

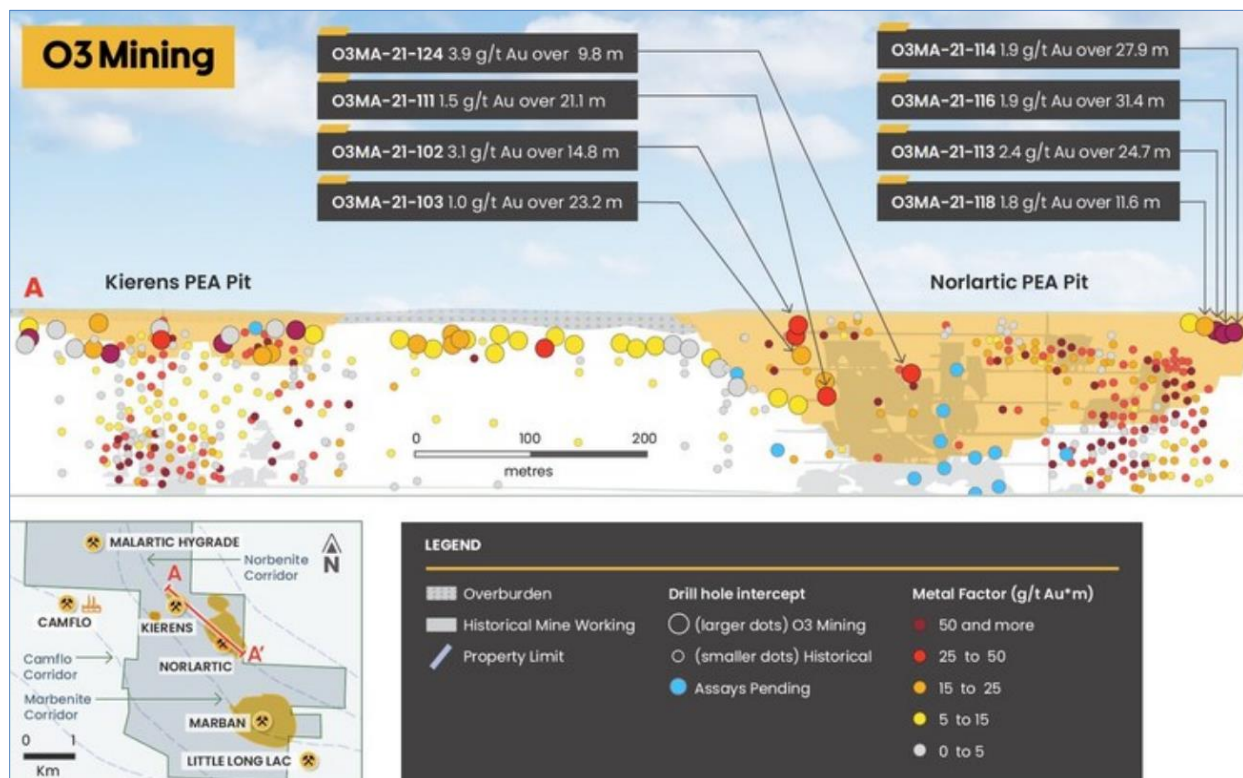
Ticker: OIII CN **Cash:** C\$65m **Project:** Marban + Val d'Or
Market cap: C\$149m **Price:** C\$2.19/sh **Country:** Canada, QC
RECOMMEND. (unc): BUY **TARGET (unc):** C\$5.95/sh **RISK RATING (unc):** HIGH

Today's drilling is 'ticking along' in the right direction as well-targeted holes immediately under existing pits likely supports useful draw-downs on pits, while localized features such as porphyry dykes potentially add higher-grade sweet spots meaning infill could similarly add iterative ounces. We think it should be safe to see like-for-like improvement on PEA 1.1Moz @ 1.21g/t, and that is before satellites and discoveries continue the growth. However, 'ticking along' doesn't excite the market, especially over the summer lull. At the same time the company's investment in Moneta (27%) is benefitting from new high's in Moneta's share price, giving O3 an EV of just C\$25m net of C\$50m cash, C\$15m of marketable securities and their C\$59m investment in Moneta. 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\$25/oz for resources outside mining inventory.

Infill jewellery boxes hit 15m @ 3g/t at Marban with 3m @ 11g/t under pit shells

As part of the current 250,000m drill programme, highlights from 13 holes at Marban include **13m @ 2g/t** at the bottom of the PEA pit and **2.7m @ 11g/t 48m below pit shell**. Infill drilling returned **22m @ 11g/t**, **15m @ 3.1g/t**, **24.7m @ 2.4g/t**, and **31m @ 2g/t**. These are to feed into an updated MRE in CY22. Infilling is continuing at four pits at Marban.

Figure 1. Long section showing drill results under Kierens PEA pit and infill in Norlartic PEA pit



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
- CY22: MRE update
- 2021: Marban PFS

Research

- **Brock Salier** (London) M: +44 7400 666 913 bsalier@sprott.com
- **Justin Chan** (London) M: +44 7554 784 688 jchan@sprott.com
- **Brandon Gaspar** (Toronto) M: +1 437 533 3142 bgaspar@sprott.com
- **Eleanor Magdzinski** (Toronto) M: +1 705 669 7456 emagdzinski@sprott.com

Ticker: OIII CN	Price / mkt cap: C\$2.19/sh, C\$149m	Project PNAV today: 0.25x	Asset: Marban + Val d'Or
Author: Brock Salier	Rec / xNAV PT: BUY, C\$5.95/sh	1xNAV build start, FD: C\$8.86/sh	Country: 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
SOTP project valuation*						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	512	100%	0.5x	3.00
Cash & investment @ 2Q21	65	100%	1.00x	0.76
Cash from options	58	100%	1.00x	0.68
Resource ex reserve @ US\$25/oz	62	100%	1.10x	0.79
O3 interest in Moneta Porcupine	59	27%	1.00x	0.69
Asset NAV5% US\$1850/oz	697			PT: 5.93

*Diluted for options but not mine build Market P/NAV5% 3Q20 0.25x

Asset value: 1xNPV project @ build start (C\$m, ungeared)*					
Project NPV (C\$m)*	\$1750oz	\$1850oz	\$1950oz	\$2150oz	\$2250oz
10.0% discount	309	359	408	507	555
7.5% discount	373	428	484	594	649
5.0% discount	449	512	575	700	762
Ungeared project IRR:	35%	38%	42%	49%	52%
NPV5 (C\$m) vs satellite*	Sat: 0Mt	1.1Mt	1.7Mt	3.4Mt	2.8Mt
Satellite grade: 1.75g/t	438	468	483	511	511
Satellite grade: 2.75g/t	438	512	549	626	620
Satellite grade: 3.75g/t	438	556	612	737	728

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

Group valuation over time^	3Q21	3Q22	3Q23	3Q24	3Q25
Marban NPV (C\$m)	491.0	540.3	705.8	735.2	652.2
G&A and finance costs (C\$m)	(71.1)	(69.4)	(63.7)	(50.9)	(39.7)
Net cash prior qtr (C\$m)	50.0	103.1	(35.2)	(47.6)	50.8
Cash from options (C\$m)	58.4	58.4	58.4	58.4	58.4
Resource ex reserve (C\$m)	61.5	61.5	61.5	61.5	61.5
O3 interest in Moneta Porcupine	58.6	58.6	58.6	58.6	58.6
NAV FF FD (C\$m)	590	694	727	757	783
Shares in issue (m)	60.3	63.3	108.5	108.5	108.5
1xNAV5%/sh FF FD (C\$/sh)	9.78	10.96	6.70	6.97	7.22

Equity ROI from spot (% pa) 75% 47% 35%

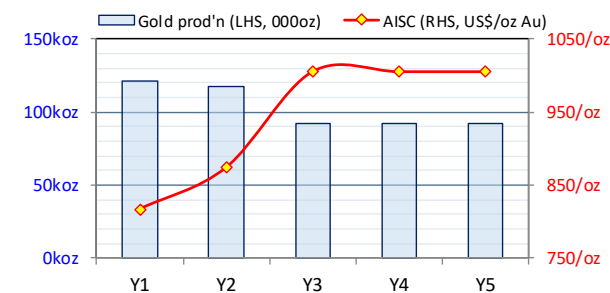
Geared company NAV diluted for mine build, net G&A and finance cost

3Q22 1xNAV FF FD (C\$/sh)^	\$1750oz	\$1850oz	\$1950oz	\$2150oz	\$2250oz
10.0% discount	550	605	661	771	826
7.5% discount	600	661	721	842	901
5.0% discount	660	727	793	926	992
Geared project IRR:	32%	36%	39%	46%	49%
2Q22 1xNAV FF FD (C\$/sh)^	\$1750oz	\$1850oz	\$1950oz	\$2150oz	\$2250oz
10.0% discount	4.70	5.29	5.89	7.10	7.70
7.5% discount	5.27	5.93	6.59	7.92	8.59
5.0% discount	5.97	6.70	7.43	8.91	9.65

^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)	714	769	887	887	887
AISC cost (US\$/oz)	816	873	1,005	1,005	1,005

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



Source: SCP estimates

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)	133	
FD for mine build @ 0.5xNAV (n)	108.5		uild shares issued @ 0.5xNAV (m)	23.3	

Ratio analysis	CY20E	CY21E	CY22E	CY23E	CY24E
Average shares out (m)	54.5	63.4	91.6	108.5	108.5
EPS (C\$/sh)	-	-	-	0.15	0.70
CFPS (C\$/sh)	-	-	-	-	0.92
EV (C\$m)	85.2	107.9	154.8	335.6	236.3
FCF yield (%)	-	-	-	-	42%
PER (x)	-	-	-	14.5x	3.1x
P/CF (x)	-	-	-	-	2.4x
EV/EBITDA (x)	-	-	-	6.6x	1.5x

Income statement	CY20E	CY21E	CY22E	CY23E	CY24E
Net revenue (C\$m)	-	-	-	81.2	288.0
COGS (C\$m)	-	-	-	25.9	121.8
Gross profit (C\$m)	-	-	-	55.3	166.2
D&A, attrib (C\$m)	0.0	(0.0)	(0.0)	7.6	25.6
Group G&A (C\$m)	4.7	4.7	4.8	4.6	4.0
Finance cost (C\$m)	0.1	0.1	-	8.8	10.2
Taxes (C\$m)	-	0.0	-	17.8	50.5
Net income (C\$m)	(4.8)	(4.8)	(4.8)	16.4	75.9
EBITDA (C\$m)	3.3	24.5	(6.7)	48.8	160.2

Cash flow, attrib.	CY20E	CY21E	CY22E	CY23E	CY24E
EBIT (C\$m)	(4.8)	(4.7)	(4.8)	43.1	136.5
Add back D&A (C\$m)	0.0	(0.0)	(0.0)	7.6	25.6
Less tax (C\$m)	0.1	0.1	-	26.7	60.6
Net change in wkg cap (C\$m)	0.8	(1.5)	0.1	21.0	(1.1)
Add back other non-cash (C\$m)	(0.7)	(0.1)	(0.1)	(95.3)	(119.0)
Cash flow ops (C\$m)	(4.6)	(6.2)	(4.8)	3.0	102.7
PP&E - build + sust. (C\$m)	1.4	(0.2)	(75.0)	(146.8)	(3.3)
PP&E - expl'n (C\$m)	(15.9)	(34.2)	(8.3)	-	-
Cash flow inv. (C\$m)	(14.6)	(34.4)	(83.3)	(146.8)	(3.3)

Cash flow fin. (C\$m)	CY20E	CY21E	CY22E	CY23E	CY24E
Share issue (C\$m)	37.9	32.9	103.0	-	-
Debt draw (repay) (C\$m)	-	-	44.2	88.4	(22.1)
Cash flow fin. (C\$m)	37.9	32.9	147.2	88.4	(22.1)
Net change in cash (C\$m)	18.7	(7.6)	59.0	(55.3)	77.3

Balance sheet	CY20E	CY21E	CY22E	CY23E	CY24E
Cash (C\$m)	34.3	30.9	89.9	34.6	111.9
Acc rec., inv, prepaid (C\$m)	2.5	2.4	2.4	31.9	32.2
PP&E + other (C\$m)	174.3	232.1	315.5	454.7	432.4
Total assets (C\$m)	211.1	265.5	407.9	521.1	576.5
Debt (C\$m)	-	-	44.2	132.6	110.5
Accounts payable (C\$m)	3.3	4.3	4.3	12.7	14.2
Others (C\$m)	13.1	22.0	22.0	22.0	22.0
Total liabilities (C\$m)	16.3	26.3	70.5	167.3	146.7
Sh'hlds equity + wrnts (C\$m)	184.2	203.2	308.1	310.0	311.9
Retained earn'gs + rsvs (C\$m)	10.6	36.0	29.4	43.9	117.9
Liabilities + equity (C\$m)	211.1	265.5	407.9	521.1	576.5

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Summary of Recommendations as of August 2021	
BUY:	45
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	45

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