

**Ticker:** GBAR CN  
**Market cap:** C\$68m

**Pro-forma cash:** C\$30m  
**Price:** C\$0.88/sh

**Project:** Beaufor / MacK Br.  
**Country:** Canada / QC

RECOMMENDATION (unc): BUY

TARGET (up): C\$1.45/sh

RISK RATING: SPECULATIVE

Today's \$11.3m from Gold Royalty Corp for **(i) \$2.50/t royalty** on all material processed at Beacon from Beaufor and **(ii) a 2.5% NSR** on Croinor, McKenzie Break and Swanson lifts the treasury to \$30m to fund the Beaufor restart, and likely the second decline as well. This allows access to the high-grade W zone and opens up new drill horizons to pull the target deeper. Even better is that it is non-dilutive with no impact to the share count; any shortfall could potentially be covered with debt now. Stepping back, we were on site last week and saw firsthand the 'bee hive' of activity ramping up at Beaufor ahead of first gold in December, and we were blown away by the progress being made. As such, we **maintain our BUY rating lifting our PT from C\$1.40/sh to C\$1.45/sh** post transaction. This is based on a 0.75xNAV multiple on Beaufor restart and expansion to 750tpd / 250koz reserve, a figure we expect to be beaten in the medium-term. We only include C\$10m at Croinor based on US\$20/oz over the existing resource. Looking ahead, catalysts are the Beaufor restart with further Croinor, Beaufor, and Mckenzie drilling and updated MREs.

## Site visit and non-dilutive royalty sales takes cash to \$30m for Beaufor restart

Monarch entered into a definitive agreement with Gold Royalty Corp whereby Monarch will receive a cash payment of \$11.25m for the acquisition of **(i) \$2.50/t royalty** on all material processed at Beacon from Beaufor and **(ii) a 2.5% NSR** on Croinor, McKenzie Break and Swanson that can be bought back up to 1.25% for \$2m per property. Closing of this transaction in August will lift Monarch's treasury to ~\$30m.

## Why we like Monarch

1. Existing ~100koz at Beaufor likely grows to 250koz with current 42,000m drilling
2. Low-cost restart at historic 350tpd / ~20-30koz pa at Beaufor using Beacon Mill
3. Recent drilling 10m @ 35g/t near surface opens door to second decline / 700tpd at Beaufor
4. McKenzie Break 14m @ 14g/t wide open to support resource growth

## Catalysts

- 2H21: Updated Beaufor resource
- 3Q21: Beaufor restart plans and mining inventory
- 2H21: Results from 15,000m of drilling at McKenzie Break
- 4Q21: SCPe MRE (SCPe approaching, or over, 500koz from current 397koz)
- 4Q21: SCPe Beaufor production start
- 4Q21: Croinor bulk sample

## Research

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**Ticker:** GBAR CN **Price / mkt cap:** C\$0.88/sh, C\$68m **Project PNAV today:** 0.51x **Asset:** Beaufor, Mac Brk  
**Author:** B Salier/B Gaspar **Rec / 0.75xNAV P'** BUY, C\$1.45/sh **1xNAV<sub>1Q21</sub> FF FD:** C\$1.72/sh **Country:** Canada: QC

Commodity price	FY22E	FY23E	FY24E	FY25E	FY26E
Gold price	1,850	1,850	1,850	1,850	1,850

Monarch Mining SOTP valuation					
	C\$m	O/ship	NAVx	C\$/sh	
Beaufor @ 2Q21	100.5	100%	0.75x	0.88	
Central G&A and fin. costs	(23.1)	100%	0.75x	(0.20)	
McKenzie break @ US\$30/oz	14.9	100%	1.00x	0.17	
Croinor @ US\$20/oz	10.3	100%	1.00x	0.12	
Swanson @ US\$15/oz	4.7	100%	1.00x	0.05	
Pro forma cash (C\$m)	30.0	100%	1.00x	0.35	
Cash from options (C\$m)	4.2	100%	1.00x	0.05	
Group NAV5% C\$1850/oz	<b>141</b>	0.53		<b>1.43</b>	
<i>*Shares diluted for options but not mine build</i>			P/NAV5%	0.51x	

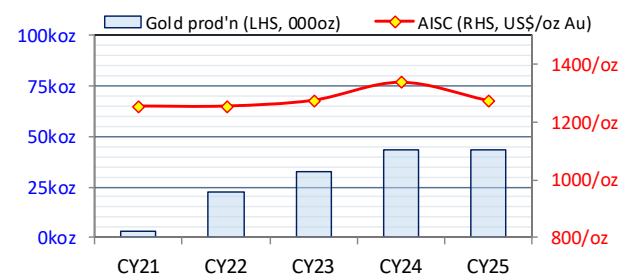
Asset value: 1xNAV (C\$m, geared)*					
Project NPV (C\$m)*	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
10.0% discount	100	111	122	133	143
7.5% discount	105	117	129	141	152
5.0% discount	112	125	137	150	162
Project NPV (C\$m)*	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
10.0% discount	1.05	1.15	1.24	1.34	1.43
7.5% discount	1.10	1.20	1.31	1.41	1.51
5.0% discount	1.15	1.27	1.38	1.49	1.60

NAV over time (FD, C\$m)					
	2Q21	2Q22	2Q23	2Q24	2Q25
Beaufor mine (C\$m)	100	126	119	107	86
Other (EV in-situ, C\$m)	30	30	30	30	30
Group G&A, finance (C\$m)	(23)	(21)	(14)	(11)	(9)
Net cash prior qtr (C\$m)	19	9	8	19	41
Cash from options (C\$m)	4.2	4.2	4.2	4.2	4.2
NAV FF FD (C\$m)	<b>130</b>	148	147	149	152
FD shares in issue (m)	85.6	91.5	91.5	91.5	91.5
1xNAV5%/sh FF FD (C\$/sh)	<b>1.52</b>	1.62	1.61	1.63	1.66

NAV and NAV/sh FD sensitivities					
Project NPV (C\$m)*	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
10.0% discount	93	104	115	126	137
7.5% discount	99	111	122	134	146
5.0% discount	105	118	130	143	155
Project NPV (C\$m)*	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
10.0% discount	1.09	1.22	1.34	1.47	1.60
7.5% discount	1.15	1.29	1.43	1.57	1.70
5.0% discount	1.23	1.38	1.52	1.67	1.82

*\*Project level NPV, excl finance costs and central SGA, discounted to build start*  
*^Project NPV incl grp SG&A & fin. cost, +net cash; \*diluted for mine build equity*

Beaufor prod'n					
	CY21	CY22	CY23	CY24	CY25
Gold production (000oz)	3	23	33	43	43
AISC cost (US\$/oz)	1,253	1,253	1,274	1,340	1,274



Source: SCP estimates

Global resources				
Beaufor	566kt	6.75g/t	123koz	75% M&I
Mackenzie Break	5156kt	2.39g/t	397koz	37% M&I
Croinor	965kt	8.84g/t	274koz	86% M&I
Swanson	2071kt	1.86g/t	124koz	9% M&I
Total M&I&I resource	8758kt	3.26g/t	918koz	26% M&I

Share data			
	FD	FF FD	
Basic shares (m)	77.8	85.6	91.5

Ratios (yr to Jun)					
	FY22E	FY23E	FY24E	FY25E	FY26E
Average shares out (m)	72.6	75.6	75.6	75.6	75.6
EPS (C\$/sh)	-	0.11	0.23	0.21	0.19
CFPS (C\$/sh)	-	0.13	0.22	0.29	0.31
EV (C\$m)	65.9	58.7	41.8	19.8	(3.3)
FCF yield (%)	-	15%	25%	33%	35%
PER (x)	-	8.0x	3.9x	4.1x	4.5x
P/CF (x)	-	6.9x	3.9x	3.0x	2.9x
EV/EBITDA (x)	10.4x	2.8x	1.0x	0.5x	(0.1)

Income stmt (yr to Jun)					
	FY22E	FY23E	FY24E	FY25E	FY26E
Net revenue (C\$m)	25.3	42.8	79.8	79.8	79.8
COGS (C\$m)	11.5	19.5	36.4	36.4	36.3
<b>Gross profit (C\$m)</b>	<b>13.7</b>	<b>23.3</b>	<b>43.4</b>	<b>43.4</b>	<b>43.4</b>
Group G&A (C\$m)	2.1	2.4	2.4	2.4	2.4
Expensed expl'n (C\$m)	3.0	-	-	-	-
Share based pmnts (C\$m)	0.4	0.0	0.0	-	-
Care and maintnc (C\$m)	1.9	-	-	-	-
Depreciation (C\$m)	1.3	5.3	11.1	13.1	15.7
Tax, fin. cost, other (C\$m)	5.51	7.31	12.67	11.82	10.73
<b>Net income (C\$m)</b>	<b>(0)</b>	<b>8.3</b>	<b>17.3</b>	<b>16.1</b>	<b>14.6</b>

Cash flow (yr to Jun)					
	FY22E	FY23E	FY24E	FY25E	FY26E
EBIT (C\$m)	5.0	15.6	29.9	27.9	25.4
Add back D&A (C\$m)	1.3	5.3	11.1	13.1	15.7
Let tax (C\$m)	4.7	6.9	12.7	11.8	10.7
Change in wkg cap (C\$m)	(4.1)	-	(3.2)	0.0	-
Plus other non-cash (C\$m)	(22.2)	(3.9)	(8.2)	(7.2)	(7.2)
<b>Cash flow ops (C\$m)</b>	<b>(2.9)</b>	<b>13.57</b>	<b>25.16</b>	<b>29.21</b>	<b>30.32</b>
PP&E - build + sust. (C\$m)	(22.2)	(3.9)	(8.2)	(7.2)	(7.2)
PP&E - expl'n (C\$m)	(4.0)	-	-	-	-
<b>Cash flow inv. (C\$m)</b>	<b>(26.2)</b>	<b>(3.9)</b>	<b>(8.2)</b>	<b>(7.2)</b>	<b>(7.2)</b>
Share issue (C\$m)	6.0	-	-	-	-
Debt draw (repay) (C\$m)	10.0	(10.0)	-	-	-
Other (C\$m)	-	-	-	-	-
<b>Cash flow fin. (C\$m)</b>	<b>16.00</b>	<b>(10.0)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in cash (C\$m)	(13.1)	(0.3)	17.0	22.0	23.1
EBITDA (C\$m)	(4.7)	(6.9)	(12.7)	(11.8)	(10.7)

Balance sheet (yr to Jun)					
	FY22E	FY23E	FY24E	FY25E	FY26E
Cash (C\$m)	8.1	7.8	24.7	46.7	69.8
Acc rec., inv, prepaid (C\$m)	6.6	8.9	10.4	10.4	10.4
PP&E + other (C\$m)	66.4	62.7	62.8	57.0	48.5
<b>Total assets (C\$m)</b>	<b>81.1</b>	<b>79.3</b>	<b>98.0</b>	<b>114.1</b>	<b>128.7</b>
Debt (C\$m)	10.1	-	-	-	-
Accounts payable (C\$m)	1.6	1.6	3.0	3.0	3.0
Others (C\$m)	-	-	-	-	-
Total liabilities (C\$m)	24.5	14.5	15.9	15.9	15.9
Sh'hlds equity + wrnts (C\$m)	59.5	59.5	59.5	59.5	59.5
Rt'nd earn'gs + rsvs (C\$m)	21.6	19.8	38.5	54.6	69.3
<b>Liabilities + equity (C\$m)</b>	<b>81.1</b>	<b>79.3</b>	<b>98.0</b>	<b>114.1</b>	<b>128.7</b>

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TENDER:	0
NOT RATED:	0
TOTAL	44

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