

**Ticker:** ANX CN  
**Market cap:** C\$120m

**Net cash:** C\$12m  
**Price:** C\$0.69/sh

**Project:** Point Rouse  
**Country:** Newfoundland, Canada

RECOMMENDATION (unc): BUY

TARGET (unc): C\$2.20/sh

RISK RATING: HIGH

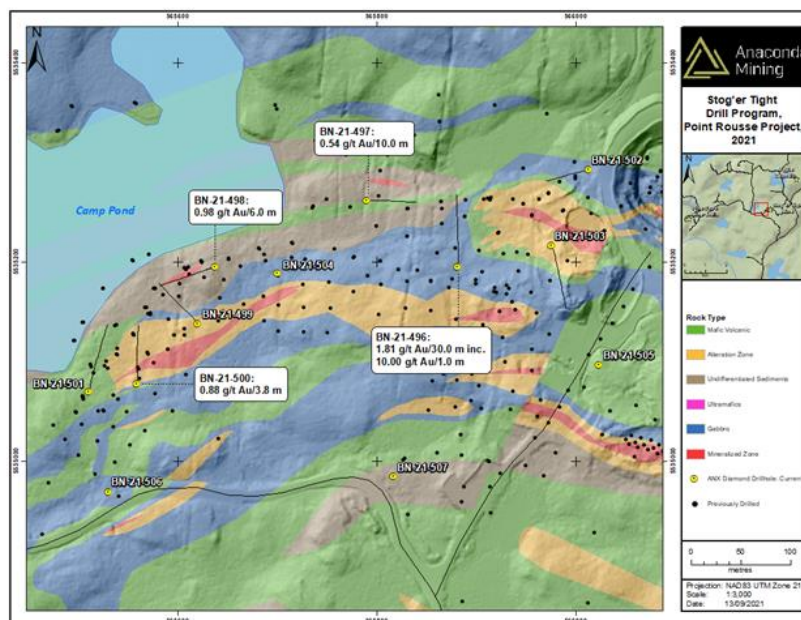
Today’s drilling demonstrates that Anaconda’s producing Point Rouse Gold Project has several more years of mining beyond the current reserve life. We currently model 5 years of mine life at Point Rouse producing 19kozpa at US\$1270/oz annual average AISC over that period, generating an NPV5%-1850 of C\$42m.. This includes two years of mine life from Argyle and three years from Stog’er Tight. Stepping back, we think Point Rouse offers option value on higher grade exploration, for example at Tilt Cove, where Anaconda has 6,000m planned targeting higher grade (>5g/t) underground mineralization, but at the very least has mine life extension at Stog’er Tight in hand. Regionally there are consolidation and corporate opportunities on the Peninsula, that Anaconda may be in position to action given its larger market cap and scale thanks to its flagship 2.7Moz Goldboro project in Nova Scotia. **We maintain our Buy rating and C\$2.20/sh price target based on 0.75NAV<sub>5%-1850</sub>.**

**30m @ 1.81g/t at Stog’er Tight and 7m @ 5.72g/t at Argyle supports Point Rouse life extension**

**Stog’er Tight:** Geotechnical and environmental drilling at Stog’er Tight (Point Rouse Project, Newfoundland) hits 30m @ 1.81g/t, 6m @ 0.98g/t and 10m @ 0.54g/t Au in zones not previously classified as mineralized. We model 3 years of mineralization from Stog’er Tight. Environmental baseline studies have been initiated at Stog’er Tight. The deposit was mined from June 2018 to January 2020 at an average grade of 1.75g/t and achieved 87% gold recovery at the Pine Cove Mill. It is likely to be the next source of mine feed for Point Rouse after Argyle.

**Argyle:** Infill drilling at Argyle to better outline geometry of the deepest area of Reserves intersected 7m @ 5.72g/t, 13m @ 2.16g/t and 6m @ 5.25g/t. Ore feed at Point Rouse is currently from the Argyle pit, which has another 1.0-1.5 years at current prices. Stog’er Tight is the next mine and is currently in the environmental permitting process with baseline studies commenced.

**Figure 1. Surface and underground drilling results at Zgounder**



Source: Anaconda Mining

## Why we like Anaconda Mining

1. Long life and low cost Goldboro project (110kozpa at US\$for 17 plus years)
2. More IP targets along strike at Goldboro suggest growth and life extension
3. Point Rousse provides current production and cash flow
4. Opportunity to consolidate Atlantic Canadian projects to become a mid-tier producer

## Catalysts

1. 4Q21: Goldboro FS (based on OP-only scenario)
2. 4Q21: EA filing for Goldboro
3. 2H22: EA completion
4. 1H23: Construction commencement for Goldboro

## Research

**Justin Chan** (London) M: +44 7554 784 688 [jchan@sprott.com](mailto:jchan@sprott.com)

**Brock Salier** (London) M: +44 7400 666 913 [bsalier@sprott.com](mailto:bsalier@sprott.com)

**Brandon Gaspar** (Toronto) M: +1 437 533 3142 [bgaspar@sprott.com](mailto:bgaspar@sprott.com)

**Eleanor Magdzinski** (Toronto) M: +1 705 669 7456 [emagdzinski@sprott.com](mailto:emagdzinski@sprott.com)

Ticker: ANX CN	Price / mkt cap: 0.69/sh, C\$120m	Market P/NAV: 0.16x	Assets: Goldboro
Author: J Chan / B Gaspar / E Magdzinski	Rec / 0.75xNAV PT: BUY / C\$2.20	1xNAV <sub>2020</sub> FD: C\$8.90/sh	Country: Canada

Group-level SOTP valuation	2Q21	3Q21		
	C\$m	O/ship	NAVx	C\$/sh
Goldboro (NB) NPV 3Q21	789	100%	1.00x	4.28
Point Rouse (NFLD) NPV 3Q21	40	100.0	1.00x	0.22
Central SG&A & fin costs 3Q21	(104)	-	1.00x	(0.56)
Goldboro oz outside mine plan (US\$25/oz)	24	-	1.00x	0.13
Exploration (\$25m)	25	100%	1.00x	0.14
Cash and restr. cash 2Q21	15	-	1.00x	0.08
Debt 2Q21	(3)	-	1.00x	(0.01)
<b>1xNAV5%US\$1850/oz</b>	<b>786</b>			<b>4.26</b>

\*above diluted for options but not fundraises, fellow diluted for build raise

Cash raised 120 - 1.00x 0.37

<b>1xNAV5%US\$1850/oz - Fully Funded</b>	<b>906</b>			<b>2.80</b>
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	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	271	442	569	695	862
7% discount	317	504	642	779	961
6% discount	370	574	725	875	1,073
5% discount	430	653	<b>819</b>	983	1,202
4% discount	499	745	927	1,108	1,348
Valuation (C\$/sh)	\$1500oz	\$1700oz	\$1850oz	\$2000oz	\$2200oz
0.50xNAV	0.60	1.10	1.50	1.85	2.40
0.75xNAV	0.90	1.65	<b>2.20</b>	2.80	3.60
1.00xNAV	1.20	2.20	2.95	3.75	4.80
1.25xNAV	1.50	2.75	3.70	4.70	6.00

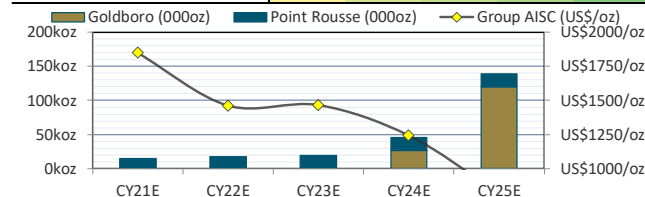
Valuation over time	3Q21E	3Q22E	3Q23E	3Q24E	3Q25E
Mines NPV (US\$m)	795	842	910	1,123	1,243
Ctrl G&A & fin costs (US\$m)	(133)	(92)	(88)	(84)	(74)
Net cash at 1Q (US\$m)	3	91	(75)	(148)	(13)
1xNAV (US\$m)	665	842	747	891	1,157
1xNAV share px FD (C\$/sh)	4.55	4.96	2.98	2.85	3.70
P/NAV (x):	0.15x	0.14x	0.23x	0.24x	0.19x
ROI to equity holder (% pa)	559%	168%	63%	43%	40%
1.2xNAV share px FD (C\$/sh)	5.46	5.95	3.58	3.42	4.44
ROI to equity holder (% pa)	691%	194%	73%	49%	45%

**Goldboro 1xNAV sensitivity**

Goldboro NPV5% (C\$m)	\$1700oz	\$1800oz	\$1850oz	\$1900oz	\$2000oz
8.0% discount	445	524	563	602	680
7.0% discount	509	595	637	680	766
6.0% discount	582	676	723	769	863
5.0% discount	664	768	<b>819</b>	871	974

Goldboro NPV5% (C\$m)	\$1700oz	\$1800oz	\$1850oz	\$1900oz	\$2000oz
Cost per tonne + 20.0%	611	714	766	818	921
Cost per tonne + 10.0%	638	741	793	844	948
No change	664	768	<b>819</b>	871	974

Goldboro NPV5% (C\$m)	\$1700oz	\$1800oz	\$1850oz	\$1900oz	\$2000oz
10.0% grade reconciliation	696	801	853	906	1,011
0.0% grade reconciliation	664	768	<b>819</b>	871	974
-10.0% grade reconciliation	625	726	776	827	928



Production (100%)	CY21E	CY22E	CY23E	CY24E	CY25E
Goldboro (000oz)	-	-	-	27	120
Goldboro cash cost (US\$/oz)	-	-	-	998	653
Goldboro AISC (US\$/oz)	-	-	-	1,230	748
Point Rouse (000oz)	15	18	19	19	19
Point Rouse cash cost (US\$/oz)	1,535	1,133	1,160	1,160	1,160
Point Rouse AISC (US\$/oz)	1,638	1,297	1,316	1,316	1,316
Group (000oz)	15	18	19	46	139
Group cash cost (US\$/oz)	1,546	1,151	1,179	1,085	742
Group AISC (US\$/oz)	1,850	1,462	1,466	1,243	819

Resource / Reserve	Mt	000oz	EV/oz
Measured, ind. & inf.	17.51	2910	29
Proven & probable	0.96	48	1,744

Share data	Basic	FD	FD+FF
Shares out (m)	174.1	184.4	323.1

Funding: uses	Funding: sources		
DFS capex	C\$286m	2Q21 cash + options	C\$15m
SCPe contingency	C\$36m	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 Rouse FCF	C\$25m
Total uses	C\$339m	Total proceeds	C\$339m

\*Cash from options expiring pre first pour

**Commodity price**

	CY21E	CY22E	CY23E	CY24E	CY25E
Gold price (US\$/oz)	1,818	1,820	1,842	1,850	1,850

**Ratio analysis**

	CY21E	CY22E	CY23E	CY24E	CY25E
FD shares out (m)	169.7	250.7	312.8	312.8	312.8
EPS (C\$/sh)	(0.027)	0.003	0.004	0.058	0.349
CFPS before w/c (C\$/sh)	(0.02)	0.02	0.02	0.08	0.46
FCFPS pre growth (C\$/sh)	(0.01)	0.01	0.01	0.08	0.44
FCFPS (C\$m)	(0.10)	(0.13)	(0.53)	(0.22)	0.44
FCF yield pre growth (%)	(14%)	(18%)	(77%)	(31%)	63%
FCF yield (%)	(14%)	(18%)	(77%)	(31%)	63%
EBITDA margin (%)	(1%)	20%	21%	35%	58%
FCF margin (%)	(47%)	(77%)	(368%)	(63%)	42%
ROE (%)	(6%)	0%	1%	9%	34%
ROA (%)	(5%)	0%	0%	4%	25%
ROCE (%)	(5%)	2%	2%	12%	46%
PER (x)	(19.9)	265.2x	186.3x	11.9x	2.0x
P/CF (x)	78.1x	36.9x	36.1x	7.1x	1.5x
EV/EBITDA (x)	(546.0x)	11.5x	31.2x	9.7x	1.2x

**Income statement**

	CY21E	CY22E	CY23E	CY24E	CY25E
Revenue (C\$m)	35	41	45	107	326
COGS (C\$m)	(29)	(26)	(29)	(63)	(131)

**Gross profit (C\$m)**

	6	15	16	44	195
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**Cash flow**

	CY21E	CY22E	CY23E	CY24E	CY25E
Profit/(loss) after tax (C\$m)	(5)	1	1	18	109
Add non-cash items (C\$m)	6	4	5	12	38
Less wkg cap / other (C\$m)	(4)	0	(0)	(5)	(2)
<b>Cash flow ops (C\$m)</b>	<b>(3)</b>	<b>5</b>	<b>6</b>	<b>25</b>	<b>145</b>
PP&E (C\$m)	(4)	(29)	(172)	(98)	(10)
Other (C\$m)	0	--	--	--	--
<b>Cash flow inv. (C\$m)</b>	<b>(18)</b>	<b>(37)</b>	<b>(172)</b>	<b>(98)</b>	<b>(10)</b>
Debt draw (repayment) (C\$m)	(1)	51	103	26	(83)
Equity issuance (C\$m)	11	120	--	--	--
Other (C\$m)	--	--	--	--	--
<b>Cash flow fin. (C\$m)</b>	<b>10</b>	<b>171</b>	<b>103</b>	<b>26</b>	<b>(83)</b>
Net change post forex (C\$m)	(10)	140	(63)	(48)	52

**Balance sheet**

	CY21E	CY22E	CY23E	CY24E	CY25E
Cash (C\$m)	5	145	82	34	86
Accounts receivable (C\$m)	0	0	0	2	2
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
<b>Total assets (C\$m)</b>	<b>85</b>	<b>256</b>	<b>361</b>	<b>417</b>	<b>445</b>
Debt (C\$m)	2	53	156	182	99
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)	9	118
Minority int. & other (C\$m)	--	--	--	--	--
<b>Liabilities+equity (C\$m)</b>	<b>85</b>	<b>256</b>	<b>361</b>	<b>417</b>	<b>445</b>

**Net cash (C\$m)**

	3	91	(75)	(148)	(13)
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**Net debt to NTM EBITDA (x)**

	(0.3x)	(9.8x)	2.0x	0.8x	0.1x
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Summary of Recommendations as of September 2021	
BUY:	46
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	46

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