

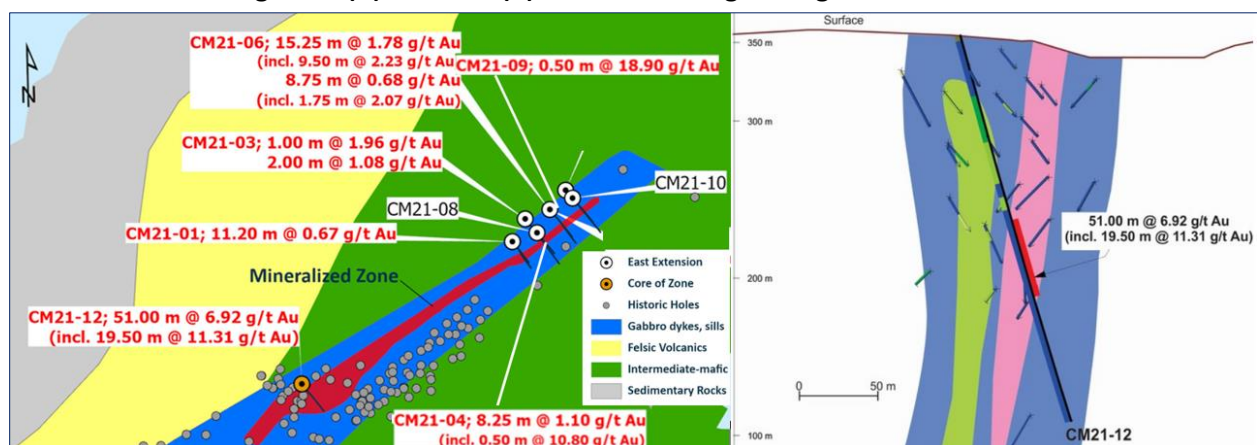
Ticker: NHK CN **SCPe cash:** ~C\$30m **Project:** Indin Lake Project
Market cap: C\$77m **Price:** C\$0.96/sh **Country:** Canada, NWT
RECOMMEND. (unc): BUY **TARGET (unc):** C\$2.55/sh **RISK RATING:** SPECULATIVE

With a small amount of MRE-surrounds drilling finishing off, today sees results from 'in the bag' (in our view) satellite Cass, a historic 250koz @ 2.7g/t satellite vended out when funds were tight. If investors are in any doubt that this is repeatable, today's headline 51m @ 6.9g/t should certainly assuage those concerns. The core of the system clearly holds the majority of gold, with some useful but not game-changing step outs drilled as well, albeit the grade here does suggest merit in drilling a touch deeper. What we like about the current strategy is that where peers may infill for the rest of the season, the rigs have already moved to satellites two and three, ranging from distal Fishhook (historic highlights of 9m @ 14g/t) to nearby Albatross immediately SW of Cass drilling today. With rigs turning, the pipeline full and potential for an expanded drill programme after the recent raise, we expect the momentum to turn for Nighthawk. The stock continues, unfairly in our view, to trade at a discount to peers with similar endowments and holdings; as this reflects historic rather than future (200,000m planned in 2Y vs. 175,000m in prior 10Y) strategies, we expect this discount to close over the coming quarters. 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. In fact, with a market cap of C\$77m, pro-forma cash of ~C\$30m and a 3Moz resource, of which 1Moz is pitable, and +250koz at 2-3g/t on the way before exploration is even factored in, we see the stock as simply wrong-priced, and an outstanding value / growth play combined.

Satellite drilling kicks off with a bang at Cass with 51m @ 6.9g/t

Nine holes from the Cass satellite have returned highlights of 51m @ 6.9g/t in the core (validation drilling) with extensional drilling hitting highlights of 15m @ 1.8g/t, and 8.2m @ 11g/t. The headline hole was drilled at the lower extent of the known mineralising system, demonstrating the lodes remain open at depth, with lower-grades to the east much closer to surface ~500m along strike. To date ~13,000m of the 35,000m drill Stage 1 programme have now been reported, with rigs having moved to Fishhook and Cass (western extensions) plus the Albatross target SW of Cass.

Figure 1. (A) Plan and (B) section showing drilling at Cass satellite



Source: Nighthawk Gold

Why we like Nighthawk Gold:

- Control of >900km² of underexplored Archean greenstone belt
- 200,000m drilling to take 1Moz pitable to SCPe 1.5Moz pitable 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 Fishhook (historic 9m @ 14g/t) and Albatross satellite SW of Cass
- 2H21: Drill results from regional drilling 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\$0.96/sh, C\$77m | Project PNAV today: 0.16x | Asset: Indin Lake |
| Author: Brock Sallier | Rec/0.35xNAV PT: BUY, C\$2.55/sh | 1xNAV_{3Q24} FF FD: C\$4.79/sh | Country: Canada, NWT |

| Commodity price | CY21E | CY22E | CY23E | CY24E | CY25E | Resource / Reserve | Tonnes | Grade | Ounces |
|------------------|-------|----------------|--------------|-------|-------|----------------------|--------|---------|---------|
| Gold price | 1,850 | 1,850 | 1,850 | 1,850 | 1,850 | Resource | 50Mt | 1.88g/t | 3035koz |
| Share data | Basic | FD for options | FD for build | | | SCP mining inventory | 21Mt | 1.59g/t | 1097koz |
| Basic shares (m) | 80.5 | 93.0 | 156 | | | | | | |

SOTP project valuation*

| | C\$m | O/ship | NAVx | C\$/sh |
|-------------------------------|------|--------|-------|--------|
| Ungeared @ build start (1Q24) | 498 | 100% | 0.35x | 1.87 |
| Cash 1Q21+July raise | 32.0 | 100% | 1.00x | 0.34 |
| Cash from options | 15.1 | 100% | 1.00x | 0.16 |
| Exploration nominal | 15.0 | 100% | 1.00x | 0.16 |
| Asset NAV5% US\$1850/oz | 560 | | | 2.54 |

*Shares diluted for options mine build

Market P/NAV5%_{4Q20} 0.16x

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^ | 2Q21 | 2Q22 | 2Q23 | 2Q24 | 2Q25 |
|------------------------------|--------|--------|--------|--------|--------|
| Colomac NPV (C\$m) | 430.6 | 452.1 | 475.3 | 549.9 | 752.9 |
| G&A and finance costs (C\$m) | (89.5) | (81.5) | (73.2) | (65.2) | (58.7) |
| Net cash prior qtr (C\$m) | 32.0 | 29.6 | 18.1 | 93.4 | (82.1) |
| Cash from options (C\$m) | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 |
| Resource / exlo nom. (C\$m) | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 |
| NAV FF FD (C\$m) | 403 | 430 | 450 | 608 | 642 |
| Shares in issue (m) | 61 | 98 | 127 | 127 | 162 |
| 1xNAV5%/sh FF FD (C\$/sh)* | 6.65 | 4.38 | 3.54 | 4.79 | 3.97 |

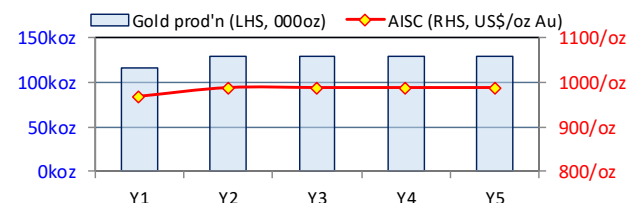
Geared NAV at first pour, diluted for build, net G&A and fin. costs^

| 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: SOURCES |
|-----------------------------------|---------------------------------|
| Pre-DFS exploration / G&A: C\$43m | Cash: C\$5m |
| Build capex: C\$250m | Plus 2Q/3Q raise: C\$36m |
| Fin. cost + WC over DFS: C\$21m | Build equity @ 0.5xNAV: C\$125m |
| TOTAL USES: C\$313m | 60% geared debt @ 8%: C\$150m |
| Buffer / drill budget: C\$3m | TOTAL SOURCES: C\$316m |

| Ratio analysis | CY21E | CY22E | CY23E | CY24E | CY25E |
|------------------------|-------|-------|-------|-------|-------|
| Average shares out (m) | 63.8 | 80.5 | 80.5 | 80.5 | 80.5 |
| EPS (C\$/sh) | - | - | - | - | 0.41 |
| CFPS (C\$/sh) | - | - | - | - | - |
| EV (C\$m) | 30.0 | 57.5 | 69.0 | 114.2 | 171.9 |
| FCF yield (%) | - | - | - | - | - |
| PER (x) | - | - | - | - | 2.3x |
| P/CF (x) | - | - | - | - | - |
| EV/EBITDA (x) | - | - | - | - | 22.8x |

| Income statement | CY21E | CY22E | CY23E | CY24E | CY25E |
|-----------------------------|--------|--------|--------|-------|--------|
| Net revenue (C\$m) | - | - | - | - | 119.2 |
| COGS (C\$m) | - | - | - | - | 57.0 |
| Gross profit (C\$m) | - | - | - | - | 62.2 |
| D&A, attrib (C\$m) | - | - | - | - | 12.5 |
| G&A + sh based costs (C\$m) | 3.5 | 3.5 | 3.5 | 5.0 | 5.0 |
| Finance cost (C\$m) | 10.4 | 8.9 | 9.0 | 2.4 | (38.3) |
| Taxes (C\$m) | - | - | - | - | - |
| Net income (C\$m) | (13.9) | (12.5) | (12.5) | (7.4) | 33.3 |

| Cash flow, attrib. | CY21E | CY22E | CY23E | CY24E | CY25E |
|--------------------------------|--------|--------|--------|---------|--------|
| EBIT (C\$m) | (3.5) | (3.5) | (3.5) | (5.0) | (5.0) |
| Add back D&A (C\$m) | - | - | - | - | 12.5 |
| Less tax / net interest (C\$m) | 10.4 | 8.9 | 9.0 | 2.4 | (38.3) |
| Net change wkg cap (C\$m) | (0.4) | - | - | 1.8 | 19.2 |
| Other non-cash (C\$m) | (19.5) | (16.9) | (16.9) | (7.3) | 39.0 |
| Cash flow ops (C\$m) | (13.1) | (11.5) | (11.5) | (8.2) | 27.5 |
| PP&E - build + sust. (C\$m) | (0.0) | - | - | (166.7) | (85.2) |
| PP&E - expl'n (C\$m) | - | - | - | - | - |
| Cash flow inv. (C\$m) | 0.0 | - | - | 166.7 | 85.2 |
| Share issue (C\$m) | 36.1 | - | - | 125.0 | - |
| Debt draw (repay) (C\$m) | - | - | - | 100.0 | 50.0 |
| Cash flow fin. (C\$m) | 36.1 | - | - | 225.0 | 50.0 |

| Balance sheet | CY21E | CY22E | CY23E | CY24E | CY25E |
|-------------------------------|---------|---------|---------|---------|---------|
| Cash (C\$m) | 31.2 | 19.7 | 8.2 | 63.1 | 55.4 |
| Acc rec., inv, prepaid (C\$m) | 0.4 | 0.4 | 0.4 | 0.4 | 32.1 |
| PP&E + other (C\$m) | 17.1 | 17.1 | 17.1 | 179.1 | 251.7 |
| Total assets (C\$m) | 49 | 37 | 26 | 243 | 339 |
| Debt (C\$m) | - | - | - | 100.0 | 150.0 |
| Accounts payable (C\$m) | 2.1 | 2.1 | 2.1 | 0.3 | 12.8 |
| Others (C\$m) | 3.9 | 3.9 | 3.9 | 3.9 | 3.9 |
| Total liabilities (C\$m) | 6.1 | 6.1 | 6.1 | 104.3 | 166.7 |
| Issued capital (C\$m) | 160.5 | 161.5 | 162.5 | 288.5 | 289.5 |
| Retained earnings (C\$m) | (117.9) | (130.3) | (142.8) | (150.2) | (116.9) |
| Liabilities + equity (C\$m) | 49 | 37 | 26 | 243 | 339 |

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|--|----|
| BUY: | 44 |
| HOLD: | 0 |
| SELL: | 0 |
| UNDER REVIEW: | 0 |
| TENDER: | 0 |
| NOT RATED: | 0 |
| TOTAL | 44 |

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