

Anaconda Mining (ANX CN)

Initiation: Growing producer with prime Atlantic Canadian properties

RECOMMENDATION: **BUY**

PRICE TARGET: **C\$2.20**

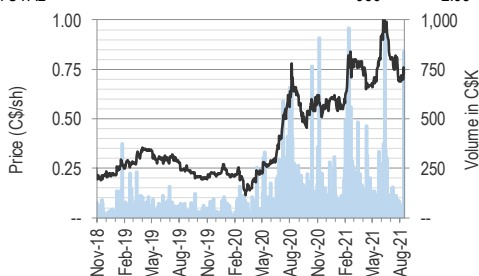
RISK RATING: **HIGH**

SHARE DATA	C\$0.71/sh
Shares (basic, FD)	174 / 184
52-week high/low	1.05 / 0.45
Market cap (C\$m)	124
Net cash (debt) (C\$m)	12
1.0xNAV5% @ US\$1850/oz (US\$m)	816
1.0xNAV7% FD (p/sh)	C\$4.42
P/NAV (x)	0.16x
Average daily value (C\$K, 3M)	130.4

FINANCIALS	CY22E	CY23E	CY24E
Gold produced (000oz)	18	19	46
Revenue (C\$m)	41	46	109
AISC (US\$/oz)	1,439	1,443	1,223
Income (C\$m)	(0.7)	4.2	31.3
EPS (C\$/sh)	0.00	0.01	0.06
PER (x)	223.0x	131.4x	11.3x
CFPS (C\$/sh)	0.02	0.02	0.08
P/CF (x)	36.3x	33.6x	6.9x
EBITDA (C\$m)	8.3	10.0	39.1
EV/EBITDA (x)	11.4x	29.1x	9.3x

SPOT VALUATION	3Q22E	3Q23E	3Q24E
1xNAV5% FD (C\$/sh)	5.16	3.17	3.03
ROI to 1xNAV (% pa)	170%	65%	44%
1.2xNAV5% FD (C\$/sh)	6.19	3.80	3.64
ROI to 1.2xNAV (% pa)	195%	75%	50%

SOTP 1xNAV5% US\$1850/oz	US\$m	C\$/sh
Goldboro (NB) NPV 3Q21	817	2.58
Point Rousse (NFLD) NPV 3Q21	42	0.13
Central SG&A & fin costs 3Q21	(105.6)	(0.33)
Exploration	49.5	0.16
Net cash 1Q20	12.2	0.04
Cash raised	120.0	0.38
TOTAL	936	2.95



Source: S&P Capital IQ

Atlantic Canada producer targeting 150kozpa in 3-5 years

Anaconda has been producing ~20kozpa from its **Point Rousse Mine** in Newfoundland since 2010, but the game changer for the company was its acquisition of the **Goldboro Project** (Nova Scotia) in 2017. Since then, the company has grown the Resource at Goldboro from 830koz to 2.74Moz and completed two PEAs. The 2021 PEA delineated a 17.6-year 111kozpa at US\$799/oz AISC producer with open pit and underground mining and simple CIL processing. **Point Rousse** continues to produce at 15-20koz and serves as a regional processing hub and modest cash flow generator. Mine life extension is the focus and drilling is currently concentrated on the **Stog'er Tight** and **Tilt Cove** licenses. Stepping back, the prize here is a 100-150koz Atlantic Canadian producer that we think will gain traction with investors and M&A suitors alike.

Goldboro to become a long life 100-150koz producer

Anaconda has grown Goldboro from 830koz to 2.7Moz since 2017 and is now advancing permitting and development with the DFS upcoming in 2H21. The June 2021 PEA scoped a 17-year mine life producing an average of 110kozpa at US\$799/oz AISC. Open pit mining is straightforward with two adjacent pits, totalling 1.0Moz at 2.09g/t and a 6.6x strip ratio. Underground mining commences in year 8, totalling 940koz at 5.8g/t. The mill is sized at 1.46Mtpa with 96% gold recovery assumed. The PEA estimated C\$296m of initial capex, LOM AISC of US\$799/oz and an NPV5% of C\$547m and IRR of 24% at US\$1550/oz.

Newfoundland: 20kozpa, generating cash with extension potential

The 1,340tpd Pine Cove mill is fed by open pit ore from nearby deposits; the current source is the Argyle deposit. Mine life at Argyle is ~12-18 months. The next source of ore is Stog'er Tight, where we estimate 50-70koz of pitblable ounces. At **Tilt Cove**, located 40km by road from the mill, Anaconda is targeting high grade (>5g/t) BIF-hosted Nugget Pond style mineralization. Historic results include 5m @ 6.8g/t and 4 @ 5.0g/t. Increasing grade through the mill could have a step change impact on valuation and profitability, lifting SCPE FCF/year to US\$36m at 700tpd at 5.5g/t.

Recommendation: initiate with a BUY rating and C\$2.20/sh PT

We model both assets on a DCF basis. We base Goldboro on the PEA mine inventory of 1.0Moz at 2.1g/t of open pit and 0.9Moz at 5.8g/t of underground material over a 17.6-year mine life. This drives a C\$817m NPV_{5%-1850}. We model a 5-year mine life at Point Rousse, including current reserves with an additional 70koz at 1.5g/t; this drives an NPV_{5%-1850} of C\$42m. Deducting G&A and finance costs and attributing US\$25/oz for ounces outside the mine plan drives our NAV of C\$815m. We assume US\$20m of equity funding at the current share price, and US\$100m to fund the mine build at 0.3x NAVPS. This drives a fully funded NAVPS of C\$2.95/sh (C\$935m and 317m FD/FF shares). We initiate with a BUY rating and C\$2.20/sh TP based on 0.75x NAVPS_{5%-1850}.

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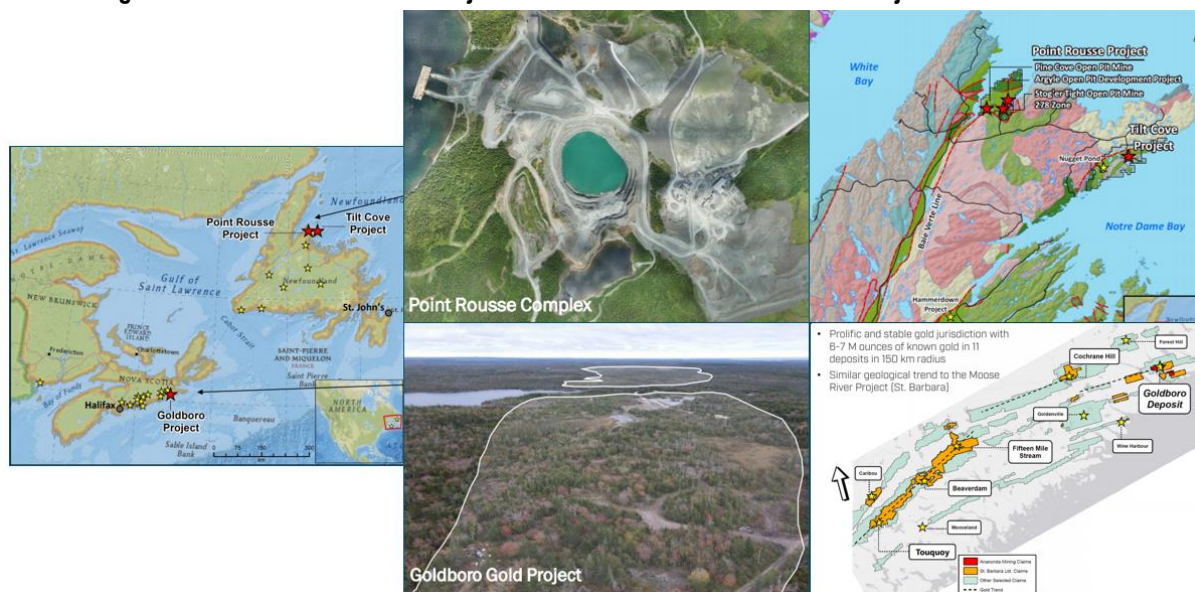
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Summary

Anaconda Mining is an Atlantic Canadian gold producer and developer with its flagship 110kozpa Goldboro development project in Nova Scotia and the 15-20kozpa Point Rouse gold mine on the Baie Verte Peninsula of Newfoundland. Goldboro is the plurality of Anaconda's asset value at 90% of SCPe NAVPS. Point Rouse as a modest cash flow generator with ~3-5 years of defined open pit mine life. The value of the Newfoundland operations could see a step change in value if Tilt Cove drilling finds 5g/t material to feed the Pine Cove mill, compared to the current head grade of ~2.0g/t. At status quo, the asset is cash flow positive to SCPe C\$5-10m per year, reduces dilution, and maintains the company's operational systems and reporting. Trading at just 0.2x NAV^{5%}-1850, we believe Anaconda offers higher risk weighted returns than its Atlantic Canadian explorer peers with valuation backstopped by a long life 110kozpa development project, current production, and 2.9Moz of resources.

Figure 1. Anaconda's Goldboro Project in Nova Scotia and Point Rouse Project in Newfoundland



Source: Anaconda Mining

Corporate History: Anaconda commenced production at Point Rouse in late 2010. The operation ramped up production to 15koz in 2013 and produced at 15-16kozpa through 2017, and reached peak production of 20koz in 2018. The 2017 acquisition of the Goldboro Project in Nova Scotia, through an all-share merger with Orex, reoriented the company's asset weight towards Goldboro. Anaconda grew the resource from 830koz on acquisition to 1.4Moz in 2019, primarily through UG resource growth, and then drilled out and re-assayed near surface pit-able mineralization to grow the project MRE to 2.7Moz in February 2020, enough to support a 17-year 110kozpa mine plan in the 2021 PEA. The other step change for the company was when mining engineer and former Volta CEO Kevin Bullock joined as CEO in 2019. CFO Robert Dufour, with Anaconda since 2017, was previously CFO at Newmarket Gold. We believe that management strength and Goldboro give Anaconda the platform to become an emerging Canadian mid-tier gold producer.

Figure 2. Anaconda share price and market cap history with key events



Source: Bloomberg, annotated by SCPe

Resources: 2.9Moz at 3.9g/t global resource, Goldboro is the flagship

The cornerstone asset here is **Goldboro**. Its 2.74Moz at 4.0g/t of resources support a PEA mine inventory of 1.95Moz 17-year mine life) with potential to convert the remaining 89koz of open pit inferred and 709koz UG of inferred with further drilling. Ore feed at **Point Rouse** is supplied by the **Argyle pit** for the next 1.0-1.5 years. The nearby Stog'er Tight deposit is the next source of ore feed with infill drilling and permitting ongoing. Recent infill results include 5m @ 8.5g/t, 7m @ 4.8g/t and 20m @ 3.6g/t. We estimate potential for 40-70koz based on 350-450m of strike, 70-100m of minable depth dipping at 30-45° at 2g/t diluted grade over 7m mining width. **Tilt Cove** is located 40km from the mill is a high grade exploration target where Anaconda is attempting to find Nugget Pond-style high grade (>5g/t) mineralization to truck to the mill.

Table 1. Resource and reserves for Anaconda

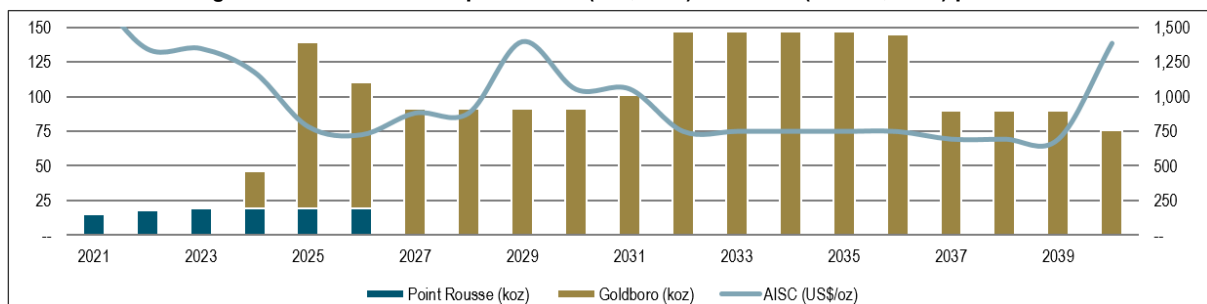
	Point Rousse										Tilt Cove	Group Total
	Goldboro		Argyle		Pine Cove		Stog'er Tight		Total			
Mining	UG	Pit	OP	UG	OP	UG	OP	UG	OP	UG		UG + Pit
Licence size (km ²)	5.92								47		110	163
CY20 drilling (m)	17,941								5,500		10,000	33,441
CY21 drilling (m)	23,500								6,000		4,000	33,500
2021 budget (C\$m)	~5.88								1.50		1.25	8.63
Resource (kt)	7,882	13,460	497	118	735	176	2,071	1,893	1,468	518		23,328
Resource (g/t Au)	6.18	2.72	3.15	3.35	1.64	2.98	1.86	1.77	2.33	3.36		3.88
Resource (koz)	1,565	1,179	50	13	39	17	124	108	110	56		2,910
M&I (%)	31.2%	92.5%	97.8%	44.9%	98.3%	47.6%	6.4%	97.9%	91.9%	53.8%		70.7%
Reserve (koz)	-	-	35koz @ 2.1g/t		8koz @ 1.4g/t		-					48koz @ 1.6g/t

Source: Anaconda Mining

Production profile: Long life 100-150koz producer

Anaconda's production profile should grow significantly with the addition of Goldboro in SCPe 2H24, which should take the company above 100koz of annual production and with >15-year mine life at Goldboro. We forecast 15-20koz production from Point Rouse for the next four years drawn from open pits at Argyle (currently mined) and Stog'er Tight (from late 2023). Beyond this they, additional open pit exploration could extend this further, and the real sweetener would be a discovery at Tilt Cove, in the eastern Baie Verte peninsula.

Figure 3: SCPe Anaconda production (koz, LHS) and AISC (US\$/oz, RHS) profile



Source: SCPe

Peers: Atlantic Gold acquisition and New Found Gold put Atlantic Canada on gold map

Atlantic Canada is an emerging production centre. We believe Atlantic Gold, which developed the Moose River Mine in Nova Scotia, is instructive for the next generation of Atlantic Canadian gold projects for the following reasons: First, the company used a bulk open pit development concept for high grade near surface mineralization, an approach that was since adopted by Marathon Resources at its Valentine Lake project. We believe this is attractive to institutional investors and potential acquirers as it results in a larger and more liquid company, and a more predictable production profile. Second, Atlantic was a trailblazer in permitting and building an open pit project in the region and succeeded in becoming a low cost producer, showing that it can be done in Nova Scotia. Third, Atlantic's ~C\$800m acquisition by St Barbara (~US\$250/oz resources, US\$320/oz reserves when the spot gold price was US\$1,297/oz) demonstrated that acquirers are willing to pay a premium for Atlantic Canadian projects.

Figure 4: Atlantic Canada developers and Atlantic Gold acquisition multiples

Ticker	Market Cap	EV	NAVPS	P/NAV	Project		Contained		Grade		EV/oz			
					Name	Location	2P	MI&I	2P	MI&I	2P	MI&I		
							Moz AuEq	Moz AuEq	g/t AuEq	g/t AuEq	US\$/oz	US\$/oz	US\$/o	
Marathon Gold	TSX:MOZ	559	475	4.17	0.6x	Valentine	Newfoundland	2.05	4.78	1.34	1.72	\$232	\$151	\$99
Newfound Gold	TSXV:NFG	1,082	1,031	--	--	Queensway	Newfoundland	--	--	--	--	--	--	--
Labrador Gold	TSXV:LAB	123	95	--	--	Kingsway	Newfoundland	--	--	--	--	--	--	--
Anaconda Mining	TSX:ANX	101	91	3.65	0.2x	Goldboro	Nova Scotia	0.05	2.91	1.55	3.88	\$1,901	\$44	\$31
Sokoman Minerals	TSXV:SIC	70	65	--	--	Moosehead	Newfoundland	--	--	--	--	--	--	--
Matador Mining	ASX:MZZ	62	54	0.58	0.5x	Cape Ray	Newfoundland	--	0.84	--	2.02	--	\$150	\$64
Maritime Resources	TSXV:MAE	44	36	0.25	0.4x	Hammerdown	Newfoundland	--	0.99	--	5.03	--	\$69	\$36
Aurelius	TSXV:AUL	11	8	--	--	Aureus	Nova Scotia	--	--	--	--	--	--	--
Megumagold	CNSX:NSAU	11	10	--	--	Goldenville	Nova Scotia	--	--	--	--	--	--	--
Average	--	--	--	--	0.4x	--	--	--	--	--	--	--	\$104	\$58
Atlantic Gold (acq)	TSXV:AGB	537	597	--	--	Moose River	Nova Scotia	1.87	2.37	1.12	1.21	\$319	\$282	\$252

Source: S&P Capital IQ, company disclosure, SCPE NAVPS for Maritime and Anaconda

Source: S&P Capital IQ, company disclosure, SCPE NAVPS for Maritime and Anaconda

Compared to peers Anaconda offers compelling value. New Found Gold is trading at >C\$1bn EV before its maiden resource while fellow explorers Labrador and Sokoman are trading at similar EVs to Anaconda at a pre-resource stage. Anaconda and Maritime are the cheapest of the group despite having advanced projects. Upside from Anaconda's valuation to Marathon, the largest developer in the region is ~3x. Below we also highlight pure play Australian/Canadian/USA small to mid cap producers. The average per FCF yield is 11% for 2022e. We estimate Anaconda is trading on a 65% FCF yield for the first full year of Goldboro production (SCPe 2025), which implies ~5x potential to steady state, a number that is also supported by per ounce EV/resource metrics.

Figure 5: Pure play Tier I (Australia, Canada, US) 50-400koz producers

Ticker	Market Cap	EV	NAVPS	P/NAV	EV/EBITDA		EV/Revenue		FCF yield		EV/oz		
					2021e	2022e	2021e	2022e	2021e	2022e	2P	M&I	MI&I
	US\$m	US\$m	US\$/sh	(X)	(X)	(X)	(X)	(X)	%	%	US\$/oz	US\$/oz	US\$/oz
Pretium	TSX:PVG	1,857	1,860	11.10	0.9x	7.1x	6.2x	2.9x	2.8x	9%	\$443	\$223	\$133
Regis	ASX:RRL	1,369	1,246	2.57	0.7x	4.5x	3.2x	2.1x	1.5x	(35%)	\$344	\$179	\$162
Wesdome	TSX:WDO	1,350	1,307	8.59	1.1x	9.7x	6.2x	6.0x	4.0x	(0%)	\$2,332	\$460	\$232
Ramelius	ASX:RMS	914	791	1.28	0.9x	3.3x	3.5x	1.7x	1.6x	13%	\$719	\$234	\$168
Silver Lake	ASX:SLR	885	696	1.40	0.7x	3.2x	4.5x	1.6x	1.7x	10%	\$604	\$212	\$131
Gold Road	ASX:GOR	813	805	1.24	0.7x	8.7x	5.5x	3.8x	2.8x	4%	\$462	\$260	\$178
New Gold	TSX:NGD	797	1,102	2.07	0.6x	2.9x	2.0x	1.4x	1.2x	9%	\$172	\$93	\$90
Victoria Gold	TSX:VGX	668	858	15.28	0.7x	5.4x	4.2x	4.4x	2.5x	23%	\$280	\$190	\$162
Karora	TSX:KRR	364	327	5.58	0.5x	3.7x	2.9x	1.4x	1.3x	7%	\$246	\$130	\$97
Puregold	TSXV:PGM	347	430	1.48	0.6x	24.3x	5.4x	6.6x	2.9x	(14%)	\$424	\$208	\$170
Fiore Gold	TSXV:F	83	66	2.18	n/a	2.5x	2.2x	0.8x	0.7x	7%	\$228	\$23	\$21
Mean					0.7x	6.8x	4.2x	3.0x	2.1x	3%	\$569	\$201	\$140
Weighted Average					0.8x	5.0x	4.0x	2.4x	2.0x	2%	\$388	\$184	\$139
Average excluding high and low					0.7x	5.4x	4.2x	2.8x	2.0x	5%	\$417	\$192	\$144
Median					0.7x	4.5x	4.2x	2.1x	1.7x	7%	\$424	\$208	\$162

Source: S&P Capital IQ market data and consensus NAVPS estimates, company disclosure

Recommendation: initiate coverage with BUY rating and C\$2.20/sh PT

Goldboro is the key driver of Anaconda's future. The project has transformed from 1.4Moz in 2018 to a 2.7Moz long life >100kozpa development story in 2021 and we believe the market is still digesting this. Exploration upside comes mainly from along strike potential but permitting milestones and liquidity are the key re-rating catalysts for now. Point Rousse is a useful modest cash generator which reduces the requirement for external equity to fund exploration and evaluation. We model both assets on a DCF basis. We base Goldboro on the PEA inventory, generating an 18-year ~110kozpa mine life at US\$815/oz. This generates an NPV5%-1850 of C\$816m. We model five years of production at Point Rousse averaging 19koz at US\$1,270/oz AISC generating US\$9m/year of FCF and an NPV5%-1850 of C\$42m. To this we add Goldboro ounces outside the mine plan at US\$25/oz, totalling C\$24m, plus a nominal C\$25m for exploration. This generates an asset NAV of C\$802m. To this we add C\$12m for 2Q21 net debt for pre-funded NAV of C\$934m or C\$4.41/sh. Our funding assumptions include C\$180m of debt at a 10% lender IRR and C\$120m of equity at 0.25x NAV or C\$0.93/sh. This generates our fully funded, fully diluted NAVPS estimate of C\$2.95/sh. We apply a 0.75xNAV multiple and initiate with a BUY recommendation and C\$2.20/sh price target.

Catalysts

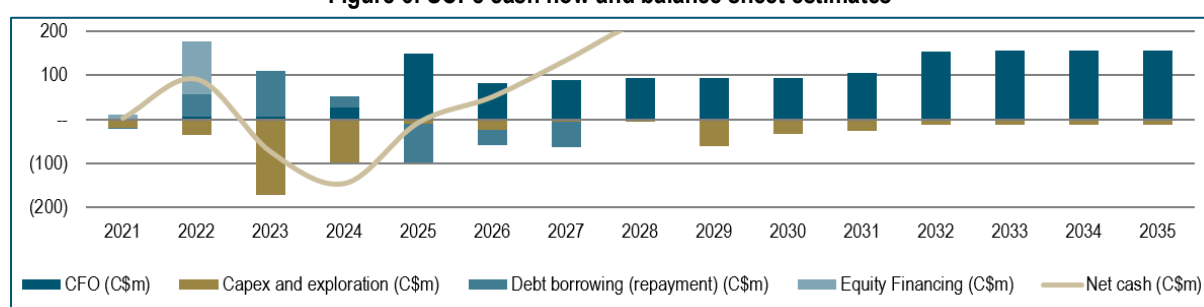
- 4Q21/early 1Q22: Goldboro DFS – open pit only
- 2022: Submission of EA application for Goldboro
- 2023: EA, mine license and construction permits, finance completion, construction start
- 2H24: SCPe first production at Goldboro
- 2025: SCPe steady state production at Goldboro

Corporate and Financial Summary

Share structure: Anaconda has 174.1m shares outstanding with 8.62m options and warrants at a weighted average exercise price of C\$2.60/sh. In addition, there are 2.02m share units outstanding. We assume a further C\$10m of equity at C\$0.71/sh for 14.1m shares to fund evaluation work, and C\$110m of equity at 0.3x NAVPS (C\$0.93/sh) to fund the equity portion of project construction. We assume C\$180m of debt at a 10% lender IRR for the remaining portion of pre-production funding, and assume this is refinanced at 6% after 1.5 years of commercial production. We base our per share valuation on a fully-diluted, fully-funded assumed share count of 316.7m fully diluted, fully funded shares outstanding.

Balance sheet: As the end of June 2021, Anaconda had C\$14.8m of cash (incl restricted cash) with C\$2.7m of borrowings. We estimate C\$286m of capex, C\$15m of G&A and C\$2m of working capital to first production, creating a total external funding requirement of C\$341. We assume this is financed through C\$180m of debt at a 10% cost of capital, and C\$120m of equity, with C\$26m of FCF from Point Rousse before first production, creating a safety margin of C\$22m through ramp up. In addition, there are C\$15m of ITM options and warrants.

Figure 6: SCPe cash flow and balance sheet estimates



Source: SCPe

Cash flow and profitability: We estimate a LOM EBITDA margin of 62% at Goldboro at US\$1,850/oz. At the corporate level we estimate a LOM EBITDA margin of 58% at US\$1,850/oz and LOM FCF margin of 30% from present through to the end of SCPe Goldboro's mine life in 2043. We estimate a 39% FCF yield over the life of mine including 35% from 2025-2030, with average return on capital employed (ROCE) of 24% over that period. We estimate FCF payback in 2.0 years of the production life, highlight rapid payback of initial capital and healthy returns on capital invested, with a further 16 years of mine life beyond FCF payback.

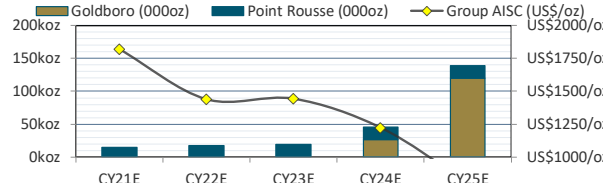
Government and stakeholders:

Ownership: Anaconda owns 100% of Goldboro, Point Rousse and Tilt Cove.

Government: Goldboro is subject to 15% federal income tax, 14% Nova Scotia provincial income tax and a provincial mining tax equivalent to a 1% NSR. Point Rousse is subject to 15% federal income tax and 15% Newfoundland provincial income tax.

Royalties: There are no third-party royalties on Goldboro. Point Rousse is subject to a 3% NSR. Some of the project is subject to a 7.5% net profits interest with Royal Gold. This NPI was not considered payable in the 2020 PEA and we have assumed it is not payable.

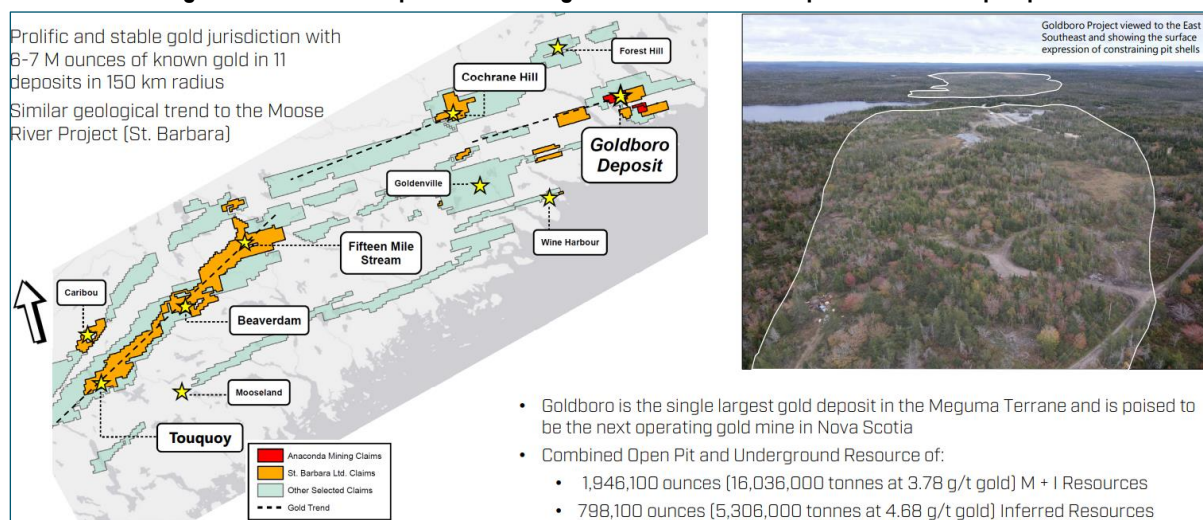
Permits: At Goldboro the key stage in the mine permitting process is the Environmental Assessment (EA). Baseline studies for the EA support documents are underway. We expect EA submission in 2022 following DFS completion, and receipt within one year. Overall we expect permitting to enable full construction start in 2023. At Point Rousse the mill and current mining activities are permitted. The main permit requirement for Point Rousse is for the restart of mining at Stog'er Tight. We expect the permit to be obtained over the next year while mining takes place at the Argyle deposit. We view Nova Scotia and Newfoundland as rigorous but favourable jurisdictions for mine permitting.

Ticker: ANX CN		Price / mkt cap: 0.71/sh, C\$124m		Market P/NAV: 0.16x		Assets: Goldboro																																																	
Author: J Chan / B Gaspar / E Magdzinski		Rating/Target		BUY / C\$2.20		C\$9.22/sh Country: Canada																																																	
Group-level SOTP valuation		2021	3Q21																																																				
			C\$m	O/ship	NAVx	C\$/sh																																																	
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Goldboro oz outside mine plan (US\$25/oz)			24	-	1.00x	0.13																																																	
Exploration (\$25/oz)			25	100%	1.00x	0.14																																																	
Cash and restr. cash 2Q21			15	-	1.00x	0.08																																																	
Debt 2Q21			(3)	-	1.00x	(0.01)																																																	
1xNAV5%US\$1850/oz			816			4.42																																																	
*above diluted for options but not fundraises, fellow diluted for build raise																																																							
Cash raised			120	-	1.00x	0.38																																																	
1xNAV5%US\$1850/oz - Fully Funded			936			2.95																																																	
		P/NAV multiple		Target (C\$/sh)																																																			
Price Target		0.75x				2.20																																																	
1xNAV sensitivity to gold price and discount / NAV multiple																																																							
1xNAV asset (US\$m)	\$1500oz	\$1700oz	\$1850oz	\$2000oz	\$2200oz																																																		
8% discount	267	438	565	690	856																																																		
7% discount	313	500	638	774	955																																																		
6% discount	366	570	721	870	1,068																																																		
5% discount	427	650	816	979	1,197																																																		
4% discount	496	741	924	1,104	1,344																																																		
Valuation (C\$/sh)	\$1500oz	\$1700oz	\$1850oz	\$2000oz	\$2200oz																																																		
0.50xNAV	0.50	1.00	1.40	1.80	2.30																																																		
0.75xNAV	0.80	1.60	2.20	2.70	3.50																																																		
1.00xNAV	1.10	2.10	2.90	3.70	4.70																																																		
1.25xNAV	1.40	2.70	3.60	4.60	5.90																																																		
Valuation over time	3Q21E	3Q22E	3Q23E	3Q24E	3Q25E																																																		
Mines NPV (US\$m)	827	876	945	1,159	1,279																																																		
Cntrl G&A & fin costs (US\$m)	(133)	(92)	(88)	(84)	(73)																																																		
Net cash at 1Q (US\$m)	3	91	(74)	(146)	(7)																																																		
1xNAV (US\$m)	697	875	783	929	1,199																																																		
1xNAV share px FD (C\$/sh)	4.77	5.16	3.17	3.03	3.91																																																		
P/NAV (x):	0.15x	0.14x	0.22x	0.23x	0.18x																																																		
ROI to equity holder (% pa)	571%	170%	65%	44%	41%																																																		
1.2xNAV share px FD (C\$/sh)	5.72	6.19	3.80	3.64	4.70																																																		
ROI to equity holder (% pa)	706%	195%	75%	50%	46%																																																		
Goldboro 1xNAV sensitivity																																																							
Goldboro NPV5% (C\$m)	\$1700oz	\$1800oz	\$1850oz	\$1900oz	\$2000oz																																																		
8.0% discount	444	522	560	599	677																																																		
7.0% discount	507	593	635	678	763																																																		
6.0% discount	580	674	720	767	861																																																		
5.0% discount	663	766	817	869	972																																																		
Goldboro NPV5% (C\$m)	\$1700oz	\$1800oz	\$1850oz	\$1900oz	\$2000oz																																																		
Cost per tonne + 20.0%	609	713	764	816	919																																																		
Cost per tonne + 10.0%	636	739	791	842	945																																																		
No change	663	766	817	869	972																																																		
Goldboro NPV5% (C\$m)	\$1700oz	\$1800oz	\$1850oz	\$1900oz	\$2000oz																																																		
10.0% grade reconciliation	694	799	851	904	1,008																																																		
0.0% grade reconciliation	663	766	817	869	972																																																		
-10.0% grade reconciliation	623	724	775	825	926																																																		
<div><div></div> Goldboro (000oz)<div></div> Point Rousse (000oz)<div></div> Group AISC (US\$/oz)</div>  <table><thead><tr><th></th><th>CY21E</th><th>CY22E</th><th>CY23E</th><th>CY24E</th><th>CY25E</th></tr></thead><tbody><tr><td>Goldboro (000oz)</td><td>15</td><td>18</td><td>19</td><td>19</td><td>120</td></tr><tr><td>Point Rousse (000oz)</td><td>15</td><td>18</td><td>19</td><td>19</td><td>19</td></tr><tr><td>Point Rousse cash cost (US\$/oz)</td><td>1,510</td><td>1,115</td><td>1,142</td><td>1,142</td><td>1,142</td></tr><tr><td>Point Rousse AISC (US\$/oz)</td><td>1,612</td><td>1,276</td><td>1,295</td><td>1,295</td><td>1,295</td></tr><tr><td>Group (000oz)</td><td>15</td><td>18</td><td>19</td><td>46</td><td>139</td></tr><tr><td>Group cash cost (US\$/oz)</td><td>1,521</td><td>1,133</td><td>1,160</td><td>1,068</td><td>730</td></tr><tr><td>Group AISC (US\$/oz)</td><td>1,820</td><td>1,439</td><td>1,443</td><td>1,223</td><td>806</td></tr></tbody></table>									CY21E	CY22E	CY23E	CY24E	CY25E	Goldboro (000oz)	15	18	19	19	120	Point Rousse (000oz)	15	18	19	19	19	Point Rousse cash cost (US\$/oz)	1,510	1,115	1,142	1,142	1,142	Point Rousse AISC (US\$/oz)	1,612	1,276	1,295	1,295	1,295	Group (000oz)	15	18	19	46	139	Group cash cost (US\$/oz)	1,521	1,133	1,160	1,068	730	Group AISC (US\$/oz)	1,820	1,439	1,443	1,223	806
	CY21E	CY22E	CY23E	CY24E	CY25E																																																		
Goldboro (000oz)	15	18	19	19	120																																																		
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Point Rousse cash cost (US\$/oz)	1,510	1,115	1,142	1,142	1,142																																																		
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Production (100%)		CY21E	CY22E	CY23E	CY24E	CY25E																																																	
Goldboro (000oz)		-	-	-	27	120																																																	
Goldboro cash cost (US\$/oz)		-	-	-	982	642																																																	
Goldboro AISC (US\$/oz)		-	-	-	1,210	736																																																	
Point Rousse (000oz)		15	18	19	19	19																																																	
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Resource / Reserve																																																							
		Mt	000oz	EV/oz																																																			
Measured, ind. & inf.		17.51	2910	29																																																			
Proven & probable		0.96	48	1,771																																																			
Share data		Basic		FD	FD+FF																																																		
Shares out (m)		174.1		184.4	316.7																																																		
Funding: uses		Funding: sources																																																					
DFS capex		C\$286m	2Q21 cash + options		C\$15m																																																		
SCPe contingency		C\$37m	Debt @ 60% gearing		C\$180m																																																		
SCPe G&A + fin. cost to first Au		C\$15m	SCPe Equity Raised		C\$120m																																																		
SCPe working capital		C\$2m	Pont Rousse FCF		C\$26m																																																		
Total uses		C\$341m	Total proceeds		C\$341m																																																		
*Cash from options expiring pre first pour																																																							
Commodity price		CY21E	CY22E	CY23E	CY24E	CY25E																																																	
Gold price (US\$/oz)		1,805	1,801	1,837	1,850	1,850																																																	
Ratio analysis		CY21E	CY22E	CY23E	CY24E	CY25E																																																	
FD shares out (m)		169.7	247.3	306.4	306.4	306.4																																																	
EPS (C\$/sh)		(0.027)	0.003	0.005	0.063	0.368																																																	
CFPS before w/c (C\$/sh)		(0.02)	0.02	0.02	0.08	0.49																																																	
FCFPS pre growth (C\$/sh)		(0.01)	0.01	0.01	0.08	0.46																																																	
FCFPS (C\$m)		(0.10)	(0.13)	(0.54)	(0.22)	0.46																																																	
FCF yield pre growth (%)		(14%)	(18%)	(76%)	(31%)	65%																																																	
FCF yield (%)		(14%)	(18%)	(76%)	(31%)	65%																																																	
EBITDA margin (%)		(1%)	20%	22%	36%	58%																																																	
FCF margin (%)		(47%)	(76%)	(361%)	(61%)	43%																																																	
ROE (%)		(7%)	0%	1%	9%	35%																																																	
ROA (%)		(5%)	0%	0%	5%	25%																																																	
ROCE (%)		(5%)	2%	3%	12%	47%																																																	
PER (x)		(20.1)	223.0x	131.4x	11.3x	1.9x																																																	
P/CF (x)		81.8x	36.3x	33.6x	6.9x	1.4x																																																	
EV/EBITDA (x)		(477.1x)	11.4x	29.1x	9.3x	1.2x																																																	
Income statement		CY21E	CY22E	CY23E	CY24E	CY25E																																																	
Revenue (C\$m)		35	41	46	109	331																																																	
COGS (C\$m)		(29)	(26)	(29)	(63)	(131)																																																	
Gross profit (C\$m)		5	15	17	46	200																																																	
Expenses (C\$m)		--	(13)	(9)	(7)	(9)																																																	
Impairment & other (C\$m)		--	--	--	--	--																																																	
Net finance costs (C\$m)		(0)	--	--	--	--																																																	
Tax (C\$m)		(1)	(3)	(4)	(8)	(43)																																																	
Minority interest (C\$m)		--	--	--	--	--																																																	
Net income attr. (C\$m)		4	(1)	4	31	148																																																	
Cash flow		CY21E	CY22E	CY23E	CY24E	CY25E																																																	
Profit/(loss) after tax (C\$m)		(5)	1	2	19	113																																																	
Add non-cash items (C\$m)		6	4	5	12	38																																																	
Less wkg cap / other (C\$m)		(4)	0	(0)	(6)	(2)																																																	
Cash flow ops (C\$m)		(3)	5	6	26	149																																																	
PP&E (C\$m)		(4)	(29)	(172)	(98)	(10)																																																	
Other (C\$m)		0	--	--	--	--																																																	
Cash flow inv. (C\$m)		(18)	(37)	(172)	(98)	(10)																																																	
Debt draw (repayment) (C\$m)		(1)	51	103	26	(88)																																																	
Equity issuance (C\$m)		11	120	--	--	--																																																	
Other (C\$m)		--	--	--	--	--																																																	
Cash flow fin. (C\$m)		10	171	103	26	(88)																																																	
Net change post forex (C\$m)		(10)	140	(63)	(46)	51																																																	
Balance sheet		CY21E	CY22E	CY23E	CY24E	CY25E																																																	
Cash (C\$m)		5	145	82	36	87																																																	
Accounts receivable (C\$m)		0	0	0	2	3																																																	
Inventories (C\$m)		6	5	6	23	25																																																	
PPE & exploration (C\$m)		70	102	269	355	327																																																	
Other (C\$m)		4	4	4	4	4																																																	
Total assets (C\$m)		85	256	361	419	446																																																	
Debt (C\$m)		2	53	156	182	94																																																	
Other liabilities (C\$m)		12	12	12	25	27																																																	
Shareholders equity (C\$m)		82	202	202	202	202																																																	
Retained earnings (C\$m)		(11)	(10)	(9)	11	123																																																	
Minority int. & other (C\$m)		--	--	--	--	--																																																	
Liabilities+equity (C\$m)		85	256	361	419	446																																																	
Net cash (C\$m)		3	92	(74)	(146)	(7)																																																	
Net debt to NTM EBITDA (x)		(0.3x)	(9.1x)	1.9x	0.8x	0.1x																																																	

Goldboro: 2.7Moz with 18-year mine life at 110kozpa defined and exploration upside

History and overview: Anaconda acquired 100% of Goldboro through its merger with Orex in 2017. Historic underground mining at Goldboro was active between 1893-1910. Osisko optioned into the property in 2009 and completed ~25,000m of drilling, targeting large scale open pit potential and terminated its option in 2011. Orex refocused interpretation back to a more tightly constrained, higher grade underground project. Since acquiring the project in 2017, Anaconda has accomplished significant and consistent resource growth: 1.05Moz at 5.6g/t in October 2018, 1.38Moz at 6.1g/t in August 2019 and 2.9Moz at 4.0g/t in February 2021. The step change in 2020 and 2021 came from targeting near surface ounces and remodelling lower grade zones of gold wall rock argillites. Open pit ounces grew from 75koz in the August 2019 MRE to 1.18Moz in the February 2021 MRE. There are no streams or royalties on the project.

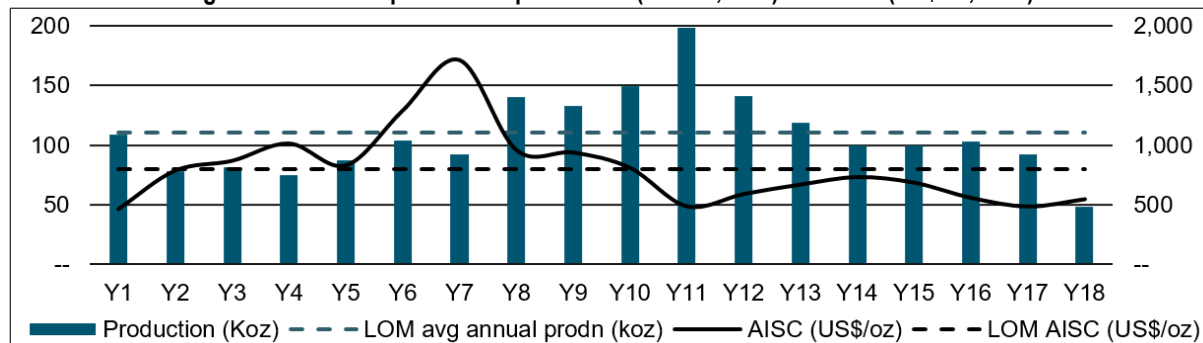
Figure 7: Goldboro map of surrounding claims and surface expression of the open pit



Location, access and infrastructure: The project is located 175km NE of Halifax and 60km SE of Antigonish. The property is 2.5km by gravel road from Highway 316, which is a paved highway that runs NE-SW to Halifax. Grid power access is nearby with only a 1.6km tap line required to access the provincial grid. Peak power demand is estimated to be 14MW. Water can be drawn from Gold Brook Lake, which is located on the property. There are no salmon bearing streams on the property. There is a significant skilled workforce available within driving distance of the property on paved provincial highways with ~1m people within a 3-hour drive.

2021 PEA: The 2021 PEA outlined a 17.6-year mine life starting with open pit mining in years 1-7 producing at 89.5koz average annual production, and underground production commencing in year eight of the mine life, lifting average annual production to 120kozpa.

Figure 8: PEA mine plan – Gold production (koz Au, LHS) and AISC (US\$/oz, RHS)

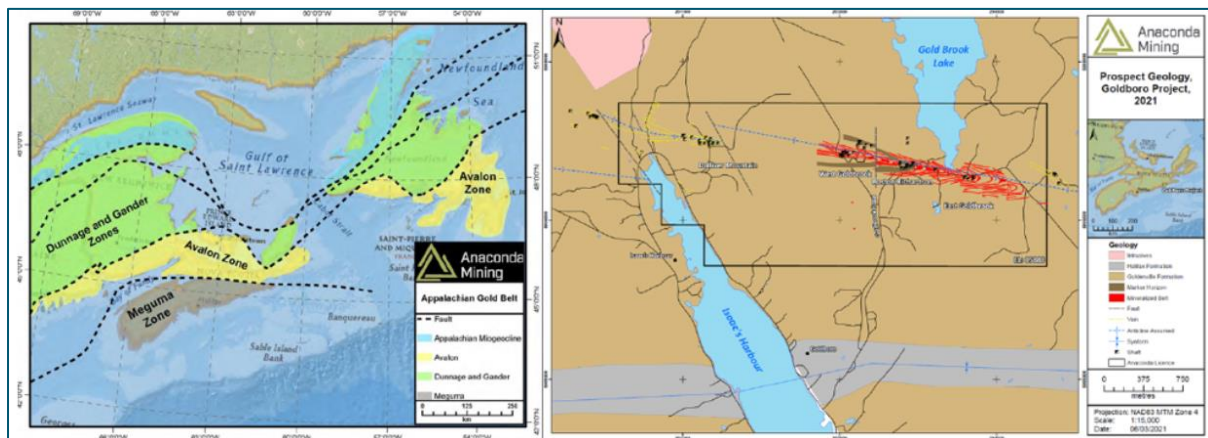


Source: Anaconda Mining

Geology: Orogenic gold hosted in a quartz anticline and surrounding argillite

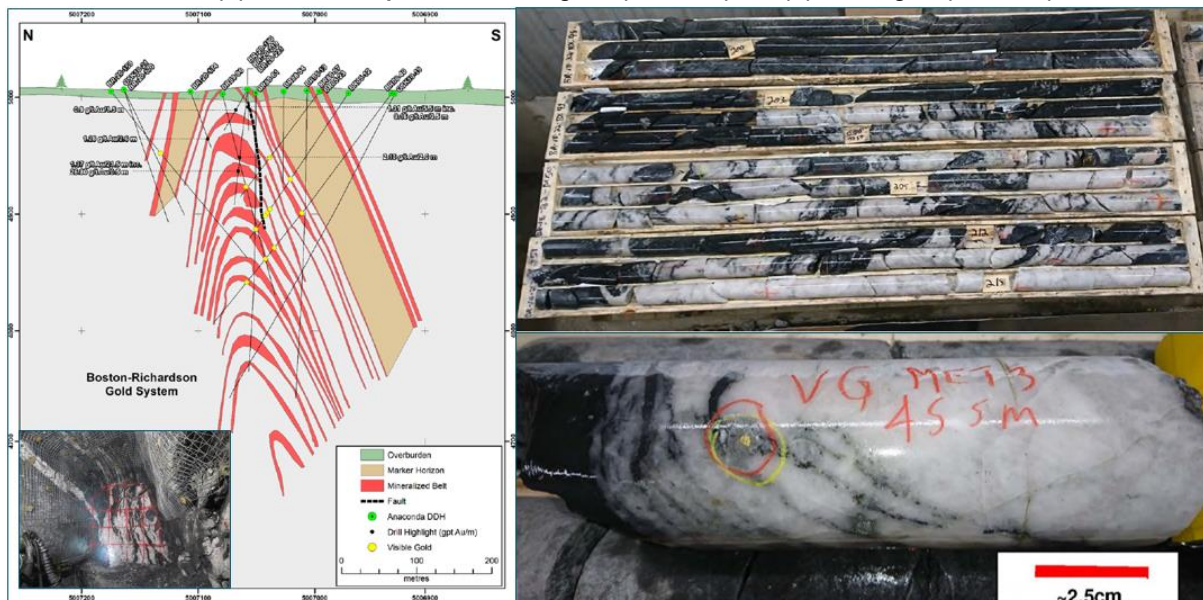
Goldboro is a turbidite-hosted orogenic gold deposit, similar to the Bendigo-Ballerat style deposits of Victoria, Australia. The host country rock is a series of alternating greywacke and argillite beds. Gold occurs in saddle, leg and spur quartz reefs as well as within the argillite hosting the veins. Gold occurs as native free gold and within, on the grain boundaries and fractures of arsenopyrite, with grain sizes ranging from microscopic to up to several centimetres and is non-refractory. **Key takeaways:** The geometry and nature of the deposit assist in mine-ability. Recognizing and modelling gold hosted in the argillite was key to adding volume to the near surface pit-able resource component. Mineralization is strongly spatially related to quartz veins, which offer strong visual contrast to the turbidite host rock; we believe this suggests potential for low mining dilution for open pit and underground mining. As the ore-hosting quartz veins are tightly folded, steeply dipping, and laterally extensive, ore productivity should be high relative to vertical and lateral development. Exploration potential is significant, particularly to the east, as the VTEM conductor that hosts existing deposits has not been drilled.

Figure 9: (A) Regional geology of Atlantic Canada and (B) local geology



Source: Anaconda Mining

Figure 10: (A) cross section of Boston-Richardson gold zone (central) with inset photo of BR gold zone looking east, (B) mineralized quartz veins in argillite (BR-18-22) and (C) visible gold (BR-17-03)



Source: Anaconda Mining

Resource: 2.7Moz supports 17-year OP and UG mine life

Currently resources stand at 2.74Moz @ 4.7g/t including 1.2Moz at 2.7g/t of open pit and 1.6Moz at 6.2g/t of underground resources. The current MRE is sufficient to sustain 110kozpa average annual production over 17-years as estimated in the PEA. The 2020 MRE included results from 121 infill holes for 17,942m across three domains and within 225m of surface to support extensive remodelling of higher-grade belts and lower grade domains. The overall MRE drill database includes 635DDH for 113,133m from 1984 through February 2021 including 223 DDH for 41,355m from 2017-2021. The block model is based on 2.0 x 2.0 x 2.0m parent blocks. The resource was constrained using a US\$1,550 pit shell and grade estimation utilized ordinary kriging.

Figure 11: Goldboro MRE and PEA inventory

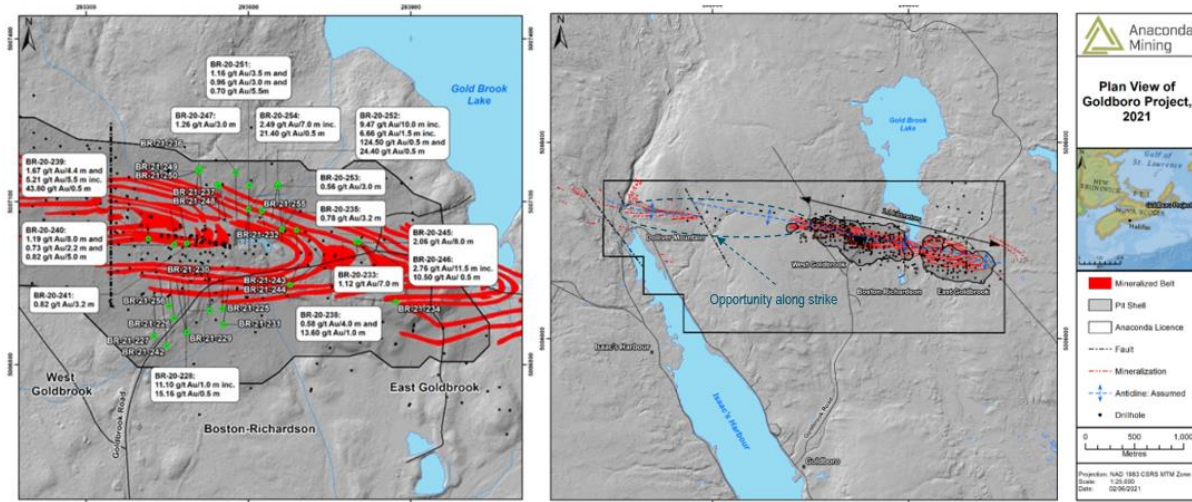
	M&I			Inferred			Total			PEA Mine Inventory			Cut-off
	Tonnes (kt)	Grade (g/t Au)	Contained (koz Au)	Tonnes (kt)	Grade (g/t Au)	Contained (koz Au)	Tonnes (kt)	Grade (g/t Au)	Contained (koz Au)	Tonnes (kt)	Grade (g/t Au)	Contained (koz Au)	Grade (g/t Au)
Open Pit	11,880	2.85	1,090	1,580	1.75	89	13,460	2.72	1,179	15,016	2.09	1,007	0.44
Underground	4,156	6.41	856	3,726	5.92	709	7,882	6.18	1,565	5,063	5.78	941	2.60
Total	16,036	3.77	1,946	5,306	4.68	798	21,342	4.00	2,744	20,079	3.02	1,948	

Source: Anaconda Mining

Current drilling focused on open pit quick wins to support DFS

This year's drilling program has two focuses: Upgrading inferred mineralization within the existing pit shell, currently classified as waste, to indicated to enable inclusion in the upcoming DFS mine plan; and converting inferred mineralization between the west and east pits. We expect grade to improve on further infill due to the presence of mineralized cross cutting quartz structures and free gold in the host argillite proximate to quartz hosted mineralization.

Figure 12: (A) 1H21 infill drilling and (B) Licence scale map of mineralization and potential along strike



Source: SCPE modified, original graphic from Anaconda Mining

VTEM indicates structure continues to the west, undrilled potential to find another Goldboro along strike

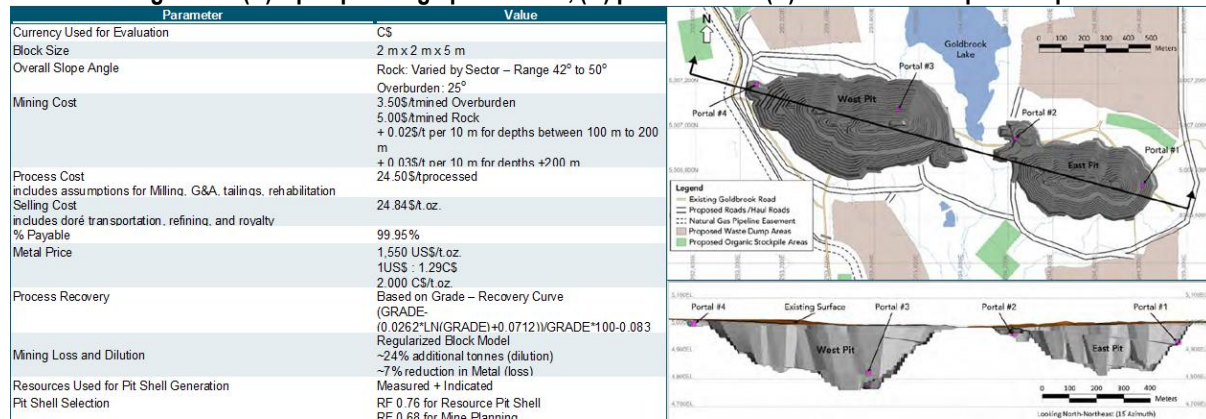
Goldboro style mineralization is structurally controlled and strongly associated with sulphides, therefore conductors are an excellent vectoring tool. The VTEM anomaly that highlights Goldboro continues east-west across the property. Anaconda has commenced the process to permit drilling on the western portion of the VTEM anomaly. We believe this has significant potential to host a continuation of Goldboro style turbidite-hosted mineralization, likely at open pit-able depth. We note i) similar intensity of the VTEM anomaly; ii) Goldboro is dipping at 20 degrees to the east; iii) regional scale occurrence of similar-style deposits along east-west trending conductors.

Mining and processing

The overall mine plan is based on open pit mining of up to 14Mtpa inclusive of ore and waste, underground production of 1,500tpd (0.4Mtpa) and a 4,000tpd (1.46Mtpa) processing plant. We believe the mining and processing plans in the PEA are conventional and sufficiently conservative.

Open pit mining is scheduled for the first 9.5 years of the mine life, averaging 11Mtpa. The OP life of mine includes two pits providing a total of 15.0Mt of ore at 2.1g/t for 1.01Moz at a strip ratio of 6.6:1. The pit slope angles range from 43-54°. The pit was constrained at a US\$1,550/oz gold price with 7% mining loss and 24% mining dilution applied at a minimum mining width of 2m by 5m vertical bench height. The pit was designed assuming 63t haul trucks, C\$3.50/t overburden and C\$5.00/t ore mining costs.

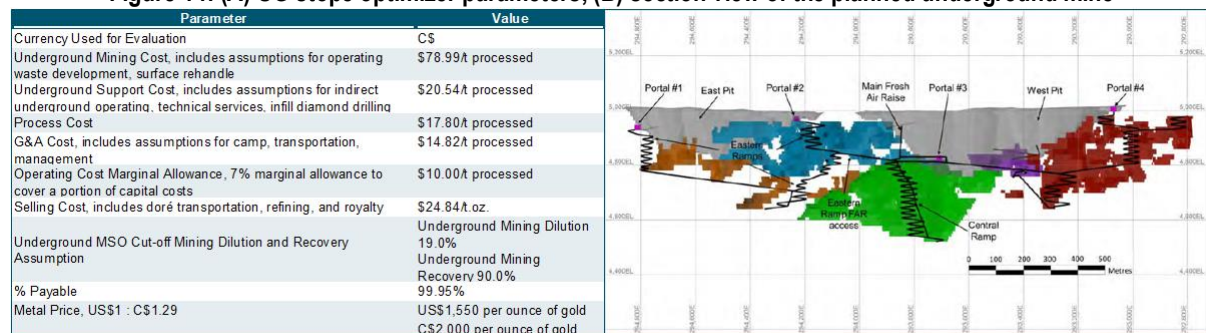
Figure 13: (A) Open pit design parameters, (B) plan view and (C) section view of planned pits



Source: Anaconda Mining

Underground mining is scheduled for years 6.5-18 of the mine life, averaging 550ktpa, and totalling 6.05Mt at 4.9g/t for 0.95Moz with 0.5 metres of planned dilution (nil grade) of which 80% is from the hanging wall and 20% from the footwall. The planned mining method is longitudinal long hole stoping with paste backfill. Stope dimensions are 15m length by 20m height by 2.6m true thickness with an average dip of 70.6°. Access and haulage is via four portals – two in each of the west and east pits. Initial development is planned for year five of the mine plan with a 22-month ramp up to the full 1,500tpd production rate. Planned inter-level access dimensions are 4.8x4.8m with 4.5 x 4.5m level access and 3.5 x 3.0m stope access, to accommodate 30t haul trucks.

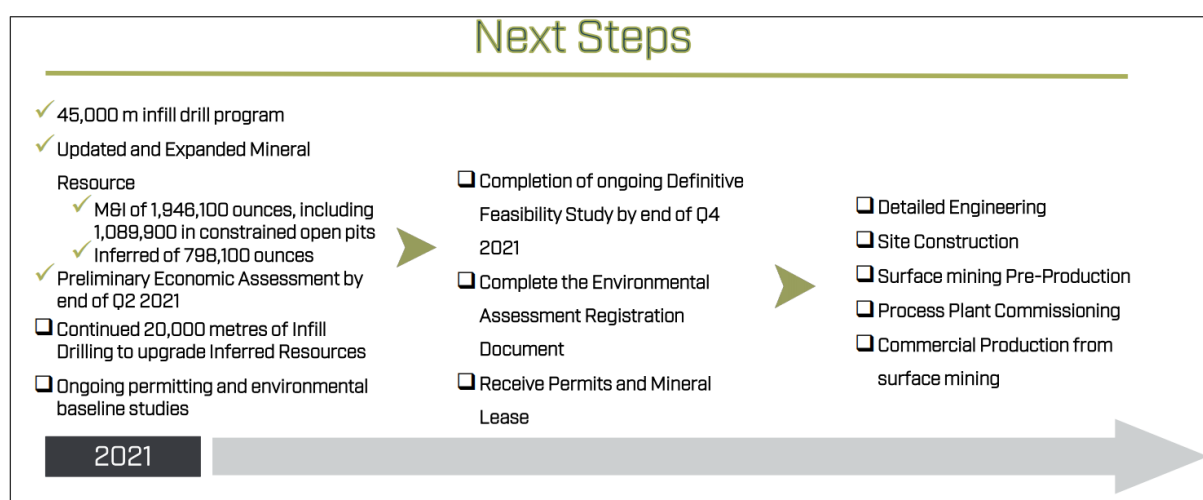
Figure 14: (A) UG stope optimizer parameters, (B) section view of the planned underground mine



Source: Anaconda Mining

The processing plant is designed as a 4,000tpd (1.46Mtpa) conventional CIL operation. The comminution circuit consists of three-stage crushing (jaw, cone, cone) followed by ball milling to P₈₀ 100µm, gravity concentration, and 6x CIL tanks. The bond work index is moderate at 15.7kWh/t as is reagent consumption at 0.5kg/t of cyanide and 1.0kg/t of lime. Average gold recovery is modelled at 96.4% based on lab test work. A 10kt at 3.81g/t bulk sample was processed at the Point Rousse mill and achieved 92% overall recovery including 51% gravity recovery. The bulk sample result is consistent with lab test work, noting that the Point Rousse mill grind is different than the lab and PEA flowsheet, as it has a course grind at 150µm followed by a flotation and regrind. Tailings will be thickened and pumped to a TMF located to the NW of the licence, which has capacity for the life of mine tailings, including underground production.

Putting it all together: Permitting, Development Plan, Capex, Ramp-up



Source: Anaconda Mining

Exploration and study work: 20,000m of infill is planned this year to add to open pit-able ounces. An open-pit only Definitive Feasibility Study (DFS) is targeted for 4Q21, which enables filing of the Environmental Assessment (EA). The UG portion of the mine life will be permitted later and therefore will not be included in the DFS. Anaconda is working to permit generative exploration along strike and we expect exploration on these areas to commence in 2022, though the main focus for the company will be development of already defined resources.

Permitting and timeline: The EA is key permit, and baseline studies to support the EA have commenced and are ongoing. PEA completion is targeted by the end of 2022, with other permits required for the mining lease, typically with shorter lead times than the EA targeted to enable receipt of the mining lease and commencement of construction in late 2022. We model a 24-month construction period commencing with early mobilization works in 2H22 and construction start in 2023, with first production in 2H24 and commercial production in 2025.

Capex: The PEA estimated pre-production capex of C\$286.3m including C\$47.1m of contingency (26% of total initial capital), current as at 2Q21. The key components (including contingency) are C\$66.6m for the processing plant, C\$41.2m for site development, C\$31.0m for open pit mining including 9Mt of overburden, and C\$23.3m for the TMF. Indirects total C\$97.4m. Sustaining capital includes C\$159.2m for underground development and C\$27.8m for the TMF (fully lined, 19Mt capacity), which includes capacity to store tailings for the life of mine, including underground production.

Goldboro model scenario

Build: We match the estimated build capex of C\$286.3m, noting that the estimate is current as at 2Q21 and therefore incorporates some of the key unit cost inflation seen in 2021 such as structural steel and earthmoving equipment. We assume early earthworks long-lead orders occur in 2H22 (~C\$25m total), with construction ramping up to C\$13m/month in the first half of 2023 and C\$16m/month in 2H23 and 1H24.

Mining schedule: We model open pit production only from 2H24 through 2030, with the underground mine supplementing open pit from 2032-2036 and UG-only production from 2036-2040 for a total 18-year mine life, with the same overall mine inventory as the PEA. The main difference between our model and the PEA schedule is we assume less stockpiling: The PEA assumes open pit mining.

Opex: We base mining costs on the PEA, which are in line with peer mining costs at C\$4.86/t for open pit mining, C\$92.48/t for underground mining, C\$12.51/t for milling and C\$10.14/t for G&A and waste costs. We have made modest adjustments for higher fuel costs (C\$1/L for diesel in the PEA, we have added 30%) and labour (we have assumed 5% higher direct labour costs) and model C\$5.04/t mined, C\$93.35/t for underground mining, C\$13.20/t for milling and C\$10.46/t for G&A. Overall, the PEA forecast unit costs are reasonable and in line with benchmarking results. As previously noted, there are no royalties, streams or encumbrances on the project.

Economics: PEA Mirror: To confirm model accuracy we first modelled the PEA scenario at US\$1,550/oz, mirroring the PEA inputs, though with a simplified stockpiling schedule. The resulting economics match the PEA within 1%. SCPe Costs: Next we layered on our modified unit costs, which lowers like for like NPV by C\$24m (4%). Base Case: We increased our LT gold price estimate to US\$1850/oz, and added C\$13.5m of pre-production evaluation and exploration costs. This increases NPV by 61% to C\$833m and increases IRR to 29%. Upside Case: we added an upside case, which assumes discovery and mining of an additional 5Mt at 2.0g/t for 322koz satellite pit along strike to the west with assumed discovery cost of C\$4.8m (C\$15/oz) and capex of C\$25m for permitting, roads and site establishment. This adds C\$112m to NPV_{5%-1850}. For clarity, our base case includes the PEA mine inventory only.

Table 2: Goldboro mine economic analysis and sensitivity

	Anaconda		SCPe		
	PEA	PEA Mirror	SCPe costs	Base Case	Upside
Gold price (US\$/oz)	1,550	>>	>>	1,850	1,850
OP mining inventory (Mt)	15.0	>>	>>	>>	20.0
OP grade (g/t)	2.09	>>	>>	>>	2.06
OP Au contained (Moz)	1,007	>>	>>	>>	1,329
OP strip ratio (waste:ore)	6.6	>>	>>	>>	6.4
UG mining inventory (Mt)	5.1	>>	>>	>>	>>
UG grade (g/t)	5.8	>>	>>	>>	>>
UG Au contained (koz)	941	>>	>>	>>	>>
LoM (years)	18	>>	>>	>>	20
Peak throughput (Mtpa)	1.46	>>	>>	>>	1.46
Recovery (% Au)	96%	>>	>>	>>	96%
LOM production (koz)	1,950	>>	>>	>>	2,260
Avg annual production (koz)	111	>>	>>	>>	113
Initial capex (C\$m)	286	>>	>>	>>	286
Total sustaining capex (C\$m) ⁽¹⁾	269	>>	273	>>	320
OP mining costs (C\$/t mined)	4.86	>>	5.04	>>	>>
UG mining costs (C\$/t mined)	92.48	>>	93.35	>>	>>
Processing costs (C\$/t mined)	12.51	>>	13.20	>>	>>
G&A + water treatment (C\$/t mined)	11.09	>>	11.41	>>	>>
AISC (US\$/oz)	799	>>	812	815	821
NPV5% (C\$m)	547	541	517	833	935
IRR (%)	24%	23%	22%	29%	30%

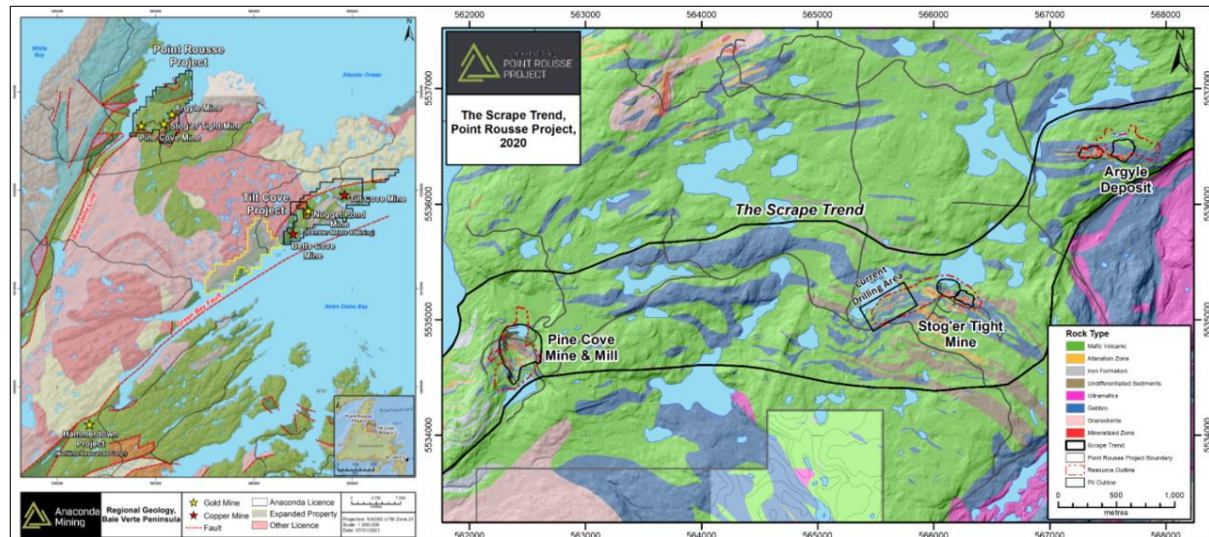
Goldboro NPV5% sensitivity to gold price, unit costs, and grade					
Goldboro NPV5% (C\$m)	\$1700oz	\$1800oz	\$1850oz	\$1900oz	\$2000oz
8.0% discount	444	522	561	599	677
7.0% discount	507	593	635	678	763
6.0% discount	580	674	721	767	861
5.0% discount	663	766	817	869	972
Goldboro NPV5% (C\$m)	\$1700oz	\$1800oz	\$1850oz	\$1900oz	\$2000oz
Cost per tonne + 20.0%	609	713	764	816	919
Cost per tonne + 10.0%	636	739	791	842	945
No change	663	766	817	869	972
Cost per tonne - 10.0%	689	793	844	896	999
Goldboro NPV5% (C\$m)	\$1700oz	\$1800oz	\$1850oz	\$1900oz	\$2000oz
20.0% grade reconciliation	720	826	879	932	1,038
10.0% grade reconciliation	694	799	851	904	1,009
0.0% grade reconciliation	663	766	817	869	972
-10.0% grade reconciliation	623	724	775	825	926

Source: SCPe, Anaconda Mining. Note C\$824m NPV differs from C\$817m shown in sensitivity and in our SCPe NAV due to timing difference. C\$833m is measured at build start, not at present (C\$817m).

Point Rouse: 15-20koz producer generating modest cash flow

Point Rouse is an operating open pit gold mine with production guidance of 16-18koz for 2021, located on continuous mining and mineral leases totalling 47km² on the northeast tip of the Baie Verte Peninsula, Newfoundland. Production commenced in 2008 and ~170koz has been produced to date, averaging 17kozpa in the last five years and 14kozpa since first production. Mining has come from three deposits over that period. The Argyle open pit is the current ore source and has a remaining resource of ~25koz at 1.6g/t. The Pine Cove open pit was mined from inception until 2020 and produced >3.1Mt of ore. The Stog'er Tight deposit produced 340kt of ore between June 2018 and July 2019 and is the focus of exploration for mine life extension.

Figure 15. (B) Regional geology of the Baie Verte Peninsula and (B) the Scrape Trend



Source: Anaconda Mining

Geology: Orogenic gold hosted in iron rich precursor rocks

The deposits at Point Rouse are orogenic gold deposits associated with the Scrape Thrust Fault with mineralization occurring in secondary structures where gold in mineralised fluids precipitated into the iron-rich mafic volcanics. Pine Cove is hosted in the Venom's Bright formation while Stog'er Tight and Argyle are hosted in the structurally higher but stratigraphically lower Bobby Cover formation. Gold is associated with disseminated and massive pyrite proximate to albite alteration. Soils, IP, and mag/EM are useful target vectoring tools.

Current resources: The last MRE was completed effective early August 2020. Since then, **Pine Cove** was mined out to a final pit depth of 160m, and the **Argyle Pit** commenced production in late 2020 as the sole ore feed source. Mining operations at Argyle are expected to continue for the next 1.0-1.5 years at current prices. At Pine Cove and Argyle, the main driver of pit closure is increasing strip ratio at depth, rather than a lack of geological continuity. The overall LOM strip at Argyle is ~6x, with the final cutback closer to ~10x. The current exploration focus is expanding and infilling Stog'er Tight for preparation to be mined after depletion of Argyle.

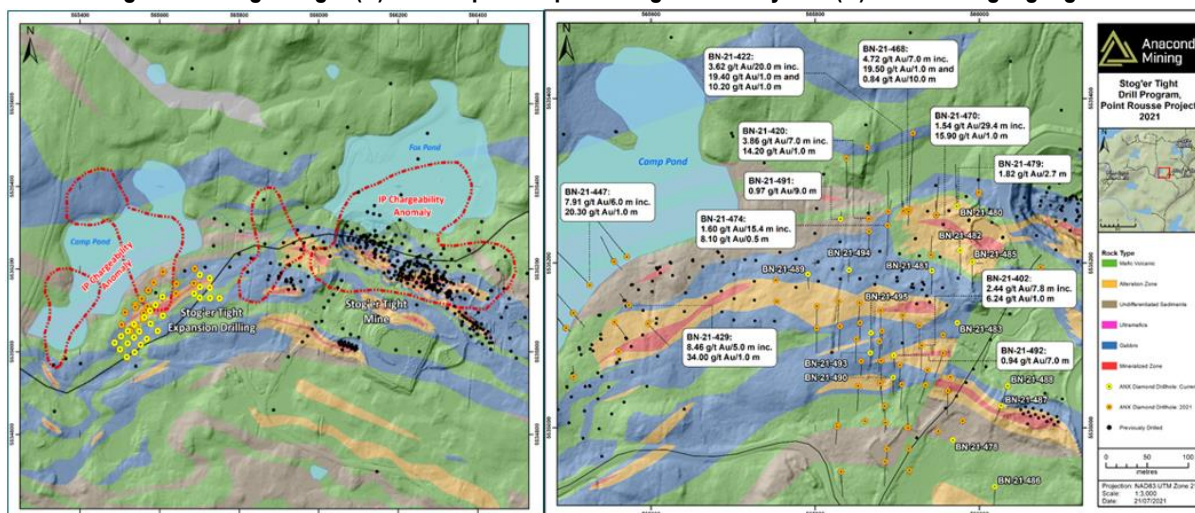
Figure 16. August 2020 MRE

	Point Rouse							
	Argyle		Pine Cove		Stog'er Tight		Total	
Mining	OP	UG	OP	UG	OP	UG	OP	UG
Resource (kt)	497	118	735	176	2,071	1,893	1,468	518
Resource (g/t Au)	3.15	3.35	1.64	2.98	1.86	1.77	2.33	3.36
Resource (koz)	50	13	39	17	124	108	110	56
M&I (%)	97.8%	44.9%	98.3%	47.6%	6.4%	97.9%	91.9%	53.8%
Reserve (koz)	35koz @ 2.1g/t		8koz @ 1.4g/t		-			

Source: Anaconda Mining MRE as at 4 August 2020

Stog'er Tight: Located ~3km from the Pine Cove mill with a haul road in place. 350kt at 1.75g/t was mined and processed from June 2018 to January 2020. The key host unit is the Fe-Ti rich gabbro of the Bobby Cove formation. Drilling recommenced in July 2020 targeting an IP anomaly west of two previously mined pits. The first round of drilling hit **7m @ 10.1gt** from 28m and **20m @ 5.5gt** from 44m. Mineralization is hosted in a shallowly NW-dipping gabbro sill and has been defined over a strike length of 1,250m. The highest grades and thicknesses are associated with an IP chargeability anomaly. We estimate potential for 40-70koz based on 350-450m of strike, 70-100m of minable depth dipping at 30-45° at 2g/t diluted grade over 7m mining width. 2,500m of infill is planned, and baseline environmental studies have commenced. Permitting is expected to take up to one year.

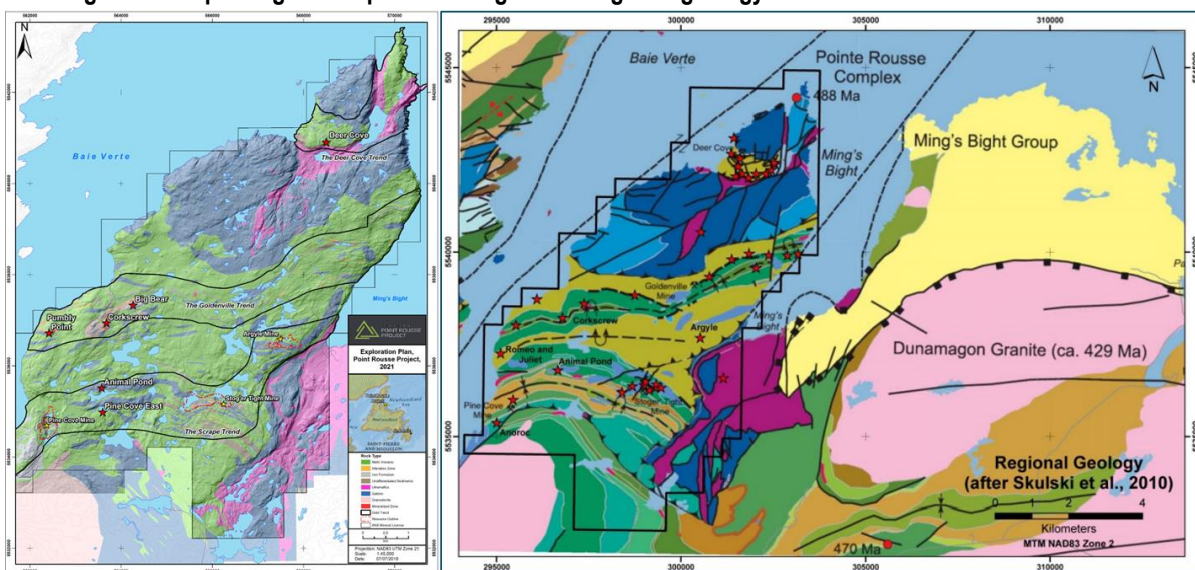
Figure 17. Stog'er Tight (A) 2020 IP plan map showing IP anomaly and (B) 2021 drilling highlights



Source: Anaconda Mining

Point Rouse Regional Targets: A C\$1.5m program is underway including 6,000m of drilling, 100-line-km of IP and regional soil sampling to delineate and test additional targets for satellite pit potential. Targeted areas: the **Scrape Trend** over the 2.5km between Stog'er Tight and Argyle including Animal Cove where chip samples assayed up to **3.96g/t over 5.2m**. **Goldenville Trend:** This area includes three targets. Drilling at Pumbly Point intersected gold over a 500m trend including **7.8m @ 1.89g/t** and **4m @ 1.42g/t**. The Corkscrew target is a 400m altered and quartz veined pyrite bearing granodiorite 400-100m thick. Big Bear is located 500NE of Corkscrew. **Deer Lake Trend:** A 3.5km long structure believed to be analogous to the Scrape Thrust Fault. Historic drilling includes **5m @ 22.7g/t**, **4.1m @ 12.0g/t** and **1.7m @ 29.6g/t**.

Figure 18. Map of regional exploration targets and regional geology of the northern Baie Verte Peninsula

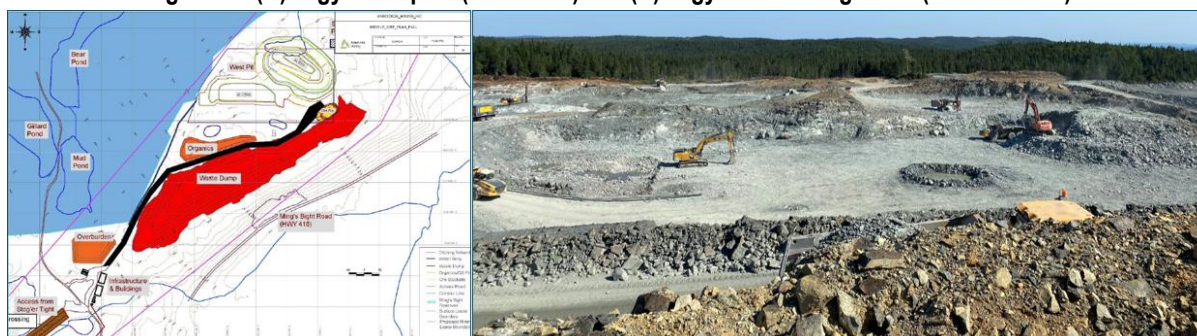


Source: Anaconda Mining

Mining and processing

Mining: Point Rouse is an open pit contractor mining operation. Per the 2020 technical report, the Argyle Pit has a total of 536kt of ore at 2.06g/t for 35koz and 4.3Mt of waste for total LOM strip ratio of 8.1x. The remaining LOM strip ratio is currently ~6x per our site visit. The equipment fleet includes four 4.5t loaders and ten 40-t John Deere ADT haul trucks. Mining costs are ~C\$3.50/t mined.

Figure 19. (A) Argyle site plan (2020 MRE) and (B) Argyle Pit looking north (2021 site visit)



Source: Site plan from Anaconda 2020 MRE, photo from 2021 SCP site visit

Processing: The mill is a ~1,400tpd (~500ktpa). The comminution circuit includes two-stage crushing, ball milling to P_{80} 150 μ m, followed by flotation (1.5-2.0% mass pull), regrinding to P_{80} 20 μ m, agitated leach and Merrill Crowe. Actual gold recovery is in the range of 82-87% over the past five years, averaging 86% over that period. Per tonne processing costs, including haul, have ranged from ~C\$20-25/t processed or ~C\$9-10m total annual processing costs.

Waste and Tailings: Mine waste rock is stored at adjacent to the Argyle Pit. The high proportion of carbonates neutralizing acid generating potential in waste rock and tailings. Tailings are deposited in the mined out Pine Cove pit and there is capacity for an additional ~4 million cubic metres of storage, equivalent to 12 years of production. Some portion of mining waste is currently being sold as construction aggregate by the mining contractor. Anaconda's royalty income on sales of aggregate is currently ~C\$1m/year and this may increase if aggregate sales volumes increase.

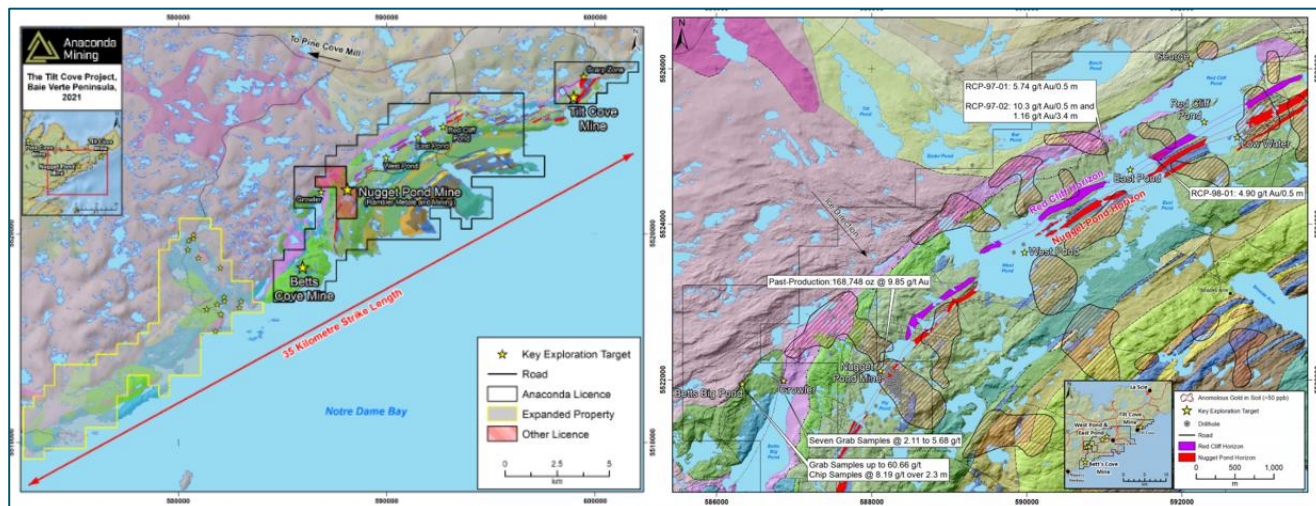
Model and Valuation

We model an additional five years of production from Point Rouse: 2 years from Argyle and 3 years from Stog'er Tight (1.5Mt at 1.5g/t diluted at 8:1 strip ratio). This incorporates currently drilled ounces (SCPe 50koz at 2.0g/t) plus assumed 33% mining dilution and higher strip ounces at depth at both operations. We model annual production of 19koz at AISC of US\$1,270/oz. This generates average annual FCF of C\$9m per year. This generates a current NPV_{5%-1850} of C\$42m or C\$0.23/sh.

Tilt Cove (100% owned)

Anaconda consolidated 110km² of licences with 35km of strike extent surrounding the historic Nugget Pond gold mine which produced 169koz at 9.85g/t from 1997-2001. The property hosts orogenic gold and VMS mineralization within the Betts Cove Cambrian to Early Ordovician ophiolite complex and volcanic sequence. The Nugget Pond horizon is a 20km striking iron formation that hosted the original Nugget Pond gold mine. Other mines include the Tilt Cove Mine which produced 8.16Mt of ore at 1.25-12% Cu and 42koz between 1864-1917 and 1957-1967. Betts Cove produced 130kt of ore at 10% Cu and 2,450t of pyrite from 1875-1886.

Figure 20: Regional Map of Tilt Cove project and enlarged map of prospect area



Source: Anaconda Mining

Exploration target: C\$1.25m budgeted for 2021 including 4,000m of drilling

The **Nugget Pond Target area** has four main targets: **East Pond** is a, 800m-long segment of the Nugget Pond Horizon beneath East Pond where diamond drilling in 1997-1998 intersected similar mineralization in the footwall as the footwall at the Nugget Pond Mine and recent drilling intersected **4m @ 5.0g/t**. **West Pond** is a 1.3km long target beneath West Pond marked by continuation of the Nugget Pond Horizon that outcrops. The **Red Cliff Pond Zone** is a 1.2km-long target where Nugget Pond Horizon outcrops have been sampled up to 5.6g/t Au. The **Long-Pond trend** is a 4.0km long horizon with existing soil anomalies but requires more soil sampling.

Other target areas include the **Betts Cove Target Area**, where gold and massive pyrite and chalcopyrite are hosted at the contact of gabbroic sills and pillow basalts. Drilling from 1989-1996 intersected 4m @ 4.5g/t and 5m @ 6.8g/t at the historic Betts Cove Mine. The **Mount Misery Prospect** is located 1.2km NE of the Betts Cove Mine and 2.7km SW of Nugget Pond and displays similar geology to Betts Cove. The **Long Pond Target Area** is a 4km long zone between the ultramafic rocks of the Betts Cove Complex and younger felsic volcanic rocks. There are several gold prospects hosted along the contact of these units.

Exploration will continue with US\$1.25m budgeted for 4,000m of diamond drilling, stream, till and soil sampling, and mapping.

Putting it all together: High grade discover could have a major impact on Point Rouse

The prize here is to find >5g/t material that can be mined and trucked to the Point Cove Mill, or toll milled at Nugget Pond. This could significantly increase production from Anaconda's Newfoundland operations from the 15-20koz current run rate (~1400tpd at 1.5-2.0g/t). For sensitivity, we estimate that five years of underground mining (2027-2031) at 700tpd (256ktpa), assuming total costs of C\$160/t and C\$50m of initial capex, would produce 45kozpa at US\$992/oz AISC, generate C\$36m of FCF annually, and add C\$56m or C\$0.30/sh to our NAV_{5%-1850} estimate for Point Rouse. We do not model such a scenario at this time in our base case, as exploration on the Tilt Cove licences is at a preliminary stage.

Risks

Geological: We view this risk as moderate. At Goldboro grade is high, structure is well understood and the addition of low grade zones in argillites reduces risk, but grade control and disciplined mining practice will be needed to keep dilution low. At Point Rousse, the undulating dip of the orebodies again requires consistent grade control, modelling and mining practices to maintain high grade to the mill.

Mining: We view this risk as moderate. Open pit operations are lower risk and the pits are not especially deep at either operation. Access to skilled labour and quality contractors in Atlantic Canada is good by global standards. With respect to the planned Goldboro underground, there is just one fault zone through the planned UG and test work and our visit to the nearby Aureus East UG suggest ground conditions conducive to high productivity.

Development: We view this risk as low at Goldboro. The site is not remote by Canadian standards, within a 3-hour drive from Halifax (pop ~600k) and 1 hour from Antigonish. Infrastructure includes paved roads to within minutes of site, power lines within 1.6km, Halifax International Airport and the Ports of Halifax.

Processing/Metallurgy: We view this risk as low. Met testwork on Goldboro indicates >95% gold recovery with 50% from gravity. The Goldboro bulk sample achieved 92% recovery at the Pond Cove Mill, well above the typical recovery at that operation indicating that gold is recoverable. Nearby Atlantic Gold has achieved high recoveries with >50% from gravity. Point Rousse has a 10-year operating history with gold recoveries averaging 86% at the Pond Cove Mill in the last five years.

Environmental: We view this risk as low. At Goldboro the proposed tailings facility is fully lined. Environmental regulation is rigorous in Nova Scotia and Newfoundland. Detailed baseline environmental studies will support new operations.

Social: We view this risk as low. Goldboro is located in an area that requires more large-scale providers of local employment. The character of the surrounding area is residential rather than recreational property. Point Rousse is located on the Baie Verte Peninsula which has a history of mining, and also requires more sources of local employment. Neither operation is located on or near sensitive traditional territories or sites.

Political: We view this risk as low. Nova Scotia recently elected a new Conservative Provincial Government and the previous Liberal Government permitted Atlantic Gold's Moose River operation. Newfoundland was ranked 8th in overall investment attractiveness by the 2020 Fraser Institute Survey of Mining Companies, with a 95.93 policy perception score, the highest in Canada. Nova Scotia's policy perception score was 82.48, above Ontario, British Columbia in Canada, and New South Wales, Queensland and Victoria in Australia.

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TOTAL	46

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