

Ticker: GBAR CN **Cash:** C\$30m **Project:** Beaufor / MacK Br.
Market cap: C\$70m **Price:** C\$0.90/sh **Country:** Canada / QC

RECOMMENDATION (unc): BUY TARGET (unc): C\$1.45/sh RISK RATING: SPECULATIVE

Beaufor's legacy ambition of perhaps +100koz for 3yrs at 30koz pa is long-since in the rear view mirror as zones open up near-surface on a potential new decline access, along strike of old workings, and at depth simplifying down-plunge of the existing resource. Our current DCF valuation is based on 250koz @ 5.0g/t mine, including our estimate of contributions from being-drilled areas closer to surface, ie we did not expect all of this in the maiden mine plan. As such, with almost this much in M&I and at a higher grade than we anticipated, our confidence in the company's ability to beat this improves dramatically. We visited Beaufor last week and will incorporate those findings along with a revised model in due course. In the meantime, we **maintain our BUY rating and C\$1.45/sh PT** based on a 0.75xNAV multiple on Beaufor restart and expansion to 750tpd / 250koz reserve. While not a large mine, Monarch doesn't have a large market cap either, putting the stock on SCPe 14% FCF yield next year, lifting to >30% at SCP ~43koz the following year. The company is quite the little jewel box, with group-wide resources now standing at 1,138koz @ 3.47g/t with 42% M&I between Beaufor, McKenzie Break, Croinor and Swanson. The path to upside should come from pre-restart plans followed by a restart and potential MRE increases from ~60% complete of 42,500m drilling underway, expansions thereafter, and regional drilling.

Beaufor resource lifts 180% to 343koz @ 5.2g/t ahead of 4Q21 restart as drilling continues

Adding 22 holes / 5,066m of surface and 131 holes / 12,729m of UG drilling since CY20 funding, Monarch has released an updated resource from Beaufor of 343koz @ 5.24g/t with 64% of this in the M&I category at 5.3g/t. The resource is constrained at US\$1,550/oz, and via a minimum mining width of 2.4m. The resource excludes 24,700m of the current 42,500m programme.

Table 1. (A) New Beaufor resource against 1Q21 and (B) constraining inputs

Beaufor	Tonnes (000t)	Δ %	Grade (g/t Au)	Δ %	Ounces (000oz)	Δ %	Estimation details	OLD	NEW
UG - M&I	1285	198%	5.30	-21%	219	136%	Method	Polygonal	
UG - inferred	819	508%	4.70	-32%	124	311%	Top-cut (g/t, m)	16.5 / 2.4	20-65 / 1.5
UG - total	2104	272%	5.24	-22%	343	179%	Parent / sub block (m ³)	10x10x5, 5x5x5	5x5x5, na
							UG dilution (%)	15%	-
							Mining / proc+G&A (C\$/t)	100-145, 63	125-150, 51
							Constraining price (US\$/oz)	1,612	1,550

Source: Monarch

Source: Monarch Mining, SCP

Why we like Monarch

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

Catalysts

- 3Q21: Beaufor restart plans and mining inventory
- 2H21: Results from 15,000m of drilling at McKenzie Break
- 2H21: Results from 42,500m drilling underway at Beaufor
- 4Q21: SCPe Beaufor production start
- 4Q21: Croinor bulk sample

Research

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Ticker: GBAR CN	Price / mkt cap: C\$0.9/sh, C\$70m	Project PNAV today: 0.52x	Asset: Beaufor, Mac Brk
Author: B Salier/B Gaspar	Rec / 0.75xNAV P: BUY, C\$1.45/sh	1xNAV_{1Q21} FF FD: C\$1.72/sh	Country: Canada: QC

Commodity price	FY22E	FY23E	FY24E	FY25E	FY26E	Global resources									
Gold price	1,850	1,850	1,850	1,850	1,850	Beaufor	2104kt	5.07g/t	343koz	64% M&I					
Monarch Mining SOTP valuation						Mackenzie Break	5156kt	2.39g/t	397koz	37% M&I					
	C\$m	O/ship	NAVx	C\$/sh		Croinor	965kt	8.84g/t	274koz	86% M&I					
Beaufor @ 2Q21	100.5	100%	0.75x	0.88		Swanson	2071kt	1.86g/t	124koz	9% M&I					
Central G&A and fin. costs	(23.1)	100%	0.75x	(0.20)		Total M&I resource	10297kt	3.47g/t	1138koz	42% M&I					
McKenzie break @ US\$30/oz	14.9	100%	1.00x	0.17		Share data					FD	FF FD			
Croinor @ US\$20/oz	10.3	100%	1.00x	0.12		Basic shares (m)	77.8	85.6	91.4						
Swanson @ US\$15/oz	4.7	100%	1.00x	0.05		Ratios (yr to Jun)					FY22E	FY23E	FY24E	FY25E	FY26E
Pro forma cash (C\$m)	30.0	100%	1.00x	0.35		Average shares out (m)	72.6	75.5	75.5	75.5	75.5	75.5			
Cash from options (C\$m)	4.2	100%	1.00x	0.05		EPS (C\$/sh)	-	0.11	0.23	0.21	0.19				
Group NAV5% C\$1850/oz	141	0.53		1.43		CFPS (C\$/sh)	-	0.13	0.22	0.29	0.31				
<i>*Shares diluted for options but not mine build</i>						P/NAV5%	0.52x								
Asset value: 1xNAV (C\$m, geared)*						EV (C\$m)	67.3	60.1	43.2	21.2	(1.9)				
Project NPV (C\$m)*	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz	FCF yield (%)	-	14%	25%	32%	34%				
10.0% discount	100	111	122	133	143	PER (x)	-	8.2x	3.9x	4.2x	4.6x				
7.5% discount	105	117	129	141	152	P/CF (x)	-	7.0x	4.0x	3.1x	2.9x				
5.0% discount	112	125	137	150	162	EV/EBITDA (x)	10.7x	2.9x	1.1x	0.5x	(0.0)				
Project NPV (C\$m)*	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz	Income stmt (yr to Jun)					FY22E	FY23E	FY24E	FY25E	FY26E
10.0% discount	1.05	1.15	1.24	1.34	1.43	Net revenue (C\$m)	25.3	42.8	79.8	79.8	79.8				
7.5% discount	1.10	1.20	1.31	1.41	1.51	COGS (C\$m)	11.5	19.5	36.4	36.4	36.3				
5.0% discount	1.15	1.27	1.38	1.49	1.60	Gross profit (C\$m)	13.7	23.3	43.4	43.4	43.4				
<i>*Project level NPV, excl fin costs and cent SGA</i>						Group G&A (C\$m)	2.1	2.4	2.4	2.4	2.4				
NAV over time (FD, C\$m)						Expensed expl'n (C\$m)	3.0	-	-	-	-				
	2Q21	2Q22	2Q23	2Q24	2Q25	Share based pmts (C\$m)	0.4	0.0	0.0	-	-				
Beaufor mine (C\$m)	100	126	119	107	86	Care and maintnc (C\$m)	1.9	-	-	-	-				
Other (EV in-situ, C\$m)	30	30	30	30	30	Depreciation (C\$m)	1.3	5.3	11.1	13.1	15.7				
Group G&A, finance (C\$m)	(23)	(21)	(14)	(11)	(9)	Tax, fin. cost, other (C\$m)	5.51	7.31	12.67	11.82	10.73				
Net cash prior qtr (C\$m)	19	9	8	19	41	Net income (C\$m)	(0)	8.3	17.3	16.1	14.6				
Cash from options (C\$m)	4.2	4.2	4.2	4.2	4.2	Cash flow (yr to Jun)					FY22E	FY23E	FY24E	FY25E	FY26E
NAV FF FD (C\$m)	130	148	147	149	152	EBIT (C\$m)	5.0	15.6	29.9	27.9	25.4				
FD shares in issue (m)	85.6	91.4	91.4	91.4	91.4	Add back D&A (C\$m)	1.3	5.3	11.1	13.1	15.7				
1xNAV5%/sh FF FD (C\$/sh)	1.52	1.62	1.61	1.63	1.67	Let tax (C\$m)	4.7	6.9	12.7	11.8	10.7				
NAV and NAV/sh FD sensitivities						Change in wkg cap (C\$m)	(4.1)	-	(3.2)	0.0	-				
Project NPV (C\$m)*	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz	Plus other non-cash (C\$m)	(22.2)	(3.9)	(8.2)	(7.2)	(7.2)				
10.0% discount	93	104	115	126	137	Cash flow ops (C\$m)					(2.9)	13.57	25.16	29.21	30.32
7.5% discount	99	111	122	134	146	PP&E - build + sust. (C\$m)	(22.2)	(3.9)	(8.2)	(7.2)	(7.2)				
5.0% discount	105	118	130	143	155	PP&E - expl'n (C\$m)	(4.0)	-	-	-	-				
Project NPV (C\$m)*	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz	Cash flow inv. (C\$m)					(26.2)	(3.9)	(8.2)	(7.2)	(7.2)
10.0% discount	1.09	1.22	1.34	1.47	1.60	Share issue (C\$m)	6.0	-	-	-	-				
7.5% discount	1.15	1.29	1.43	1.57	1.70	Debt draw (repay) (C\$m)	10.0	(10.0)	-	-	-				
5.0% discount	1.23	1.38	1.52	1.67	1.82	Other (C\$m)	-	-	-	-	-				
<i>*Project level NPV, excl finance costs and central SGA, discounted to build start</i>						Cash flow fin. (C\$m)					16.00	(10.0)	-	-	-
<i>^Project NPV incl grp SG&A & fin. cost, +net cash; *diluted for mine build equity</i>						Net change in cash (C\$m)					(13.1)	(0.3)	17.0	22.0	23.1
Beaufor prod'n						EBITDA (C\$m)					(4.7)	(6.9)	(12.7)	(11.8)	(10.7)
	CY21	CY22	CY23	CY24	CY25	Balance sheet (yr to Jun)					FY22E	FY23E	FY24E	FY25E	FY26E
Gold production (000oz)	3	23	33	43	43	Cash (C\$m)	8.1	7.8	24.7	46.7	69.8				
AISC cost (US\$/oz)	1,253	1,253	1,274	1,340	1,274	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				
						Total assets (C\$m)	81.1	79.3	98.0	114.1	128.7				
						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				
						Liabilities + equity (C\$m)	81.1	79.3	98.0	114.1	128.7				

Source: SCP estimates

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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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