

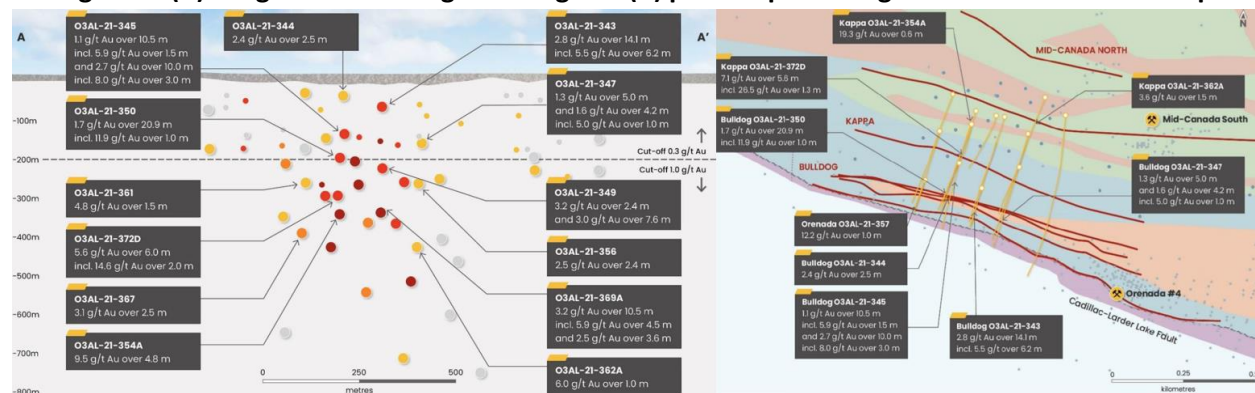
**Ticker:** OIII CN **Cash:** C\$62m **Project:** Marban + Val d'Or  
**Market cap:** C\$147m **Price:** C\$2.17/sh **Country:** Canada, QC  
**RECOMMEND.** (unc): BUY **TARGET** (unc): C\$5.95/sh **RISK RATING** (unc): HIGH

After acquiring Alpha from Alexandria, O3 has trammed west, now defining a consistent ~200m strike shoot at Bulldog of consistent >25gm hits (Figure 1), as well as new hanging-wall lodes at Kapa exemplified by 5.6m @ 7.1g/t today from <200m below surface. Individually each hole, and in fact each lode, is no company maker as the share price wallows in the summer doldrums. However, given the existing 3.2Moz @ 1.8g/t global resource excludes the fruits of 250,000m drilling underway at Marban and surrounds, Akasaba / West, Simkar and Omega next to Eldorado's Triangle, we think the share price is simply at the wrong level, offering investors upside, but also opening the door to M&A 'risk'. In fact, net of C\$62m cash, C\$15m marketable securities, and a ~C\$60m investment in Moneta, O3's EV sits are an incredible C\$11m. As such, **we maintain our BUY rating and C\$5.95/sh PT** based on  $0.5 \times \text{NAV}_{5\%-1850}$  for Marban, including a SCPe 100koz @ 2.75g/t satellite and US\$20/oz for resources outside mining inventory.

## Drilling hits 5m @ 9.5g/t at Alpha: grab a bargain as EV slips to C\$11m in summer doldrums

Highlights from 16 holes (taking drilling to 38,000m of a 56,000m total here) at Alpha, east of Val d'Or, returned highlights from Bulldog (6.2m @ 5.5g/t from 87m), Kappa (5.6m @ 7.1g/t from 179m), and Orenada (1m @ 5g/t from 376m).

**Figure 1. (A) Long-section through Bulldog and (B) plan map showing intersections <200m deep**



Source: O3

## Why we like O3

- Large holding on global top-three Archean belt straddling the Cadillac Break around Val d'Or
- Existing 'base load' 2.5Moz resource / 1.8Moz inventory / 134koz pa Y1-10 scenario at Marban
- 27% ownership of 8.4Moz Moneta where Garrison provides base-load while Highway lifts grade
- 'Get it done, fast' including 150km drill programme underway speeds equity ROI

## Catalysts

- CY21/22: 250,000 drilling underway
- 2021: Marban PFS
- 2022: SCP Marban construction start
- 2024: SCP Marban commercial production

## Research

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<b>Ticker:</b> OIII CN	<b>Price / mkt cap:</b> C\$2.17/sh, C\$148m	<b>Project PNAV today:</b> 0.24x	<b>Asset:</b> Marban + Val d'Or
<b>Author:</b> Brock Salier	<b>Rec / xNAV PT:</b> BUY, C\$5.95/sh	<b>1xNAV build start, FD:</b> C\$8.91/sh	<b>Country:</b> Canada, QC / ON

Commodity price	CY20E	CY21E	CY22E	CY23E	CY24E	Resource / Reserve	Au (koz)	Au (g/t)	Deposit	Au (koz)
Gold price	1,768	1,863	1,857	1,852	1,850	M&I	2112koz	2.16g/t	Marban	1785koz
<b>SOTP project valuation*</b>						Inferred	1056koz	0.29g/t	Akasaba	543koz
						Total	3168koz	1.79g/t	Orenada	321koz

	C\$m	O/ship	NAVx	C\$/sh
Marban proj @ 2Q22 build start	<b>515</b>	100%	<b>0.5x</b>	3.02
Cash & investment @ 1Q21	77	100%	1.00x	0.91
Cash from options	58	100%	1.00x	0.68
Resource ex reserve @ US\$20/oz	49	100%	1.10x	0.63
O3 interest in Moneta Porcupine	60	27%	<b>1.00x</b>	0.70
Asset NAV5% US\$1850/oz	700			PT: <b>5.94</b>

\*Diluted for options but not mine build Market P/NAV5% 3Q20 0.24x

Asset value: 1xNPV project @ build start (C\$m, ungeared)*					
Project NPV (C\$m)*	\$1750oz	\$1850oz	\$1950oz	\$2150oz	\$2250oz
10.0% discount	312	362	411	509	558
7.5% discount	375	431	486	597	651
5.0% discount	452	<b>515</b>	578	703	764
Ungeared project IRR:	34%	37%	41%	48%	51%
NPV5 (C\$m) vs satellite*	Sat: 0Mt	1.1Mt	1.7Mt	3.4Mt	2.8Mt
Satellite grade: 1.75g/t	441	471	486	514	514
Satellite grade: 2.75g/t	441	<b>515</b>	552	629	623
Satellite grade: 3.75g/t	441	559	615	740	721

\*Project level NPV, excl finance costs and central SGA, discounted to build start

Group valuation over time^	2Q21	2Q22	2Q23	2Q24	2Q25
Marban NPV (C\$m)	487.6	515.2	661.0	757.4	674.5
G&A and finance costs (C\$m)	(71.3)	(69.6)	(66.2)	(54.0)	(42.1)
Net cash prior qtr (C\$m)	62.3	24.0	10.2	(67.8)	30.6
Cash from options (C\$m)	58.4	58.4	58.4	58.4	58.4
Resource ex reserve (C\$m)	48.7	48.7	48.7	48.7	48.7
O3 interest in Moneta Porcupine	59.8	59.8	59.8	59.8	59.8
NAV FF FD (C\$m)	586	577	<b>712</b>	743	770
Shares in issue (m)	60.3	63.3	108.4	108.4	108.4
1xNAV5%/sh FF FD (C\$/sh)	<b>9.71</b>	<b>9.11</b>	<b>6.57</b>	<b>6.85</b>	<b>7.10</b>

Equity ROI from spot (% pa) 74% 47% 35%

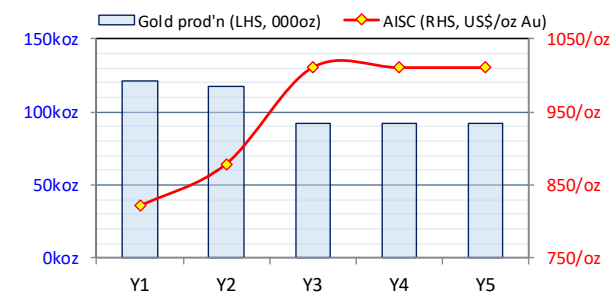
Geared company NAV diluted for mine build, net G&A and finance cost

3Q22 1xNAV FF FD (C\$/sh)^	\$1750oz	\$1850oz	\$1950oz	\$2150oz	\$2250oz
10.0% discount	536	590	644	752	806
7.5% discount	588	647	707	825	884
5.0% discount	650	<b>716</b>	781	912	978
Geared project IRR:	31%	35%	38%	45%	48%
2Q22 1xNAV FF FD (C\$/sh)^	\$1750oz	\$1850oz	\$1950oz	\$2150oz	\$2250oz
10.0% discount	4.58	5.16	5.74	6.92	7.51
7.5% discount	5.16	5.81	6.46	7.77	8.42
5.0% discount	5.87	<b>6.59</b>	7.32	8.78	9.51

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

Production	Y1	Y2	Y3	Y4	Y5
Gold production (000oz)	121	117	92	92	92
C1 cost (US\$/oz)	717	773	892	892	892
AISC cost (US\$/oz)	821	879	1,011	1,011	1,011

AISC = C1 + ug sustaining capex, Y1 = 12M to Sep 2024



Source: SCP estimates

Resource / Reserve	Au (koz)	Au (g/t)	Deposit	Au (koz)
M&I	2112koz	2.16g/t	Marban	1785koz
Inferred	1056koz	0.29g/t	Akasaba	543koz
Total	3168koz	1.79g/t	Orenada	321koz
SCPe Marban pit inventory	1118koz	1.21g/t	epu, E Cadillac, Simkar	519koz
SCPe Marban satellite inventory	100koz	2.75g/t		

Disclosed investments	Shares	Price	Value
Hemlo Explorers	2.6m	0.62/sh	C\$1.6m
Troilus shares	2.0m	1.14/sh	C\$2.3m
Blue Thunder shares	4.5m	0.12/sh	C\$0.5m
Manitou shares	14.5m	0.04/sh	C\$0.6m

Share data					
Basic in issue (m)	68.0		Mine build equity (C\$m)	103	
FD with options (m)	85.3		Mine build debt (C\$m)	131	
FD for mine build @ 0.5xNAV (n)	108.4		uild shares issued @ 0.5xNAV (m)	23.1	

Ratio analysis	CY20E	CY21E	CY22E	CY23E	CY24E
Average shares out (m)	54.5	63.4	91.5	108.4	108.4
EPS (C\$/sh)	-	-	-	0.15	0.71
CFPS (C\$/sh)	-	-	-	-	0.92
EV (C\$m)	84.1	103.9	150.8	328.9	229.3
FCF yield (%)	-	-	-	-	42%
PER (x)	-	-	-	14.1x	3.1x
P/CF (x)	-	-	-	-	2.4x
EV/EBITDA (x)	-	-	-	6.5x	1.4x

Income statement	CY20E	CY21E	CY22E	CY23E	CY24E
Net revenue (C\$m)	-	-	-	81.2	288.0
COGS (C\$m)	-	-	-	25.8	121.4
<b>Gross profit (C\$m)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>55.4</b>	<b>166.7</b>
D&A, attrib (C\$m)	0.0	(0.0)	(0.0)	7.5	25.3
Group G&A (C\$m)	4.7	4.8	4.8	4.6	4.0
Finance cost (C\$m)	0.1	0.0	-	8.8	10.1
Taxes (C\$m)	-	-	-	18.0	50.9
<b>Net income (C\$m)</b>	<b>(4.8)</b>	<b>(4.8)</b>	<b>(4.8)</b>	<b>16.6</b>	<b>76.4</b>
EBITDA (C\$m)	3.3	22.8	(6.7)	48.9	160.7

Cash flow, attrib.	CY20E	CY21E	CY22E	CY23E	CY24E
EBIT (C\$m)	(4.8)	(4.8)	(4.8)	43.3	137.4
Add back D&A (C\$m)	0.0	(0.0)	(0.0)	7.5	25.3
Less tax (C\$m)	0.1	0.0	-	26.7	60.9
Net change in wkg cap (C\$m)	0.8	(0.3)	0.7	21.0	(1.1)
Add back other non-cash (C\$m)	(0.7)	(0.1)	(1.4)	(95.3)	(119.6)
<b>Cash flow ops (C\$m)</b>	<b>(4.6)</b>	<b>(5.2)</b>	<b>(5.5)</b>	<b>3.2</b>	<b>102.9</b>
PP&E - build + sust. (C\$m)	1.4	0.1	(75.0)	(144.6)	(3.3)
PP&E - expl'n (C\$m)	(15.9)	(33.4)	(8.3)	-	-
<b>Cash flow inv. (C\$m)</b>	<b>(14.6)</b>	<b>(33.3)</b>	<b>(83.3)</b>	<b>(144.6)</b>	<b>(3.3)</b>

Cash flow fin. (C\$m)	CY20E	CY21E	CY22E	CY23E	CY24E
Share issue (C\$m)	37.9	33.0	103.0	-	-
Debt draw (repay) (C\$m)	-	-	43.8	87.5	(21.9)
<b>Cash flow fin. (C\$m)</b>	<b>37.9</b>	<b>33.0</b>	<b>146.8</b>	<b>87.5</b>	<b>(21.9)</b>
Net change in cash (C\$m)	18.7	(5.5)	57.9	(53.9)	77.7

Balance sheet	CY20E	CY21E	CY22E	CY23E	CY24E
Cash (C\$m)	34.3	33.6	91.5	37.6	115.3
Acc rec., inv, prepaid (C\$m)	2.5	2.2	2.2	31.6	32.0
PP&E - other (C\$m)	174.3	230.8	314.2	451.3	429.2
<b>Total assets (C\$m)</b>	<b>211.1</b>	<b>266.6</b>	<b>407.9</b>	<b>520.4</b>	<b>576.5</b>
Debt (C\$m)	-	-	43.8	131.3	109.4
Accounts payable (C\$m)	3.3	5.0	4.3	12.7	14.2
Others (C\$m)	13.1	24.1	24.1	24.1	24.1
Total liabilities (C\$m)	16.3	29.0	72.1	168.0	147.6
Sh'hlds equity + wrnts (C\$m)	184.2	203.7	308.6	310.5	312.4
Retained earn'gs + rsvs (C\$m)	10.6	34.0	27.2	41.9	116.5
<b>Liabilities + equity (C\$m)</b>	<b>211.1</b>	<b>266.6</b>	<b>407.9</b>	<b>520.4</b>	<b>576.5</b>

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**TENDER:** The analyst recommends tendering shares to a formal tender offering

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BUY:	45
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	45

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