

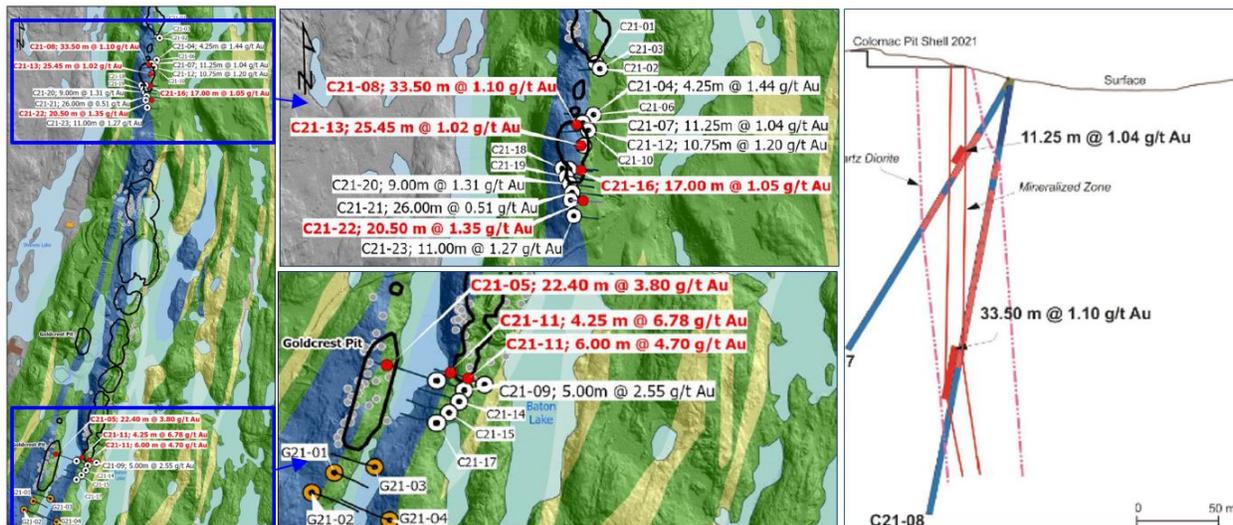
Ticker: NHK CN **4Q20 cash:** C\$16m **Project:** Indin Lake Project
Market cap: C\$60m **Price:** C\$0.99/sh **Country:** Canada, NWT
RECOMMEND. (unc): BUY **TARGET (unc):** C\$2.55/sh **RISK RATING:** SPECULATIVE

Today’s news reflects Nighthawk doing just what they said they would do. Top down this means : (i) drilling along strike around Colomac (today’s news), before going (ii) regional on historic Cass’ historic 250koz @ 2.7g/t satellite, then (iii) drilling regional shallow greenfield targets such as Fishhook on the southern area, and JPK and Laurie Lake at the north. Today’s drilling north of Colomac was designed to infill between satellite pits bounded by a lack of drilling, and did just that with 17m @ 1.05g/t, 33.5m @ 1.1g/t and 25m @ 1.0g/t lower grade, but being ~60-150m below surface this is offset by lower strip. Drilling south unexpectedly hit much higher grades, exemplified by 1m @ 427g/t Au from 308m, but also broader hits like 22.4m @ 3.8g/t from 325m. Net net we see useful if not step-change ounce additions in the north, with some hits worthy of follow up in the south. What we really like here is that this is just one piece of the puzzle – the ‘fun bit’ comes with regional drilling, and rigs are already sitting at Cass before heading regionally. Similarly lab turnaround is at acceptably 6-8 weeks, meaning that now the ‘pipeline is full’ we should see more regular drill news through to Christmas. We maintain our **BUY rating and C\$2.55/sh PT based on 0.25xNAV_{5%-1850}**, adding only a nominal C\$10m to exploration. We get excited because the potential for even 100-200koz at 2-3g/t or even 5-6g/t in BIF hosted material is high and very material. Add that to some kind of UG around the historic 56m @ 13.5g/t at Zone 1.5, and this stock looks undervalued as it is for now, with more-next-year thesis alive and well.

Strike extensions hit 22.4m @ 3.8g/t, adding shallow ounces and deeper high grade

Nighthawk reported 19 holes drilled on Colomac northern extensions, and nine holes on southern extensions / Goldcrest. Northern drilling returned highlights of 33.5 @ 1.1g/t, 25m @ 1.0g/t, and 17m @ 1.05g/t. Southern extensions returned narrower higher grade hits including 4.2m @ 6.8g/t from 304m and 6m @ 4.7g/t from 155m, but also 22.4m @ 3.8g/t from 325m.

Figure 1. (A) Plan of northern and southern extension results and (B) section through northern drilling



Source: Nighthawk Gold

Why we like Nighthawk Gold:

- Control of >900km² of underexplored Archean greenstone belt
- 200,000m drilling to take 1Moz pittable to SCPe 1.5Moz pittable quickly
- New management team and expedited timeline adds greenfield optionality
- UG resource has extremely high-grade sub-sets to be evaluated

- Maiden PEA in coming 12M to define strip, scheduling and stockpiling potential

Catalysts

- 3Q21: Drill results from historic Cass deposit (250koz @ 2.7gt/)
- 2H21: Drill results from regional drilling Fishhook / JPK / Laurie Lake
- 4Q21: Followup strike drilling around Colomac
- CY23: SCPe final investment decision
- CY25: SCPe first gold

Research

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Ticker: NHK CN	Price / mkt cap: C\$1.31/sh, C\$71m	Project PNAV today: 0.15x	Asset: Indin Lake
Author: Brock Salier	Rec/0.25xNAV PT: BUY, C\$2.55/sh	1xNAV_{3Q24} FF FD: C\$5.67/sh	Country: Canada, N

Commodity price	CY21E	CY22E	CY23E	CY24E	CY25E
Gold price	1,850	1,850	1,850	1,850	1,850

Share data	Basic	FD with options	FD for build
Basic shares (m)	54.2	62.9	99

SOTP project valuation*	C\$m	O/ship	NAVx	C\$/sh
Ungeared @ build start (1Q24)	500	100%	0.25x	1.99
Cash 4Q20	15.9	100%	1.00x	0.25
Cash from options	10.6	100%	1.00x	0.17
Exploration nominal	10.0	100%	1.00x	0.16
Asset NAV5% US\$1850/oz	537			2.57

*Shares diluted for options mine build Market P/NAV5%_{4Q20} 0.15x

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

Project NPV (C\$m)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
Discount rate: 9%	312	370	428	486	543
Discount rate: 7%	354	417	479	541	604
Discount rate: 5%	402	469	537	604	672
Ungeared project IRR:	0%	0%	0%	0%	0%

Project NPV (C\$/sh)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
Discount rate: 9%	1.68	1.91	2.14	2.37	2.60
Discount rate: 7%	1.84	2.09	2.34	2.59	2.84
Discount rate: 5%	2.03	2.30	2.57	2.84	3.11

*Project NPV, ex fin. costs and cent G&A, discounted to build start

Group NAV over time^	1Q21	1Q22	1Q23	1Q24	1Q25
Colomac NPV (C\$m)	-	448.9	471.4	500.2	704.5
G&A and finance costs (C\$m)	-	(81.2)	(73.5)	(65.5)	(61.6)
Net cash prior qtr (C\$m)	8.3	6.5	15.6	4.7	(40.0)
Cash from options (C\$m)	10.6	10.6	10.6	10.6	10.6
Resource / exlo nom. (C\$m)	10.0	10.0	10.0	10.0	10.0
NAV FF FD (C\$m)	29	395	434	460	624
Shares in issue (m)	54	69	81	81	106
1xNAV5%/sh FF FD (C\$/sh)*	0.53	5.69	5.35	5.67	5.91

Geared NAV at first pour, diluted for build, net G&A and fin. costs

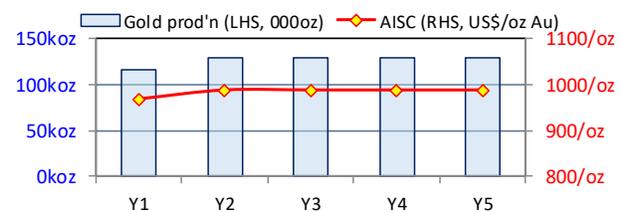
NAV at first gold (C\$m)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
Discount rate: 9%	410	474	537	601	664
Discount rate: 7%	444	511	578	645	712
Discount rate: 5%	481	552	624	695	766
Geared project IRR:	0%	0%	0%	0%	0%

NAV at first gold (C\$/sh)*	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
Discount rate: 9%	3.33	4.06	4.80	5.55	6.31
Discount rate: 7%	3.75	4.53	5.32	6.12	6.92
Discount rate: 5%	4.23	5.06	5.91	6.76	7.61

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

Production	Y1	Y2	Y3	Y4	Y5
Gold production (000oz)	116	129	129	129	129
AISC cost (US\$/oz)	969	987	987	987	987

AISC = C1 + ug sustaining capex, Y1 from SQ25



Source: SCP estimates

Resource / Reserve	Tonnes	Grade	Ounces
Resource	50Mt	1.88g/t	3035koz
SCP mining inventory	21Mt	1.59g/t	1097koz

Project: USES	Funding: SOURCE	
Pre-DFS exploration / G&A:	C\$40m	Cash:
Build capex:	C\$250m	DFS equity @ 30% prem.:
Fin. cost + WC over DFS:	C\$21m	Build equity @ 0.5xNAV:
TOTAL USES:	C\$311m	65% geared debt @ 8%:
Buffer / drill budget:	C\$0m	TOTAL SOURCES:

Ratio analysis	CY20E	CY21E	CY22E	CY23E
Average shares out (m)	54.2	54.2	54.2	54.2
EPS (C\$/sh)	-	-	-	-
CFPS (C\$/sh)	-	-	-	2.94
EV (C\$m)	64.5	55.4	66.3	110.9
FCF yield (%)	-	-	-	224%
PER (x)	-	-	-	-
P/CF (x)	-	-	-	0.4x
EV/EBITDA (x)	-	-	-	-

Income statement	CY20E	CY21E	CY22E	CY23E
Net revenue (C\$m)	-	-	-	-
COGS (C\$m)	-	-	-	-
Gross profit (C\$m)	-	-	-	-
D&A, attrib (C\$m)	-	-	-	-
G&A + sh based costs (C\$m)	2.4	2.4	2.4	4.5
Finance cost (C\$m)	10.3	9.0	9.0	2.4
Taxes (C\$m)	-	-	-	-
Net income (C\$m)	(12.7)	(11.4)	(11.4)	(6.8)

Cash flow, attrib.	CY20E	CY21E	CY22E	CY23E
EBIT (C\$m)	(2.4)	(2.4)	(2.4)	(4.5)
Add back D&A (C\$m)	-	-	-	-
Less tax / net interest (C\$m)	10.3	9.0	9.0	2.4
Net change wkg cap (C\$m)	-	-	-	1.3
Other non-cash (C\$m)	(20.1)	(17.5)	(17.5)	(6.8)
Cash flow ops (C\$m)	(12.2)	(10.9)	(10.9)	(7.6)

PP&E - build + sust. (C\$m)	-	-	-	(166.7)
PP&E - expl'n (C\$m)	-	-	-	-
Cash flow inv. (C\$m)	-	-	-	166.7
Share issue (C\$m)	10.4	20.0	-	125.0
Debt draw (repay) (C\$m)	-	-	-	100.0
Cash flow fin. (C\$m)	10.4	20.0	-	225.0
Net change in cash (C\$m)	(1.8)	9.1	(10.9)	384.0
EBITDA (C\$m)	(12.7)	(11.4)	(11.4)	(4.5)

Balance sheet	CY20E	CY21E	CY22E	CY23E
Cash (C\$m)	6.5	15.6	4.7	60.0
Acc rec., inv, prepaid (C\$m)	0.2	0.2	0.2	0.2
PP&E + other (C\$m)	16.7	16.7	16.7	178.7
Total assets (C\$m)	23	33	22	239
Debt (C\$m)	-	-	-	100.0
Accounts payable (C\$m)	1.6	1.6	1.6	0.3
Others (C\$m)	4.5	4.5	4.5	4.5
Total liabilities (C\$m)	6.1	6.1	6.1	104.9
Issued capital (C\$m)	133.9	154.4	154.9	280.3
Retained earnings (C\$m)	(116.6)	(128.0)	(139.4)	(146.2)
Liabilities + equity (C\$m)	23	33	22	239

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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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