

Ticker: ME CN
Market cap: C\$194m

SCPe cash: C\$25m
Price: C\$0.35/sh

Project: Tower Gold Project
Country: Canada, Timmins

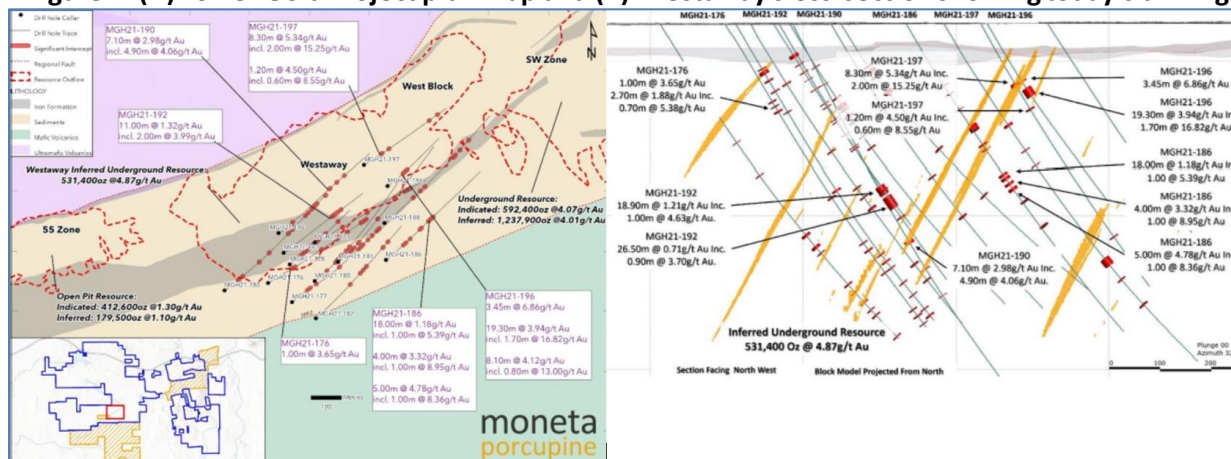
RECOMMEND. (unc): BUY

TARGET (unc): C\$0.65/sh

RISK RATING: SPECULATIVE

As a recap most of the existing / PEA ounces come from Southwest where the PEA sees only 764koz @ 3.9g/t mined UG at 76koz pa (from 2.8Moz global UG resource), supplementing likely pit feed from the 1.2Moz Garrison pit then Highway pit for staged SCPe 250koz pa potential. What could improve this is a second mining centre – with the prime candidate being the second Westaway area. At the time of the PEA there was insufficient ounces at Westaway ('only' 661koz @ 4.7g/t). Lying between Southwest and 55 Zone, it is essentially a continuation of South West. With 27 veins identified the goal is to bulk out the fatter ones suitable for broad mining widths approaching 10m. With the furthest step out released yesterday extending mineralization 300m from the resource wireframes, it is clearly getting bigger ahead of the year end MRE. Key here is that at 8Mtpa, twin pits would support >200koz pa, so twin UG's could lift this to >300koz pa. As such, **we maintain our BUY rating and C\$0.65/sh PT** based on 0.25xNAV5%-1850 for a staged 4.5Mtpa Phase 1 (4Mtpa Garrison pit and 0.5Mtpa Golden Highway UG) before the grade falls at Garrison then have mining shift to Golden Highway OP, with \$60m pre-strip funded by FCF. This should be a news-flow heavy 2H for Moneta with the (i) outstanding assays from Westaway due shortly, (ii) results from 55 Zone pit infill and resource expansion drilling up next, (iii) drilling at Halfway underway (new discovery) and lastly (iv) drill testing the "gap area" between Windjammer south and Southwest area that could connect and/ or expand pits—all to be completed ahead of the year end MRE update to form the basis of the PEA in 1Q22. Stepping back, Moneta is now positioned among the **select few Canadian developers with scale capable of producing >300koz pa** in a top-tier mining jurisdiction, making this a conviction name for us.

Figure 1. (A) Tower Gold Project plan map and (B) Westaway cross-section showing today's drilling



Source: Moneta

Second UG centre emerging at Westaway with 300m step outs hitting 19.3m @ 3.9g/t

Yesterday Moneta reported results from 14 holes (partially complete) drilled at Westaway highlighted by **8m @ 5.3g/t** and **19.3m @ 3.9g/t** that extended gold mineralization to the south and at depth at the West Block area that included higher grade intersections highlighted by **4m @ 10g/t, 2m @ 15g/t, 1m @ 17.6g/t** within the headline hole. Today's step out drilling **extended mineralization up to 300 m to the south** to the east within the West Block area and west of the MRE with highlights of **7m @ 2.1g/t, 4m @ 3.3g/t and 5m @ 4.8g/t** including higher grade intersections of **1m @ 5.3g/t, 1m @ 8.9g/t and 1m @ 8.4g/t** respectively. Assays are pending from today's partially completed holes and additional holes focused on resource expansion at Westaway ahead of the next MRE update. Next steps will see results from the resource expansion drilling at South West, Windjammer South and 55 resource areas, and the new Halfway target.

Why we like Moneta Porcupine

- Timmins developer with 8.4Moz @ 1.2g/t and growing at pace
- Garrison acquisition lifts scale, provides capital-friendly schedule
- SCPe >300koz pa potential, on infrastructure to drive margin on pits, improved by UG operations

Catalysts

- 2H21: 40,000m drilling updated MRE
- 1Q22: Tower Gold Project PEA
- 2022: Feasibility for an integrated project

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Ticker: ME CN		Price / mkt cap: C\$0.35/sh, C\$194m		Project PNAV today: 0.15x		Asset: Tower Gold	
Author: B. Salier / B. Gaspar		Rec / xNAV PT: BUY, C\$0.65/sh		1xNAV build start, FD: C\$2.39/sh		Country: Canada, ON	
Commodity price		CY20E	CY21E	CY22E	CY23E	CY24E	
Gold price		1,770	1,792	1,784	1,795	1,850	
SOTP project valuation*							
		C\$m	O/ship	NAVx	C\$/sh		
Tower Gold proj @ 1Q23 build start		1,332	100%	0.25x	0.57		
SCPe pro forma cash 1Q21		25	100%	0.25x	0.01		
Cash from options		6	100%	0.25x	0.00		
2.9Moz resource ex reserve @ US\$10/oz		36	100%	1.00x	0.06		
Asset NAV5% US\$1850/oz		1,399		PT:	0.64		
<i>*Diluted for options but not mine build</i>							
Market P/NAV5% _{1Q21} 0.15x							
Asset value: 1xNPV project @ build start (C\$m, ungeared)*							
Project NPV (C\$m)*		\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz	
10.0% discount		611	724	835	946	1,057	
7.5% discount		786	920	1,053	1,185	1,317	
5.0% discount		1,010	1,172	1,332	1,492	1,651	
Ungeared project IRR:		33%	36%	40%	43%	46%	
0.25xNAV PT (C\$/sh) *		\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz	
10.0% discount		0.34	0.38	0.43	0.48	0.53	
7.5% discount		0.41	0.47	0.52	0.58	0.64	
5.0% discount		0.51	0.58	0.64	0.71	0.78	
<i>*Project level NPV, excl finance costs and central SGA, discounted to build start</i>							
Share data		Basic	FD	FF FD			
Basic in issue (m)		554.0	585.4	752.8			
Group valuation over time^		2Q21	2Q22	2Q23	2Q24	2Q25	
Tower Gold Project NPV (C\$m)		1,220.8	1,281.9	1,358.8	1,611.3	1,831.5	
G&A and finance costs (C\$m)		(103.3)	(91.9)	(81.1)	(80.4)	(67.3)	
Net cash prior qtr (C\$m)		24.7	8.6	141.1	(43.4)	(193.8)	
Cash from options (C\$m)		6.4	6.4	6.4	6.4	6.4	
Resource ex reserve (C\$m)		36.1	36.1	36.1	36.1	36.1	
NAV FF FD (C\$m)		1,185	1,241	1,461	1,530	1,613	
Shares in issue (m)		554.0	554.0	752.8	752.8	752.8	
1xNAV5%/sh FF FD (C\$/sh)		2.14	2.24	1.94	2.03	2.14	
Equity ROI from spot (% pa)					80%	57%	
Geared company NAV diluted for mine build, net G&A and finance costs							
3Q22 1xNAV FF FD (C\$/sh)^		\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz	
10.0% discount		820	947	1,072	1,198	1,323	
7.5% discount		983	1,130	1,276	1,421	1,566	
5.0% discount		1,188	1,360	1,530	1,700	1,869	
Geared project IRR:		31%	35%	38%	41%	44%	
2Q22 1xNAV FF FD (C\$/sh)^		\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz	
10.0% discount		0.88	1.07	1.27	1.47	1.67	
7.5% discount		1.14	1.37	1.61	1.84	2.08	
5.0% discount		1.48	1.76	2.03	2.31	2.59	
<i>^Project NPV incl grp SG&A & fin. cost, +net cash; *diluted for mine build equity</i>							
Production		2024	2025	2026	2027	2028	
Gold production (000oz)		18	166	186	182	187	
C1 cost (US\$/oz)		931	635	589	641	680	
AISC cost (US\$/oz)		1,075	766	716	796	830	
<i>AISC = C1 + ug sustaining capex, Y1 = 12M to Sep 2024</i>							
<div> <div> <div>Gold prod'n (LHS, 000oz)</div> <div>AISC (RHS, US\$/oz Au)</div> </div> </div>							
Source: SCP estimates							

Resource / Reserve	Au (koz)	Au (g/t)
M&I	3966koz	1.01g/t
Inferred	4397koz	1.44g/t
Global resource	8364koz	1.20g/t
Garrison PEA pit inventory	1248koz	0.82g/t
Golden Highway SCPe pit invei	1496koz	1.10g/t
Golden Highway PEA UG inver	761koz	3.92g/t
SCPe pitable outside inventor	2855koz	0.83g/t

Funding: uses		Funding: sources	
Mine build capex	C\$350m	SCPe pro forma cash 1Q21	C\$25m
SCPe G&A to 1st Au	C\$19m	Mine build equity (C\$m)	C\$160m
SCPe pre-production expl'n	C\$18m	uilt debt @ 60% of PP&E (C\$m)	C\$210m
SCPe finance costs + wkg cap	C\$17m	Total proceeds	C\$395m
Total uses	C\$404m	Buffer	-C\$9m

Ratio analysis	CY20E	CY21E	CY22E	CY23E	CY24E
Average shares out (m)	322.2	528.1	554.0	727.9	752.8
EPS (C\$/sh)	-	-	-	-	0.00
CFPS (C\$/sh)	-	-	-	-	-
EV (C\$m)	106.9	171.5	201.5	216.7	476.2
FCF yield (%)	-	-	-	-	-
PER (x)	-	-	-	-	316.6x
P/CF (x)	-	-	-	-	-
EV/EBITDA (x)	-	-	-	-	26.6x

Income statement	CY20E	CY21E	CY22E	CY23E	CY24E
Net revenue (C\$m)	-	-	-	-	43.3
COGS (C\$m)	-	-	-	-	21.4
Gross profit (C\$m)	-	-	-	-	21.9
D&A, attrib (C\$m)	-	-	-	-	2.5
Group G&A (C\$m)	1.2	7.1	7.1	4.0	4.0
Finance cost (C\$m)	-	-	-	(0.0)	9.1
Taxes (C\$m)	-	-	-	-	5.5
Net income (C\$m)	(1.2)	(7.1)	(7.1)	(4.0)	0.8
EBITDA (C\$m)	(4.3)	(14.2)	(18.9)	(4.4)	17.5

Cash flow, attrib.	CY20E	CY21E	CY22E	CY23E	CY24E
EBIT (C\$m)	(1.2)	(7.1)	(7.1)	(4.0)	15.4
Add back D&A (C\$m)	-	-	-	-	2.5
Less tax (C\$m)	-	-	-	(0.0)	14.6
Net change in wkg cap (C\$m)	(1.7)	1.9	2.4	0.3	12.7
Add back other non-cash (C\$m)	(4.2)	(8.2)	(16.2)	(0.5)	(54.5)
Cash flow ops (C\$m)	(7.0)	(13.4)	(21.0)	(4.2)	(9.4)
PP&E - build + sust. (C\$m)	-	-	-	(110.0)	(241.6)
PP&E - expl'n (C\$m)	(0.0)	(0.1)	(0.0)	-	-
Cash flow inv. (C\$m)	(0.0)	(0.1)	(0.0)	(110.0)	(241.6)
Share issue (C\$m)	6.1	21.0	-	160.0	-
Debt draw (repay) (C\$m)	-	-	-	-	210.0
Cash flow fin. (C\$m)	6.1	21.0	-	160.0	210.0
Net change in cash (C\$m)	(1.0)	7.6	(21.0)	45.8	(40.9)

Balance sheet	CY20E	CY21E	CY22E	CY23E	CY24E
Cash (C\$m)	5.9	13.4	(7.6)	38.2	(2.8)
Acc rec., inv, prepaid (C\$m)	0.2	0.7	0.7	0.7	20.4
PP&E + other (C\$m)	2.2	52.9	52.9	162.9	402.0
Total assets (C\$m)	8.2	67.0	46.0	201.8	419.6
Debt (C\$m)	-	0.1	0.1	0.1	209.9
Accounts payable (C\$m)	1.1	3.5	1.2	0.9	7.9
Others (C\$m)	-	5.6	5.6	5.6	5.6
Total liabilities (C\$m)	1.1	9.1	6.8	6.5	223.4
Sh'hlds equity + wrnts (C\$m)	64.8	128.8	129.1	289.5	289.8
Retained earn'gs + rsvs (C\$m)	(57.7)	(70.9)	(89.9)	(94.2)	(93.7)
Liabilities + equity (C\$m)	8.2	67.0	46.0	201.8	419.5

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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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