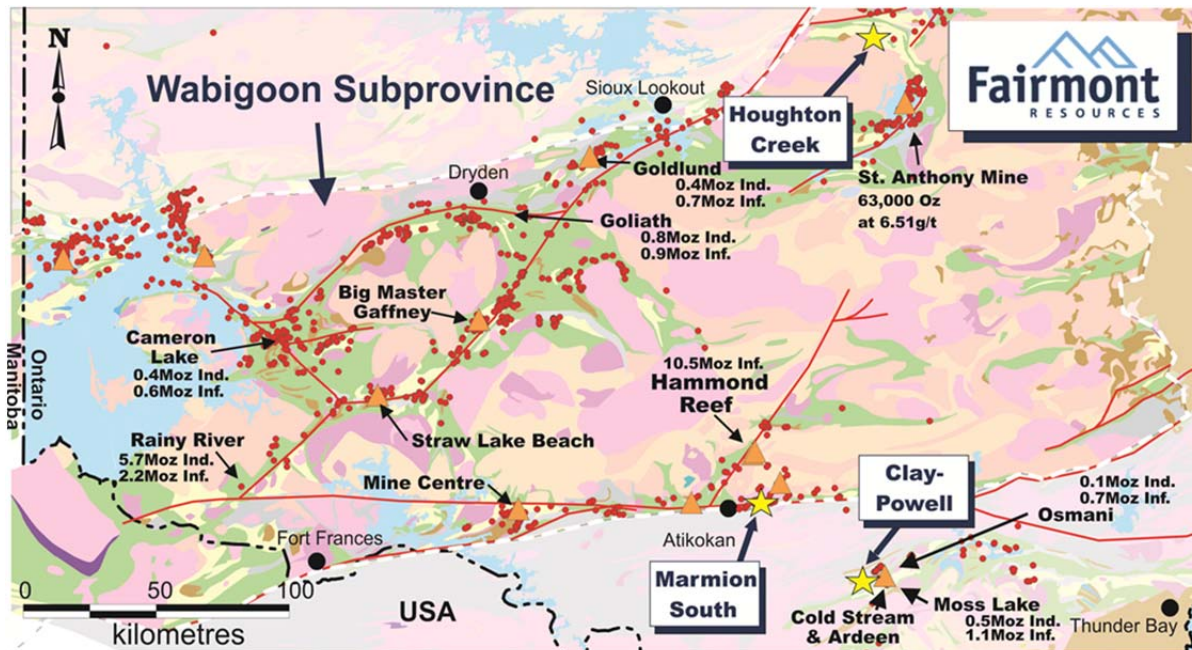
Image I. Western Wabigoon Subprovince bulk tonnage gold deposits.  
Source: [www.fairmontresources.com](http://www.fairmontresources.com)

### **Strategy and Positioning**

Management has engaged in a clever business model which we believe minimizes risk while maximizing upside potential. For example, the Company has elected to focus its efforts exclusively in the low-risk, infrastructure rich Thunder Bay (Ontario, Canada) mining district, which essentially serves as the team's backyard. The key to the model is to engage in exploration projects whereby the Company owns options to acquire a majority stake or 100% ownership in properties in areas with recent discoveries of significant bulk tonnage gold deposits.

In essence, the Fairmont team is leveraging the major expenses borne by larger players with the intention of capitalizing on the enhanced profile of these new deposits by executing their own exploration programs with significantly lower costs and dilution to shareholders. As a result, Fairmont's value should increase along with the rises of its neighbors as well as with milestone achievements on its properties which could result in new gold discoveries or outright property sales for huge premiums.

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### Gold in the Western Wabigoon Subprovince

Legend:

Proterozoic and Phanerozoic rocks	Metasedimentary belt	Wabigoon subprovince boundary
Diorite-Granodiorite Suite	Felsic Volcanics	Gold Occurrences
Granodiorite to granite Suite	Mafic Volcanic	Past Producing Gold Mine
Tonalite Suite	Mafic-Ultramafic Intrusives	
Gneissic Tonalite Suite	Major Structure	

Image II. Western Wabigoon Subprovince bulk tonnage gold deposits.

Source: [www.fairmontresources.com](http://www.fairmontresources.com)

## THE FAIRMONT PROPERTIES

### Marmion South Contact

The flagship *Marmion South Contact* project is, as the name implies, located along the southern contact of the Marmion batholith and is over 8,200 hectares (20,000 acres) in size. Fairmont has the option to earn 100% of the interest in this property. The most important characteristic of this property is its contiguous border with one of the largest drilling/exploration projects in North America, led by Osisko Mining Corporation's (OSK.TSX).

The property is underlain by Archean granite-greenstone rocks of the Wabigoon Subprovince within the geological Superior Province of the Canadian Shield. The western Wabigoon Subprovince was host to some of the first gold rushes in Ontario in the 1890s. However, when richer fields in Timmins and Kirkland Lake were discovered, the area was mostly forgotten. Still, with the run up in gold prices starting in 2003 the area has seen resurgence as a prime location for the discovery of bulk tonnage gold deposits. In the last ten years alone, 7.8 million 43-101 compliant ounces of measured and indicated resources and 15 million 43-101 compliant ounces of inferred resources have been identified, and the numbers continue to grow.

## FAIRMONT RESOURCES INC. (TSX:V – FMR , OTC:PK – FRSSF)

The Marmion South Contact property is host to several gold showings, the most advanced of which is the Olcott prospect which has returned historical drill intercepts of up to 1.85 g/t over 19.20 meters and 6.92 g/t over 4.69 meters and hosts a historical non 43-101 compliant resource estimate of 81,000 tons @ 0.06 oz/ton gold.

As mentioned above, the property is adjacent (approximately 20 km) to Osisko's Hammond Reef Project, which according to Osisko's filings, contains 10.52 million ounce NI 43-101 compliant inferred gold resources. This property was formerly owned by Brett Resources, prior to its acquisition by Osisko for roughly \$360M. It is interesting to note that Fairmont has the largest land position in this area, (second to Osisko), making the property that much more valuable, should significant gold mineralization be identified. As a result, FMR investors should closely monitor Osisko's development progress.

In addition to the nearby Hammond Reef Deposit, two other past-producing mines are located adjacent to the Marmion South Contact property. The Atiko-Sapawe mine, located 200m from the eastern property boundary, operated from 1963-1966 and hosts a historical, non 43-101 compliant resource of 10,600 ounces at 8.0 g/t; and the Jack Lake mine located approximately 1 km from the northern property boundary, operated in the 1890's and hosts a historical non 43-101 compliant resource of 4000 ounces at 15.5g/t.

The northern half of the property is underlain by granitic rocks of the Marmion batholithic complex, the same rocks which host Osisko's Hammond Reef deposit. The Hammond Reef deposit and other gold occurrences in the Marmion batholith are controlled by northeast structures. Airborne geophysics flown by Fairmont on the property in 2011 identified several of these northeast structures and ground truthing of them was accomplished during the 2012 summer field program. Volcanic and gabbroic rocks dominating the southern half of the property are bound by a major crustal break, the Quetico Fault and its subsidiary structures. Gold mineralization in the volcanic and gabbroic rocks is controlled by east-northeast to east-striking shear zones which are possibly related to the Quetico Fault system.

Infrastructure on the Marmion South Contact property is exemplary. The property is accessed via the Trans-Canada Highway 11 from Thunder Bay to the town of Atikokan then accessed by a secondary highway with several logging roads providing access within the property. A major railway line is located just south of the property and a hydro line and gas pipeline are located on the property. Both skilled and semi-skilled labor is readily available from Thunder Bay and Atikokan, respectively.

Going forward, management plans to initiate a diamond drilling program on the Marmion batholith portion of the property targeting the newly identified northeast structures this winter. This follows a diamond drill program of 1,400 meters conducted this past spring which focused on the greenstone hosted Olcott Showing, that returned up to 2.00 g/t over 8.00 meters, including 3.27 g/t over 3.00 meters.

As noted above, this region is a hotbed of historical and ongoing projects. For example, in addition to the Osisko project, the nearby Rainy River project has recently updated their resource estimate with 6.2 million ounces in measured and indicated and 2.3 million ounces in inferred and are undertaking feasibility studies.

### Houghton Creek Project

The Houghton Creek property is approximately 1300 hectares (3,200 acres), and while primarily a gold project, it also hosts zinc, copper lead and silver mineralization. The Company has the option to earn 100% of the interest in this property, which is also accessible by paved highways and well-maintained logging roads. Interestingly, the Houghton Creek property dovetails with the Marmion South flagship property as it is also a

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granite-hosted gold project located in the prolific western Wabigoon Subprovince. Separately, there are two other key points regarding this property's location.

One, Houghton Creek is 27 km northwest of the historic St. Anthony gold mine that operated from 1905 through 1941, intermittently, and produced over 63,000 oz. of gold. Two, the property is also located 50 km due north of the historic Sturgeon Lake Volcanogenic Massive Sulphide Mining Camp, where 5 past producers operated from the early 1970s through to the early 1990s. The largest of which, the Mattabi Mine, produced 13.5 million tons at 7.5% Zn, 0.88% Cu, 0.77% Pb, and 3.1 oz/t Ag.

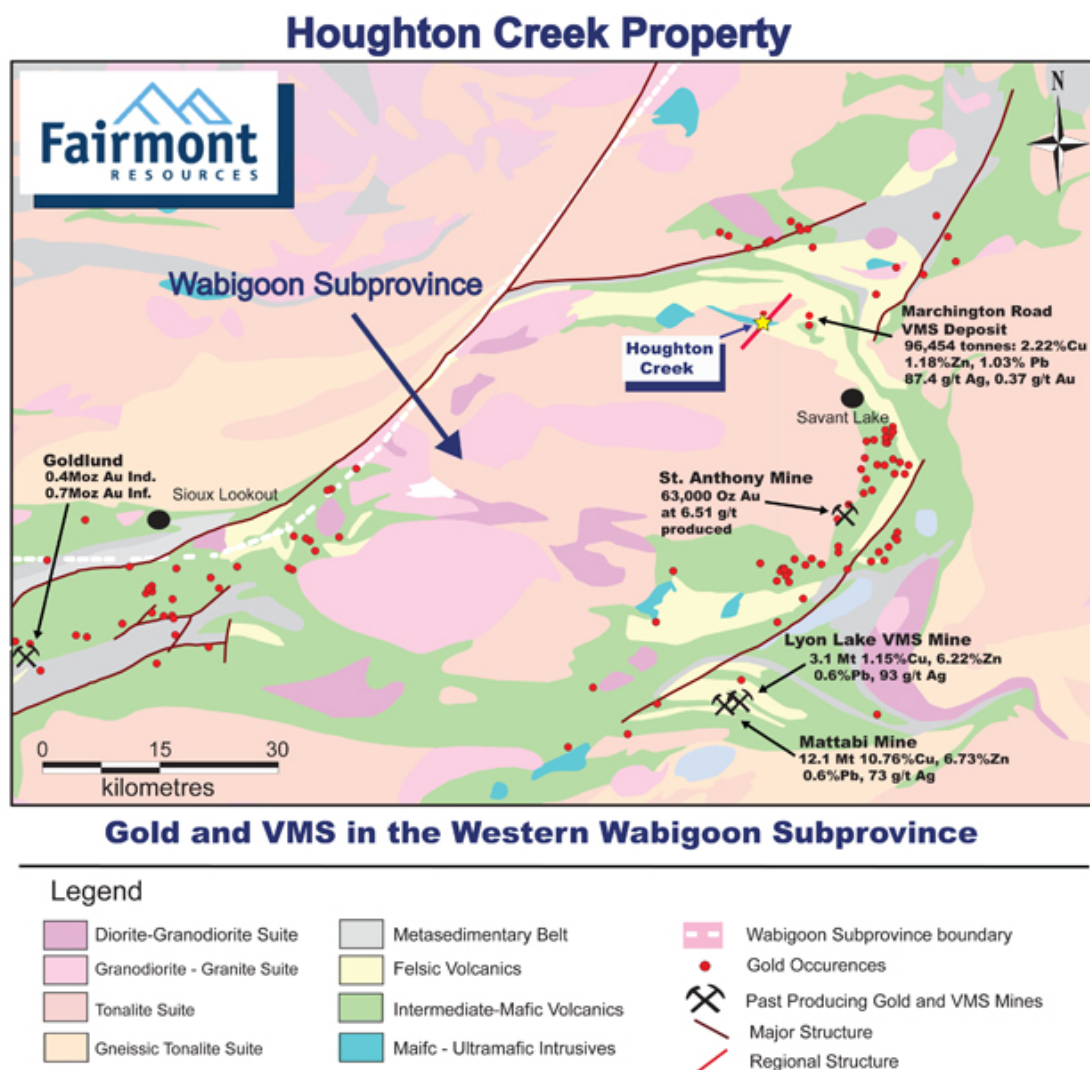


Image III. Houghton Creek Property  
Source: [www.fairmontresources.com](http://www.fairmontresources.com)

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## Powell-Clay

The Powell-Clay project is nearly 3,300 hectares (over 8,000 acres) and is accessible by a network of well-maintained logging roads, Fairmont has the option to earn 70% interest from this property from joint venture partners Rainy Mountain Royalty (TSX-V: RMO) and Mega Uranium (TSX: MGA). The Powell property consists of 12 claims (3,277 hectares) and is also located approximately 125 km west of Thunder Bay, Ontario.

The Wawa Subprovince is home to several world-class gold (most notably the Hemlo Gold mines), base metal and iron deposits in diverse geological settings. Strategically, the properties are situated in an excellent position as 3 known gold and copper trends converge on the property. Past producing mines and new discovered deposits under development range from Moss Lake Gold Mines to claims contiguous to Xstrata Copper/Rainy Mountain Royalty IOCG (Iron Oxide-Copper-Gold) mineralization.

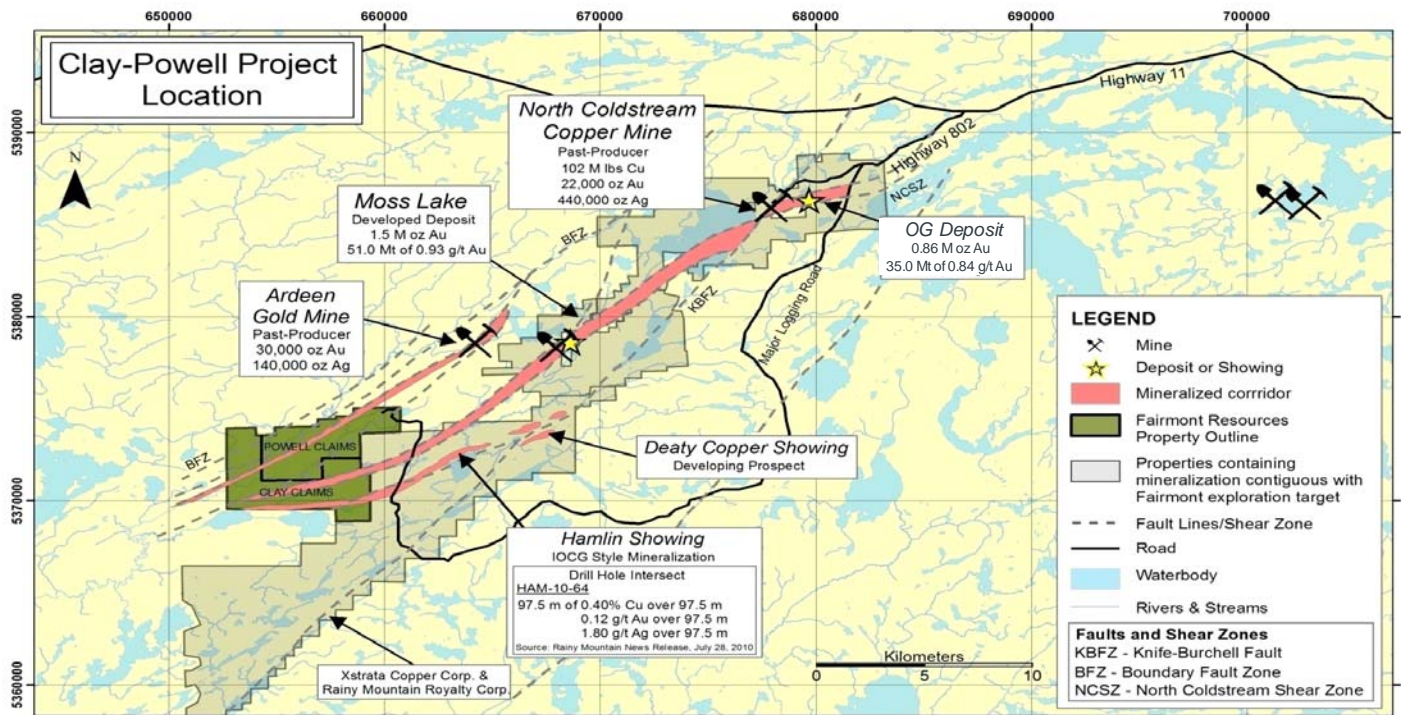


Image IV. Powell-Clay Property  
Source: [www.fairmontresources.com](http://www.fairmontresources.com)

**Company Report****THE FAIRMONT RESOURCES EXECUTIVE TEAM**

The management team is seasoned and has considerable experience in building and growing successful companies. Mr. Pettigrew and Mr. Thompson co-founded the Fladgate Exploration Consulting Services Company which has over 30 employees and a plethora of public and private exploration companies as clients.

**Neil Pettigrew M.Sc. P.Geo. – President, CEO, and Director**

Mr. Pettigrew has worked in the industry for more than 10 years for several firms of all sizes in gold and copper-nickel-platinum group mineral exploration. These firms include Avalon Ventures Ltd., Temex Resources Inc. Rainy River Resources Ltd., and Goldcorp Inc. to name a few. Mr. Pettigrew also founded Fladgate Exploration Consulting, which has over 30 employees, and serves as VP of exploration for PC Gold Inc. His impressive academic achievements include BSc with honors in geology from the University of New Brunswick and an MSc in Earth Sciences from the University of Ottawa.

**Greg Ball – CFO and Director**

Mr. Ball has over 23 years of experience in accounting and finance at several levels with a variety of firms. He has served as controller at Black Top and Checker Cabs and Pacific Western Brewing Company over the last 10 years, as well as, senior accountant with the Da Costa Management Corporation since 2005. He has a BSc in Mathematics from the University of Alberta, and has been CGA (equivalent of CPA in the United States) certified since 2005.

**Michael Thompson P.Geo. – Director**

Mr. Thompson has over 10 years of experience in an impressive career that has allowed him to become a specialist in structural interpretation of gold deposits and advancing exploration programs to the resource stage. He has spent time at Teck Resources Ltd., Placer Dome CLA Inc., and Goldcorp Inc. He was also co-founder of Fladgate Exploration Services, which has over 30 employees, and serves as Director and Vice President of Exploration for Red Metal Resources Ltd. and President and CEO of Kesselrun Resources Ltd. Mr. Thompson graduated with honors with a BSc in Geology from the University of Toronto.

**John Bevilacqua – Director**

Mr. Bevilacqua has over 13 years of outstanding experience in finance in both private and public companies. He served 5 years as manager of investor relations for Stockhouse Inc. and large financial media company serving financial institutions, media publishers, public companies, and advertisers.

## **RISK FACTORS**

As is the case with most early stage mining and exploration companies, FMR's biggest overall risk factor is not achieving success in "striking gold" in one or more of its properties. In our view, the primary risk factor is related to any missteps or delays with Osisko's Hammond Reef project. Considering the enormous sums of money invested in one of its flagship properties, we deem it unlikely that Osisko will not execute. A near term risk is access to capital. In order to fund continued exploration and then production, FMR management must maintain access to capital. Moreover, this access to capital must be the raising of funds through debt and/or equity that will be favorable to investors. With a strong management team that has built and operated substantial, publicly-traded mining companies, we are confident that FMR will be in solid financial shape.

## **CONCLUSION**

Given that Hammond Reef is a flagship project for giant Osisko and the potential for significant gold mineralization in the contiguous Marmion Contact South property, we view FMR as an inexpensive way to play the likely blockbuster success of the \$3.6 billion market cap Osisko's Hammond Reef. Any success with that project will have a positive impact on FMR's stock, as will upcoming drilling programs for the 3 FMR properties in the next several months. As a result, we project FMR could reach \$0.35 in the coming months as results from the various programs are released, and we believe that the stock could approach \$1.00 if meaningful gold mineralization is validated. Looking ahead, we believe that even if a satellite deposit of 500,000 – 1 million ounces were found on the Marmion South Contact property, it could be worth at least \$25M to FMR.

Separately, with fewer than 20 million current shares outstanding, Fairmont has one of the lowest share counts among its peers, whose typical capital structures tend to be in the hundreds of millions of shares. This is a major advantage for investors and a differentiator for FMR, as it would not take a significant amount of volume to drive the stock price higher.

We rate these shares Speculative Buy.

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# Recent Trading History For FMR

(Source: Stockta.com)



# FAIRMONT RESOURCES INC. (TSX:V – FMR , OTC:PK – FRSSF)

## Analyst: Robert Goldman

Rob Goldman has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

## Analyst Certification

I, Robert Goldman, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

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