

Ticker: MOZ CN  
Market cap: C\$802m

Pro forma cash: C\$107m  
Price: C\$3.30/sh

Project: Valentine Lake  
Country: Canada / NFLD

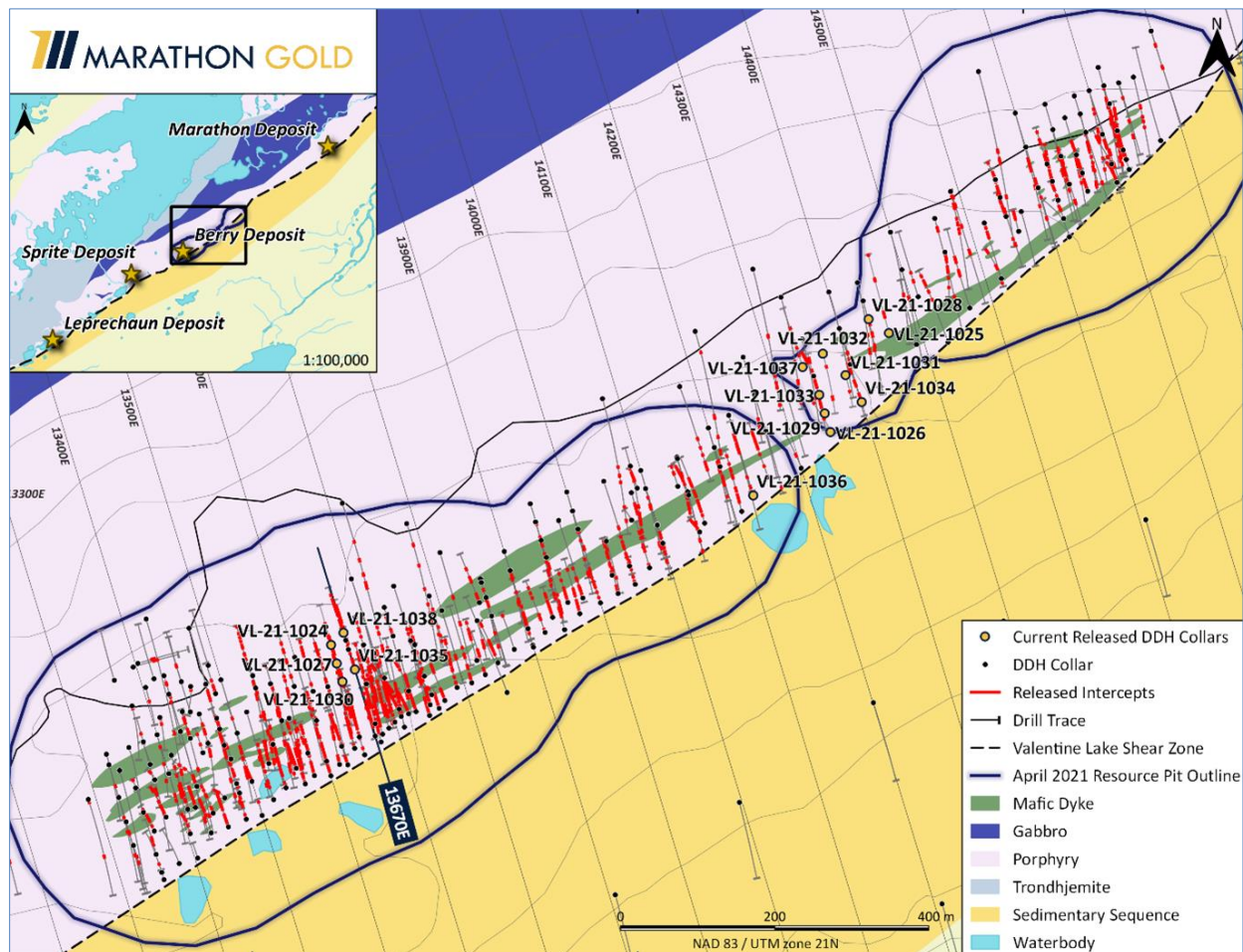
RECOMMENDATION (unc): BUY

TARGET (unc): C\$4.10/sh

RISK RATING: HIGH

*Development:* Top down, its good to see 1Q22 break-ground and debt finalisation milestones intact. We had hoped for a 3Q21 completion of permitting so the move to 4Q21 doesn't impact the overall schedule materially. Otherwise, we think one of the most banal updates, grade control, is in fact one of the great 'tells' of a fastidious team seeking to de-risk as much as possible well ahead of commissioning as peers typically discover warts post commissioning. The nice fringe benefit is that this can feed into any data room in event of consolidation / M&A, a key tenant to our investment thesis. *Drilling:* Berry infill reported in August points to good conversion with all 15 holes hitting grades >0.3g/t cut-off inside the resource area, and some useful additions with **6m @ 22.9g/t, 4m @ 25.4g/t, and 27m @ 2.5g/t** in what appears to be stronger zone of mineralization in the HW on the western portion of the pit. Looking ahead, our enthusiasm picked up with news that a rig is now sitting along strike at Victory following the corridor to the NE extension, and with drills active at Berry, grade control at Leprechaun, news flow should be quite steady. Updating for 2Q21 financials and rolling forward, **we maintain our BUY rating and 0.9xNAV C\$4.10/sh PT** based now that funding is in place. We model a fully-diluted 263m shares, net of finance costs on the C\$236m debt facility, and net of central G&A. This includes Berry upside at US\$100/oz for resources outside SCPe inventory (C\$59m), around a third of the DCF value, pointing to continued NPV growth here, and that ahead of next target Victory.

**Figure 1. Berry plan view showing August infill drilling on western portion of HW and between pits**



Source: Marathon

## Development update and (previously released) Berry infill 6m @ 23g/t as rigs move to Victory

September development update: Marathon has released a development update ahead of site construction in early 2022, with an EPC MOU signed with Ausenco for ~50% of scope of works, as earth works and some civils are undertaken on an owner operated basis. A powerline agreement is now in place, and 350 bed camp procured. Work on the EIS and provincial permitting continues, with those processes targeted to complete in 4Q21. Ahead of mining a grade-control programme has been completed to validate the resource model (~45m spacing drops to ~17m), with localised 6x6m drilling; 14/302 holes are back from the lab. Six cooperation agreements with local communities have been agreed, with Benefits Agreements being put in place now.

August 24 drilling update: Marathon reported 15 holes from the Berry infill drilling, highlighted by **6m @ 22.9g/t, 4m @ 25.4g/t, and 27m @ 2.5g/t** from the western portion of Berry in HW, including higher grade highlights of **1m @ 133g/t uncut, 1m @ 98.1g/t and 1m @ 13.9g/t**. Two drills now at Berry, one at Victory, and one drilling geotechnical holes at Leprechaun while an RC rig focuses on grade control.

### Why we like Marathon

1. Low cost vanilla gold pit in Tier 1 jurisdiction is without peer in >150koz group
2. First satellite Berry has the potential to exceed our modelled 325koz in reserves
3. Potential for further satellites in Berry – Marathon ‘gap’ and NE of Marathon at Narrows
4. Builder-mentality of management, multiple recent staff bulk build team
5. Fully-diluted NAV in production sits at ~C\$5.00/sh

### Catalysts

- 2H21: Detailed engineering and financing
- 3Q21: Permitting approval
- CY21: Equity and debt financing
- 1Q22/4Q23: Construction starts / first pour, subject to adjustment in 4Q21

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**NEUTRAL:** The stock's total returns are expected to be in line with the overall market

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

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**NOT RATED ((N/R):** The stock is not currently rated

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

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