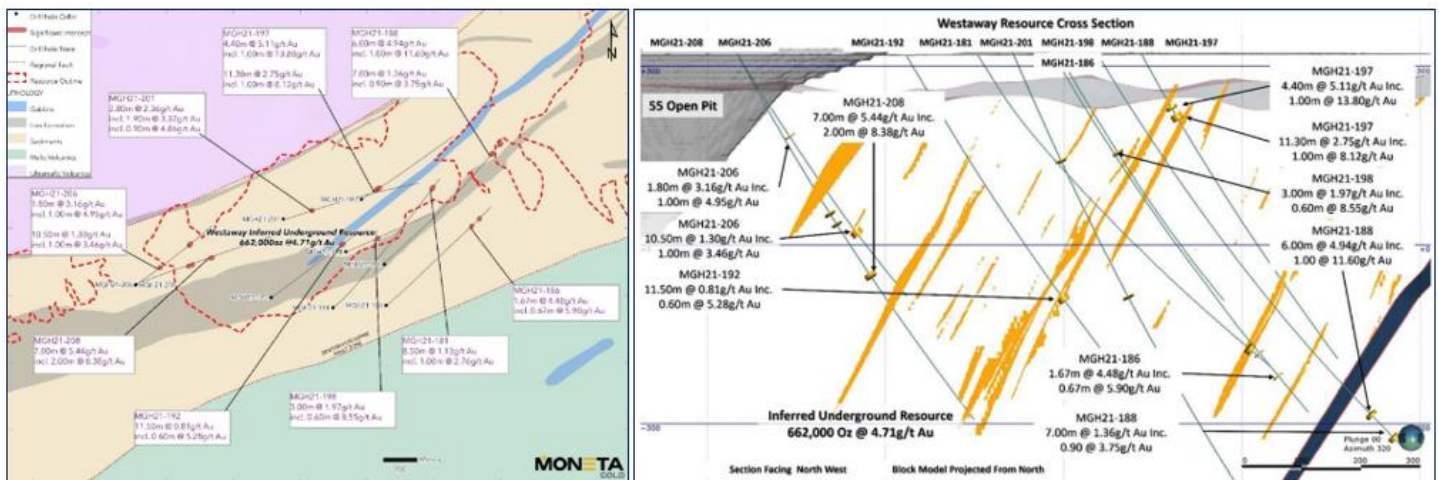


**Ticker:** ME CN      **Cash 2Q21:** C\$22m      **Project:** Tower Gold Project  
**Market cap:** C\$206m      **Price:** C\$2.21/sh      **Country:** Canada, Timmins  
**RECOMMEND. (unc):** BUY      **TARGET (unc):** C\$3.9/sh      **RISK RATING:** SPECULATIVE

As a recap, Moneta’s PEA has a large pit with limited pre-strip (Garrison), evolving to a post-pre-strip higher grade pit (Highway), with one bulk UG ramping up (South West). As evidenced by today’s results, we think Westaway (662koz @ 4.7g/t existing) is clearly growing. Meanwhile today’s release includes some of the deepest drilling to date, including **7m @ 5.4g/t** from 440m, and **6m @ 4.9g/t** from 761m. Better still, both these hits were strike-step outs, and again demonstrate what we like about the camp; sub-vertical thick lodes facilitating low-cost bulk mining. Looking ahead, news flow includes (i) results from 55 Zone pit infill and resource expansion drilling up next, (ii) drilling at Halfway underway (new discovery), and (iii) drill testing the ‘gap area’ between Windjammer south and Southwest all ahead of the year end MRE update to form the basis of the PEA in 1Q22. **We were on site last month** and were impressed by the activity of this fully-funded 70km drill program with seven drills turning (six at Golden Highway, one at Garrison). Despite up to ~3M assay turn-around, infilling continues to bulk-out and upgrade resources at South West pit-drilling, Windjammer, Westaway, 55 and Garrcon pit/UG resources, plus delineation of the new Halfway area. In total, mineralization extends ~5km to the NE from 55 to Halfway – it’s called ‘Golden Highway’ for a reason, after all. **We maintain our BUY rating and C\$0.65/sh PT** (adjusted for 1:6 consolidation) based on 0.25xNAV<sub>5%-1850</sub>, for a staged 4.5Mtpa Phase 1 (4Mtpa Garrison pit and 0.5Mtpa Golden Highway UG) before the grade falls at Garrison, then have mining shift to Golden Highway OP, with \$60m pre-strip funded by FCF.

**Figure 1. (A) plan map and (B) Westaway cross-section showing today’s drilling**



Source: Moneta

**7m @ 5.4g/t at Westaway expands mineralization outside resource and to depth**

Highlights from 20 previously part-reported holes and two new holes from Westaway include infill highlights of **4.4m @ 5.1g/t** from 102m, and **11.3m @ 2.7g/t** from 116m (incl. **1.0m @ 8.1g/t**). Step-out holes extended mineralization 350m to the west with **7.0m @ 5.4g/t** from 440m, and 400m to the south with **6.0m @ 4.9g/t** from 761m. Assays are pending for 22 holes at Westaway, itself part of the 70km 2020/2021 program at South West, Windjammer South, Garrison, 55 and the new Halfway discovery with six drills turning at Golden Highway and one at Garrison.

**Why we like Moneta Porcupine**

- Timmins developer with 8.4Moz @ 1.2g/t and growing at pace
- Garrison acquisition lifts scale, provides capital-friendly schedule
- SCPe >300koz pa potential, on infrastructure to drive margin on pits, improved by UG operations

## Catalysts

- 2H21: 40,000m drilling updated MRE
- 1Q22: Tower Gold Project PEA
- 2022: Feasibility for an integrated project

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<b>Ticker:</b> ME CN	<b>Price / mkt cap:</b> C\$2.21/sh, C\$206m	<b>Project PNAV today:</b> 0.15x	<b>Asset:</b> Tower Gold
<b>Author:</b> B. Salier / B. Gaspar	<b>Rec / xNAV PT:</b> BUY, C\$3.9/sh	<b>1xNAV build start, FD:</b> C\$14.35/sh	<b>Country:</b> Canada, ON

Commodity price	CY20A	CY21E	CY22E	CY23E	CY24E
Gold price	1,770	1,792	1,784	1,795	1,850

**SOTP project valuation\***

	C\$m	O/ship	NAVx	C\$/sh
Tower Gold proj @ 1Q23 build start	<b>1,332</b>	100%	<b>0.25x</b>	3.43
Cash (2Q21)	22	100%	0.25x	0.06
Cash from options	5	100%	0.25x	0.01
2.9Moz resource ex reserve @ US\$10/oz	37	100%	1.00x	0.38
Asset NAV5% US\$1850/oz	1,396		PT:	<b>3.88</b>

\*Diluted for options but not mine build Market P/NAV5%<sub>1021</sub> 0.15x

**Asset value: 1xNPV project @ build start (C\$m, ungeared)\***

Project NPV (C\$m)*	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
10.0% discount	612	724	835	947	1,057
7.5% discount	786	920	1,053	1,186	1,318
5.0% discount	1,010	1,172	<b>1,332</b>	1,492	1,651
Ungeared project IRR:	33%	37%	40%	43%	46%

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

Share data	Basic	FD	FF FD
Basic in issue (m)	93.2	97.3	125.1

**Group valuation over time^**

	3Q21	3Q22	3Q23	3Q24	3Q25
Tower Gold Project NPV (C\$m)	1,237.0	1,300.5	1,395.9	1,656.5	1,815.8
G&A and finance costs (C\$m)	(93.3)	(85.6)	(81.1)	(79.0)	(62.9)
Net cash prior qtr (C\$m)	21.5	7.6	129.3	(61.6)	(151.9)
Cash from options (C\$m)	4.6	4.6	4.6	4.6	4.6
Resource ex reserve (C\$m)	37.3	37.3	37.3	37.3	37.3
NAV FF FD (C\$m)	1,207	1,264	1,486	<b>1,558</b>	1,643
Shares in issue (m)	93.2	93.2	125.1	125.1	125.1
1xNAV5%/sh FF FD (C\$/sh)	<b>12.95</b>	<b>13.57</b>	<b>11.88</b>	<b>12.45</b>	<b>13.13</b>
Equity ROI from spot (% pa)				78%	56%

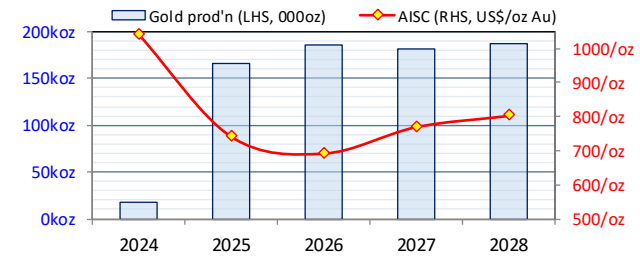
**Geared company NAV diluted for mine build, net G&A and finance costs**

3Q22 1xNAV FF FD (C\$/sh)^	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
10.0% discount	849	978	1,107	1,235	1,363
7.5% discount	1,010	1,159	1,308	1,455	1,603
5.0% discount	1,211	1,385	<b>1,557</b>	1,729	1,901
Geared project IRR:	32%	35%	38%	41%	45%

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

Production	2024	2025	2026	2027	2028
Gold production (000oz)	18	166	186	182	187
C1 cost (US\$/oz)	902	614	571	620	658
AISC cost (US\$/oz)	1,041	742	693	770	804

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



Source: SCP estimates

Resource / Reserve	Au (koz)	Au (g/t)
M&I	3966koz	1.01g/t
Inferred	4397koz	1.44g/t
<b>Global resource</b>	<b>8364koz</b>	<b>1.20g/t</b>

Garrison PEA pit inventory	1248koz	0.82g/t
Golden Highway SCPe pit inv	1496koz	1.10g/t
Golden Highway PEA UG inve	761koz	3.92g/t
SCPe pitable outside invento	2855koz	0.83g/t

**Funding: uses**      **Funding: sources**

Mine build capex	C\$350m	Cash (2Q21)	C\$22m
SCPe G&A to 1st Au	C\$11m	Mine build equity (C\$m)	C\$160m
SCPe pre-production expl'n	C\$18m	Build debt @ 60% of PP&E (C\$m)	C\$210m
SCPe finance costs + wkg cap	C\$17m	Total proceeds	C\$392m
	Total uses C\$396m	Buffer	-C\$4m

**Ratio analysis**

	CY20A	CY21E	CY22E	CY23E	CY24E
Average shares out (m)	322.2	354.3	93.2	121.1	125.1
EPS (C\$/sh)	-	-	-	-	0.01
CFPS (C\$/sh)	-	-	-	-	-
EV (C\$m)	706.3	766.6	204.8	220.4	480.0
FCF yield (%)	-	-	-	-	-
PER (x)	-	-	-	-	332.1x
P/CF (x)	-	-	-	-	-
EV/EBITDA (x)	-	-	-	-	26.8x

**Income statement**

	CY20A	CY21E	CY22E	CY23E	CY24E
Net revenue (C\$m)	-	-	-	-	43.3
COGS (C\$m)	-	-	-	-	21.4
<b>Gross profit (C\$m)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21.9</b>
D&A, attrib (C\$m)	-	-	-	-	2.5
Group G&A (C\$m)	1.2	3.3	2.0	4.0	4.0
Finance cost (C\$m)	-	-	-	(0.0)	9.1
Taxes (C\$m)	-	-	-	-	5.5
<b>Net income (C\$m)</b>	<b>(1.2)</b>	<b>(3.3)</b>	<b>(2.0)</b>	<b>(4.0)</b>	<b>0.8</b>
EBITDA (C\$m)	(4.3)	(11.2)	(13.8)	(4.3)	17.6

**Cash flow, attrib.**

	CY20A	CY21E	CY22E	CY23E	CY24E
EBIT (C\$m)	(1.2)	(3.3)	(2.0)	(4.0)	15.4
Add back D&A (C\$m)	-	-	-	-	2.5
Less tax (C\$m)	-	-	-	(0.0)	14.6
Net change in wkg cap (C\$m)	(1.7)	1.0	1.6	(0.2)	12.7
Add back other non-cash (C\$)	(4.2)	(8.4)	(14.8)	0.3	(54.5)
<b>Cash flow ops (C\$m)</b>	<b>(7.0)</b>	<b>(10.7)</b>	<b>(15.2)</b>	<b>(3.8)</b>	<b>(9.4)</b>
PP&E - build + sust. (C\$m)	-	(0.0)	-	(110.0)	(241.6)
PP&E - expl'n (C\$m)	(0.0)	(0.2)	(0.1)	-	-
<b>Cash flow inv. (C\$m)</b>	<b>(0.0)</b>	<b>(0.2)</b>	<b>(0.1)</b>	<b>(110.0)</b>	<b>(241.6)</b>
Share issue (C\$m)	6.1	21.5	-	160.0	-
Debt draw (repay) (C\$m)	-	-	-	-	210.0
<b>Cash flow fin. (C\$m)</b>	<b>6.1</b>	<b>21.5</b>	<b>-</b>	<b>160.0</b>	<b>210.0</b>
Net change in cash (C\$m)	(1.0)	10.6	(15.2)	46.2	(40.9)

**Balance sheet**

	CY20A	CY21E	CY22E	CY23E	CY24E
Cash (C\$m)	5.9	16.4	1.2	47.4	6.4
Acc rec., inv, prepaid (C\$m)	0.2	0.5	0.5	0.5	20.2
PP&E + other (C\$m)	2.2	53.0	53.1	163.1	402.0
<b>Total assets (C\$m)</b>	<b>8.2</b>	<b>69.9</b>	<b>54.8</b>	<b>210.9</b>	<b>428.7</b>
Debt (C\$m)	-	0.1	0.1	0.1	209.9
Accounts payable (C\$m)	1.1	2.4	0.7	0.9	7.9
Others (C\$m)	-	5.6	5.6	5.6	5.6
Total liabilities (C\$m)	1.1	8.0	6.4	6.5	223.4
Sh'hlds equity + wrnts (C\$m)	64.8	129.9	130.2	290.5	290.8
Retained earn'gs + rsvs (C\$m)	(57.7)	(67.9)	(81.8)	(86.1)	(85.6)
<b>Liabilities + equity (C\$m)</b>	<b>8.2</b>	<b>69.9</b>	<b>54.8</b>	<b>210.9</b>	<b>428.7</b>

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SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	46

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