

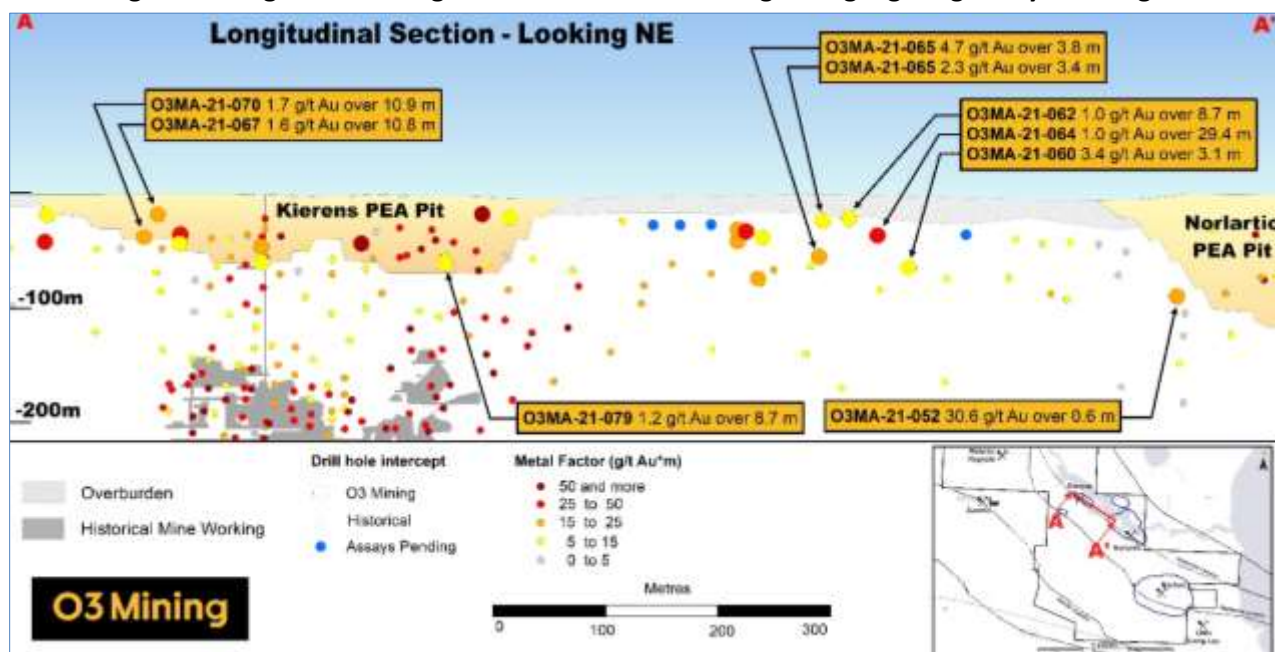
**Ticker:** OIII CN      **Cash:** C\$77m      **Project:** Marban + Val d'Or  
**Market cap:** C\$156m      **Price:** C\$2.29/sh      **Country:** Canada, QC  
**RECOMMEND. (unc):** BUY      **TARGET (unc):** C\$5.95/sh      **RISK RATING (unc):** HIGH

Today's near surface hits continue to demonstrate that the mineralization extends between the two Kierens and Norlartic pit shells, and perhaps even connecting over the 2km strike length. The breadth of areas that have been drilled this year, and consistent economic grades, just keep adding up. Stepping back, with 80,000m of drilling providing consistent news flow, we see iterative ounces coming from multiple directions, and it is becoming clear to us that the existing 3.2Moz @ 1.8g/t (4Moz incl. 27% of Moneta) is set to grow ahead of the PFS mine plan coming this year. As such, **we maintain our BUY rating and C\$5.95/sh PT** based on  $0.5 \times \text{NAV}_{5\%-1850}$  for Marban, including an SCPe 100koz @ 2.75g/t satellite and a conservative US\$10/oz for resources outside reserves. With up to eight rigs this year, the company is well placed to continue drill-bit momentum. Current C\$77m cash and marketable securities leaves O3 well funded to advance its own narrative, with a 'free ride' on its current ~C\$60m investment in Moneta adding to the optionality along the belt in Timmins.

## Near surface drilling between pits return bulk 29m @ 1.0g/t; expansion drilling continues

Today's drill results highlighted **3.1m @ 3.4g/t, 29.4m @ 1.0g/t, 3.4m @ 2.3g/t and 3.8m @ 4.7g/t** located between the current proposed Kierens-Norlartic pits (Figure 1), pointing to the potential to combine the two deposits. Additional drilling within the Kierens PEA pit highlighted **8.7m @ 1.2g/t, 10.9m @ 1.7g/t, and 10.8m @ 1.6g/t**.

Figure 1. Long section along Kierens > Norlartic looking NE highlighting today's drilling



Source: O3

## Why we like O3

- Large holding on global top-three Archean belt straddling the Cadillac Break around Val d'Or
- Existing 'base load' 2.5Moz resource / 1.8Moz inventory / 134koz pa Y1-10 scenario at Marban
- 27% ownership of 8.4Moz Moneta where Garrison provides base-load while Highway lifts grade
- 'Get it done, fast' including 150km drill programme underway speeds equity ROI

## Catalysts

- CY21: 150,000m

- 2021: Marban PFS
- 2022: SCP Marban construction start
- 2024: SCP Marban commercial production

## Research

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<b>Ticker:</b> OIII CN	<b>Price / mkt cap:</b> C\$2.29/sh, C\$156m	<b>Project PNAV today:</b> 0.26x	<b>Asset:</b> Marban + Val d'Or
<b>Author:</b> Brock Salier	<b>Rec / xNAV PT:</b> BUY, C\$5.95/sh	<b>1xNAV build start, FD:</b> C\$8.85/sh	<b>Country:</b> Canada, QC / ON

Commodity price	CY20E	CY21E	CY22E	CY23E	CY24E
Gold price	1,768	1,863	1,857	1,852	1,850
SOTP project valuation*					
	C\$m	O/ship	NAVx	C\$/sh	

	C\$m	O/ship	NAVx	C\$/sh
Marban proj @ 2Q22 build start	505	100%	0.5x	2.96
Cash @ 1Q21	77	100%	1.00x	0.91
Cash from options	58	100%	1.00x	0.68
Resource ex reserve @ US\$10/oz	63	100%	1.10x	0.82
O3 interest in Moneta Porcupine	51	27%	1.00x	0.60
Asset NAV5% US\$1850/oz	704		PT:	5.96
<i>*Diluted for options but not mine build</i>		Market P/NAV5% 3Q20		0.26x

**Asset value: 1xNPV project @ build start (C\$m, ungeared)\***

Project NPV (C\$m)*	\$1750oz	\$1850oz	\$1950oz	\$2150oz	\$2250oz
10.0% discount	305	355	404	503	552
7.5% discount	368	424	479	590	645
5.0% discount	445	508	570	695	757
Ungeared project IRR:	32%	36%	39%	46%	50%
NPV5 (C\$m) vs satellite*	Sat: 0Mt	1.1Mt	1.7Mt	3.4Mt	2.8Mt
Satellite grade: 1.75g/t	417	446	461	489	489
Satellite grade: 2.75g/t	417	491	527	604	599
Satellite grade: 3.75g/t	417	535	591	716	707

\*Project level NPV, excl finance costs and central SGA, discounted to build start

Group valuation over time^	2Q21	2Q22	2Q23	2Q24	2Q25
Marban NPV (C\$m)	478.0	505.0	650.6	752.6	669.9
G&A and finance costs (C\$m)	(72.0)	(70.3)	(67.0)	(54.4)	(42.4)
Net cash prior qtr (C\$m)	62.3	24.0	10.2	(73.9)	23.8
Cash from options (C\$m)	58.4	58.4	58.4	58.4	58.4
Resource ex reserve (C\$m)	63.3	63.3	63.3	63.3	63.3
O3 interest in Moneta Porcupine	50.8	50.8	50.8	50.8	50.8
NAV FF FD (C\$m)	590	580	716	746	773
Shares in issue (m)	60.3	63.3	108.5	108.5	108.5
1xNAV5%/sh FF FD (C\$/sh)	9.78	9.16	6.59	6.87	7.12
Equity ROI from spot (% pa)			70%	44%	33%

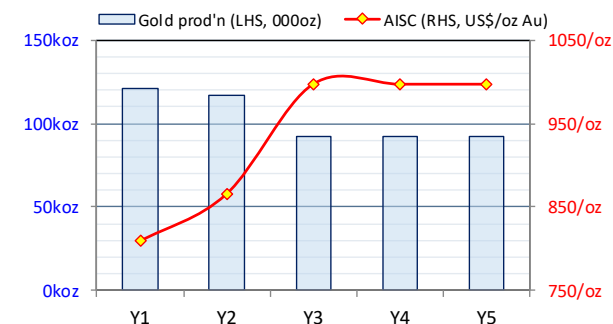
**Geared company NAV diluted for mine build, net G&A and finance cost**

3Q22 1xNAV FF FD (C\$/sh)^	\$1750oz	\$1850oz	\$1950oz	\$2150oz	\$2250oz
10.0% discount	433	486	539	645	697
7.5% discount	486	544	603	720	778
5.0% discount	549	615	680	810	874
Geared project IRR:	30%	33%	37%	43%	47%
2Q22 1xNAV FF FD (C\$/sh)^	\$1750oz	\$1850oz	\$1950oz	\$2150oz	\$2250oz
10.0% discount	3.95	4.56	5.16	6.40	7.02
7.5% discount	4.58	5.26	5.94	7.32	8.02
5.0% discount	5.34	6.11	6.88	8.44	9.22

^Project NPV incl grp SG&A & fin. cost, +net cash; \*diluted for mine build equity

Production	Y1	Y2	Y3	Y4	Y5
Gold production (000oz)	121	117	92	92	92
C1 cost (US\$/oz)	708	762	880	880	880
AISC cost (US\$/oz)	809	866	997	997	997

AISC = C1 + ug sustaining capex, Y1 = 12M to Sep 2024



-Source: SCP estimates

Resource / Reserve	Au (koz)	Au (g/t)	Deposit	Au (koz)
M&I	3934koz	2.16g/t	Marban	1785koz
Inferred	2118koz	0.29g/t	Akasaba	543koz
Total	6052koz	1.13g/t	Orenada	321koz
SCPe Marban pit inventory	1118koz	1.21g/t	Scipy, E Cadillac, Simkar	3403koz
SCPe Marban satellite inventc	100koz	2.75g/t		

Disclosed Investments	Shares	Price	Value
Hemlo Explorers	2.6m	0.62/sh	C\$1.6m
Troilus shares	2.0m	1.14/sh	C\$2.3m
Blue Thunder shares	4.5m	0.12/sh	C\$0.5m
Manitou shares	14.5m	0.04/sh	C\$0.6m

Share data					
Basic in issue (m)	68.0		Mine build equity (C\$m)		103
FD with options (m)	85.3		Mine build debt (C\$m)		135
FD for mine build @ 0.5xNAV	108.5		3 build shares issued @ 0.5xNAV (m)		23.3

Ratio analysis	CY20E	CY21E	CY22E	CY23E	CY24E
Average shares out (m)	54.5	63.4	91.6	108.5	108.5
EPS (C\$/sh)	-	-	-	0.15	0.69
CFPS (C\$/sh)	-	-	-	-	0.91
EV (C\$m)	90.6	111.6	162.0	348.2	249.3
FCF yield (%)	-	-	-	-	40%
PER (x)	-	-	-	15.4x	3.3x
P/CF (x)	-	-	-	-	2.5x
EV/EBITDA (x)	-	-	-	6.9x	1.5x

Income statement	CY20E	CY21E	CY22E	CY23E	CY24E
Net revenue (C\$m)	-	-	-	81.2	288.0
COGS (C\$m)	-	-	-	26.1	122.6

Gross profit (C\$m)	-	-	-	55.1	165.4
D&A, attrib (C\$m)	0.0	(0.0)	(0.0)	7.7	25.9
Group G&A (C\$m)	4.7	4.8	4.8	4.6	4.0
Finance cost (C\$m)	0.1	0.0	-	9.0	10.3
Taxes (C\$m)	-	-	-	17.7	49.9
Net income (C\$m)	(4.8)	(4.8)	(4.8)	16.2	75.2
EBITDA (C\$m)	3.3	22.8	(6.7)	48.6	159.5

Cash flow, attrib.	CY20E	CY21E	CY22E	CY23E	CY24E
EBIT (C\$m)	(4.8)	(4.8)	(4.8)	42.8	135.5
Add back D&A (C\$m)	0.0	(0.0)	(0.0)	7.7	25.9
Less tax (C\$m)	0.1	0.0	-	26.7	60.3
Net change in wkg cap (C\$m)	0.8	(0.3)	0.7	21.0	(1.1)
Add back other non-cash (C\$)	(0.7)	(0.1)	(1.4)	(95.3)	(118.3)
Cash flow ops (C\$m)	(4.6)	(5.2)	(5.5)	2.8	102.3

PP&E - build + sust. (C\$m)	1.4	0.1	(75.0)	(150.2)	(3.4)
PP&E - expl'n (C\$m)	(15.9)	(33.4)	(8.3)	-	-
Cash flow inv. (C\$m)	(14.6)	(33.3)	(83.3)	(150.2)	(3.4)
Share issue (C\$m)	37.9	33.0	103.0	-	-
Debt draw (repay) (C\$m)	-	-	44.9	89.7	(22.4)
Cash flow fin. (C\$m)	37.9	33.0	147.9	89.7	(22.4)

Net change in cash (C\$m)	18.7	(5.5)	59.0	(57.6)	76.5
Balance sheet	CY20E	CY21E	CY22E	CY23E	CY24E

Cash (C\$m)	34.3	33.6	92.6	35.0	111.5
Acc rec., inv, prepaid (C\$m)	2.5	2.2	2.2	31.7	32.1
PP&E + other (C\$m)	174.3	230.8	314.2	456.7	434.1
Total assets (C\$m)	211.1	266.6	409.0	523.4	577.7
Debt (C\$m)	-	-	44.9	134.6	112.2
Accounts payable (C\$m)	3.3	5.0	4.3	12.8	14.3
Others (C\$m)	13.1	24.1	24.1	24.1	24.1
Total liabilities (C\$m)	16.3	29.0	73.2	171.5	150.5
Sh'hlds equity + wrnts (C\$m)	184.2	203.7	308.6	310.5	312.4
Retained earn'gs + rsvs (C\$m)	10.6	34.0	27.2	41.5	114.8
Liabilities + equity (C\$m)	211.1	266.6	409.0	523.4	577.7

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Summary of recommendations as of July 2021	
BUY:	44
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	44

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