Sprott | Equity Research

Maritime Resources (MAE CN)

Initiation: Near term, high return Newfoundland gold producer

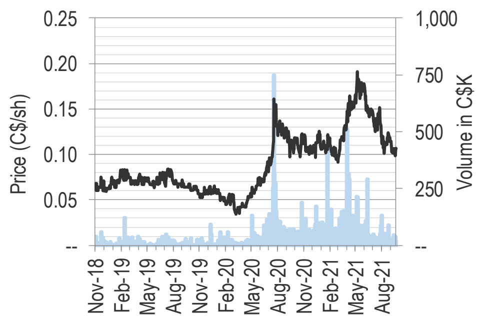
RECOMMENDATION: **BUY** *PRICE TARGET:* **C$0.30/sh** *RISK RATING:* **HIGH**

SHARE DATA	C$0.14/sh
Shares (basic, FD)	399 / 427
52-week high/low	0.24 / 0.115
Market cap (C$m)	54
Net cash (debt) (C$m)	11
1.0xNAV5% @ US$1850/oz (US$m)	245
1.0xNAV7% FD (p/sh)	C$0.57
P/NAV (x)	0.24x
Average daily value (C$k, 3M)	25.2

FINANCIALS	CY23E	CY24E	CY25E
Gold produced (000oz)	9	58	80
Revenue (C$m)	22	144	197
AISC (US$/oz)	2,116	1,092	910
Income (C$m)	(3.4)	39.4	72.4
EPS (C$/sh)	(0.01)	0.04	0.08
PER (x)	(12.4)	3.7x	1.7x
CFPS (C$/sh)	(0.01)	0.05	0.10
P/CF (x)	(16.6)	2.5x	1.3x
EBITDA (C$m)	(2.3)	59.7	111.3
EV/EBITDA (x)	(49.4)	1.4x	0.2x

SPOT VALUATION	3Q23E	3Q24E	3Q25E
1xNAV5% FD (C$/sh)	0.33	0.45	0.50
ROI to 1xNAV (% pa)	35%	35%	30%
1.2xNAV5% FD (C$/sh)	0.40	0.54	0.60
ROI to 1.2xNAV (% pa)	43%	41%	35%

SOTP 1xNAV5% US$1850/oz	US$m	C$/sh
Hammerdown (NFLD) NPV 3Q21	236	0.35
Central SG&A & fin costs 3Q21	(40.8)	(0.06)
Exploration	39.0	0.06
Net cash 1Q20	10.8	0.02
Cash raised	34.0	0.05
TOTAL	279	0.41



Source: S&P Capital IQ

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

Permitted 60koz pa Newfoundland open pit / UG gold project

Maritime's Hammerdown Project starts with a 9-yr 58kozpa mine life at US$938/oz AISC per the 2Q20 PEA. The project benefits from a low initial capex of C$57m for site works, open pit pre-strip, and mine site ore concentration. Ore will be trucked and processed at the Nugget Pond Mill with a rebuilt 700tpd comminution circuit and an existing CIP circuit. Exploration targets for the current 40,000m program include targets at depth and along strike at Hammerdown and Orion, and regional targets on Maritime's 358km^2 of licenses that could see the discovery of new satellite deposits.

Quick payback with low capex, permitted plant and TMF

Maritime offers quick payback from three factors: 1) low capex due to existing infrastructure, 2) nearly permitted including EA completion, and 3) attractive entry valuation. The initial project capex of just C$57m includes mine site establishment, haul road improvement and the comminution circuit. Both capital costs and permitting benefit from the already existing gold CIP circuit and TMF at the Nugget Pond Mill. We estimate capex payback in 1.5 years and another one year of production to payback Maritime's current C$52m market cap in free cash flow. We believe Maritime could sustain 60% annual returns from present until 2024 if it re-rates to small cap producer peer multiples.

Simple open pit and underground project lower execution risk

Per the PEA this is a simple project: a 9-year mine life producing 58kozpa at US$938/oz. This includes 2.46Mt at 3.80g/t of open pit ore mining at 1 g/t cutoff with 35-40cm minimum mining width, a 40cm dilution skin and a 13.7x strip ratio. We think these are conservative parameters. UG: a combination of longhole stoping and cut and fill. The orebody true thickness of 2.0-2.5m is wider than the minimum mining width of 1.2m, this offers a margin of safety. CEO Garett Macdonald is an accomplished operator whose previous roles include VP Ops at Rainy River and an UG Engineer at the Campbell Mine.

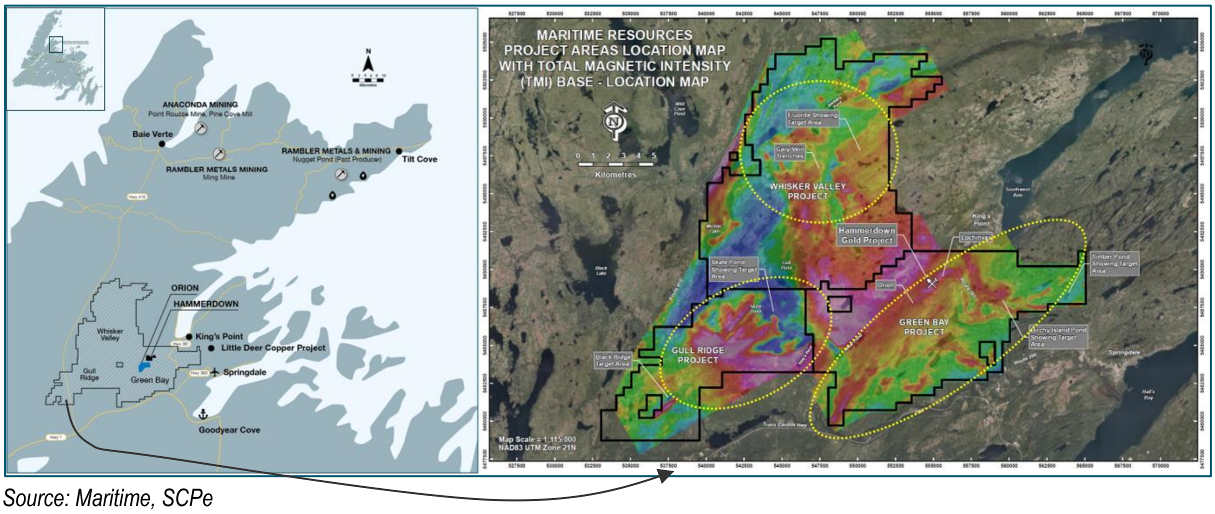
Recommendation: initiate with a BUY rating and C$0.30/sh PT

We model Hammerdown on a DCF basis with first production in 2H23. Our modelled mine plan and capex are based on the PEA, with a 15% increase in capex to C$65m and opex to LOM US$997/oz AISC. This drives a C$236m NPV$_{5\%\text{-}1850}$. Deducting G&A and finance costs and attributing US$25/oz for ounces outside the mine plan drives our NAV of C$245m. Applying a 0.75xNAV to Hammerdown, we initiate coverage with a BUY rating and C$0.30/sh PT. The combination of high project IRR and quick timeline to production drives very high risk adjusted annual returns of 60% pa over the next two years, both as upside to producer peer multiples and SCPe spot IRR.

Summary

Maritime holds 358km² of contiguous claims, which host the Hammerdown Gold Project. The property is located 5km SW of the town of King's Point, and 15km NW of the town of Springdale on the Baie Verte Peninsula on the island of Newfoundland, Canada. The peninsula also hosts the 15-20kozpa Point Rousse open pit gold mine operated by Anaconda Mining, and the 10ktpa Ming underground mine owned and operated by Rambler Metals. The Hammerdown project includes two gold deposits, Hammerdown (total MRE 501koz at 6.6g/t, 62% M&I) and Orion (486koz at 4.04g/t, 43% M&I). The 2020 PEA delineated a 9-year mine life producing 58koz. The mine plan includes open pit transitioning to underground mining at both deposits, with ore sorted and trucked 140km to the Nugget Pond Mill where Maritime will build a new comminution circuit to supplant the existing 700tpd CIP circuit that Richmont Mines operated. Richmont mined 291kt at 15.8g/t at Hammerdown and processed the material with a 97.1% gold recovery at the Nugget Pond Mill from 2000-2004. Rambler Metals, a UK-listed company, is currently operating the Nugget Pond Mill at 1,400tpd, using the milling circuit and a flotation circuit built in 2012.

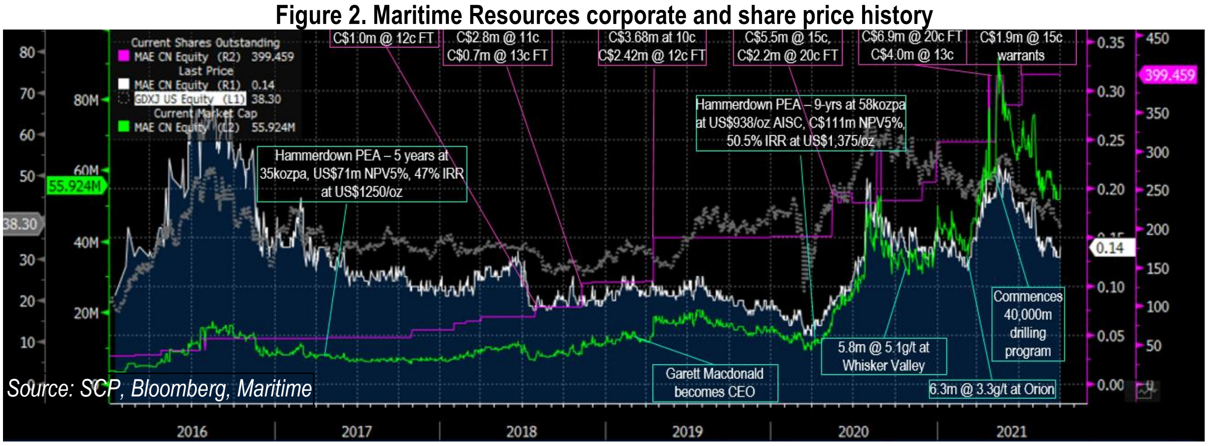
Figure 1. Map of Hammerdown, Nugget Pond Mill and Baie Verte peninsula



Source: Maritime, SCPe

Corporate History: Listed in 2008, Maritime acquired the Green Bay Project in 2010. 1.09Moz at 6.95g/t Maiden MRE (65% Hammerdown / 35% Orion; 39% M&I) completed in 2013. 5-yr mine life at 35kozpa PFS completed in 2017, based on UG mining at Hammerdown and processing at Nugget Pond. Anaconda Mining made and withdrew a hostile takeover bid in 2018. In 2019, current CEO Garett Macdonald moved from Director to CEO. In February 2020, Maritime published an updated PEA. Since then, Maritime has raised ~C$20m from placements and warrant proceeds and embarked on a 40,000m exploration program. **Management:** CEO Garett Macdonald is a mining engineer who was VP Ops at Rainy River Resources, an UG supervisor at the >200kozpa Red Lake Mine. Chairman John Hayes was a mining analyst at BMO from 2003-2014 and was recent VP IR and Corp Dev at Pretium Resources. The board includes Mark Ashcroft, the current CEO of Aurelius Minerals; Tom Yip, the former CFO at Pretium Resources until 2020, and Nick Nikolakakis, formerly CFO at Battle North and Rainy River. .

Figure 2. Maritime Resources corporate and share price history



Source: SCP, Bloomberg, Maritime

Large license, >50% IRR quick build project, plus exploration upside offers best risk adj returns

Maritime combines quick payback and cash flow from Hammerdown with a large license package for longer term exploration upside. Existing infrastructure, including the 700tpd Nugget Pond CIP circuit, enables a low capital intensity C$57m initial capex build for a 58kozpa operation. Lead time to development should be hastened by i) an already defined >50% IRR project, ii) permitted mill and tailings facilities and previously disturbed mine site, and iii) high grade open pit production in early years. The 358km^2 licence area had not previously been explored in a modern gold price environment or with modern vectoring techniques, and Maritime has already made five new discoveries since 2020. All this leads us to believe that Maritime offers the best risk adjusted returns of the Newfoundland gold peer group.

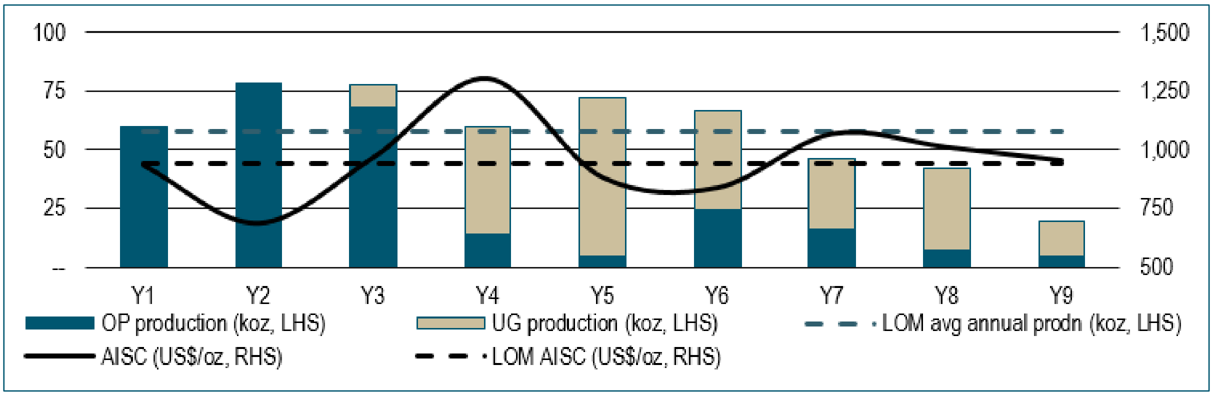
Figure 3:(A) Hammerdown mine site and (B+C) Nugget Pond mill and tailings

Source: Maritime Resources

Hammerdown restart scenario already more than justifies the valuation

The 2020 PEA defined a 9-year mine life producing 58kozpa at LOM AISC of US$939/oz, with an average annual production of 69.5kozpa in the first five years. The mine plan includes 300koz at 3.8g/t at a 13.7x strip ratio from open pit and 268koz at 4.3g/t from underground mining, commencing in year three of the mine life. The PEA assumed ore sorting with a 51.6% mass reduction and 94.7% gold recovery, with ore trucked 140km along paved roads to the Nugget Pond Mill and processed at ~700tpd and 97% gold recovery. Cost inputs are reasonable at C$4.66/t mined for open pit, C$109.56/t for LH, C$31.97/t processed, C$1.00/t for rehandle, C$11.45/t for ore-sorting and C$18.78/t for hauling (C$0.13/t per km). This generates an NPV5% of C$154m, IRR of 65% and payback period of 1.3 years at US$1500/oz per the PEA. Trading at just a C$52m market cap, we believe the already defined mine life underpins valuation and offers attractive upside to the current share price.

Figure 4:PEA production and cost profile



Source: Maritime Resources, SCPe

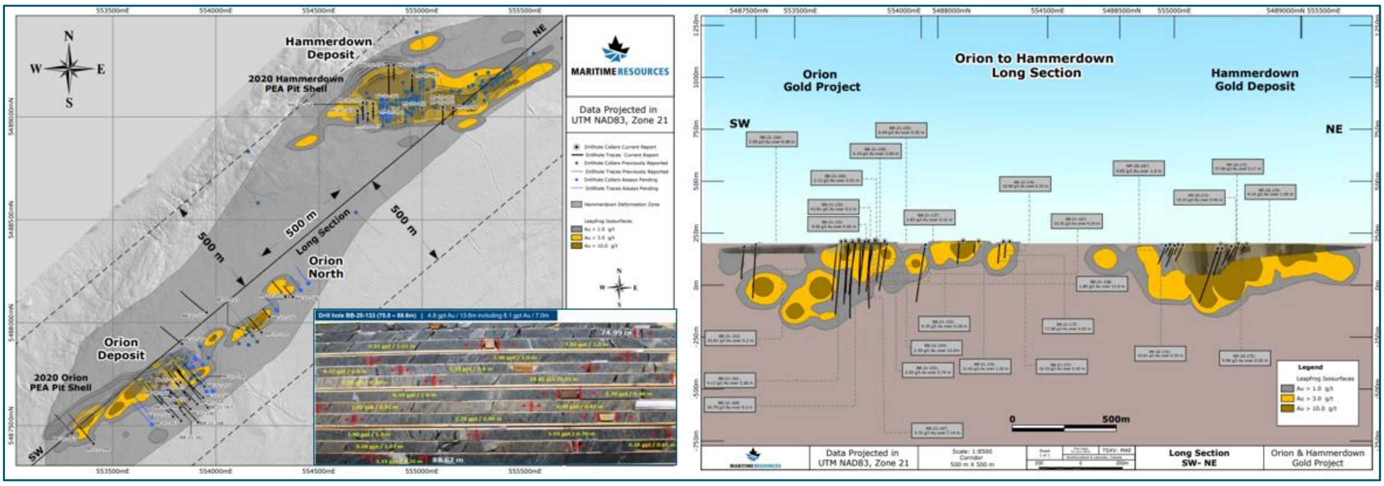
Three new discoveries highlight exploration potential on 358km² licence area

Hammerdown has seen limited true exploration since 2012, with nearly all drilling pre-2020 focusing on infill and depth extension totalling just 12,688m from 2004 through 2019 and the first airborne geophysics completed in 2019. Finally funded to explore in 2020 with C$12.7m of equity (net of fees, including options exercised) in 2020 and C$12.1m in 2021. Maritime is now conducting a 40,000m program including 30,000m on the Hammerdown and Orion deformation zone, and 10,000m on regional targets.

Orion Deeps: Deeper drilling at Orion has encountered lower grade but wider quartz feldspar porphyry style mineralization including **13.0m @ 5.2g/t, 7.1m @ 3.8g/t and 5.0m @ 8.0g/t.**

Orion North: Mineralized veins have been traced over 550m of strike and to a depth of 100m below surface. Results from the zone include **1.2m @ 12.4g/t**, **3.85m @ 0.86g/t** and **0.2m @ 17.08g/t**. We think this zone could be 50koz bulked out to a ~1.0-1.5g/t open pit with potential to add additional veins as drill density increases, which could lift grade accordingly.

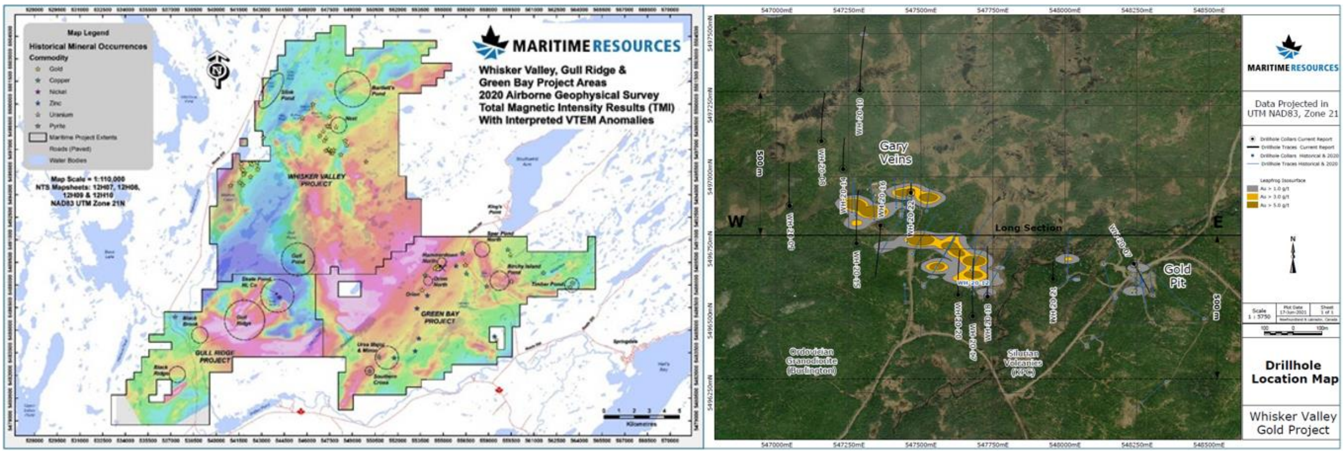
Figure 5:Plan view and cross-section of 2020 and 2021 drilling at Orion to Hammerdown, inset of BB-20-133 (13.6m @ 4.8g/t felsic style mineralization at depth at Orion)



Source: Maritime Resources

Whisker Valley and Gull Ridge properties: The 52km² Whisker Valley has several targets indicated by VTEM and airborne IP chargeability anomalies. The Gull Ridge Anomaly is a 4km intrusion that is an exploration for porphyry or intrusion related gold. The Gary Vein system is a high grade vein style target drilled in 2020. Results included 6.3m @ 5.7g/t at 150m below surface.

Figure 6:(A) Plan view and cross section of 2020 and 2021 drilling at Orion to Hammerdown, (B) 2021 results from the Gary Veins target at Whiskery Valley



Source: Maritime Resources

Provincial jurisdiction and existing infrastructure mean projects can be developed quickly

In addition to rapid capital payback period due to low capex, Maritime has nearly completed the permitting process for Hammerdown. The Hammerdown project was released from the EA process in July 2021, enabling the company to seek the final permits needed for development. We model construction start in mid-2022 with first production in mid-2023. We believe the other permits should come quickly given the speed of EA completion, the already active mill and tailings discharge site, and already disturbed status of the Hammerdown mine site. Maritime offers a more rapid re-rate in our view, resulting in better YoY returns than peers.

Figure 7: Atlantic Canada developers and Atlantic Gold acquisition multiples

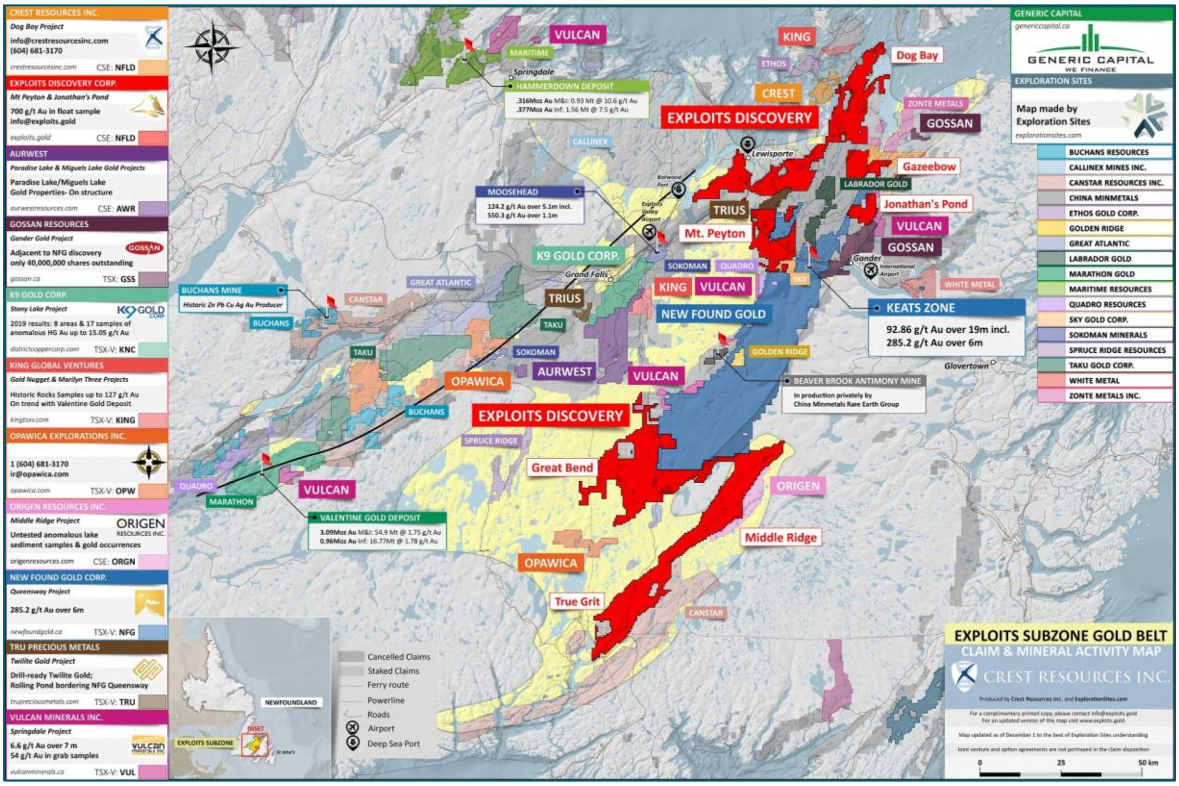
						Project		Contained		Grade		EV/oz		
	Ticker	Market Cap	EV	NAVPS	P/NAV	Name	Location	2P	MI&I	2P	MI&I	2P	M&I	MI&I
		US$m	US$m	US$/sh	(X)			Moz AuEq	Moz AuEq	g/t AuEq	g/t AuEq	US$/oz	US$/oz	US$/oz
Marathon Gold	TSX:MOZ	702	618	4.17	0.7x	Valentine	Newfoundland	2.05	4.78	1.34	1.72	$301	$197	$129
New Found Gold	TSXV:NFG	981	911	7.91	0.8x	Queensway	Newfoundland	--	--	--	--	--	--	--
Labrador Gold	TSXV:LAB	105	76	--	--	Kingsway	Newfoundland	--	--	--	--	--	--	--
Anaconda Mining	TSX:ANX	99	89	3.60	0.2x	Goldboro	Nova Scotia	0.05	2.91	1.55	3.88	$1,871	$43	$31
Sokoman Minerals	TSXV:SIC	52	48	--	--	Moosehead	Newfoundland	--	--	--	--	--	--	--
Matador Mining	ASX:MZZ	60	51	0.57	0.5x	Cape Ray	Newfoundland	--	0.84	--	2.02	--	$144	$61
Maritime Resources	**TSXV:MAE**	**46**	**34**	**0.59**	**0.2x**	**Hammerdown**	**Newfoundland**	**--**	**0.99**	**--**	**5.03**	**--**	**$65**	**$34**
Aurelius	TSXV:AUL	9	7	--	--	Aureus	Nova Scotia	--	--	--	--	--	--	--
Megumagold	CNSX:NSAU	9	8	--	--	Goldenville	Nova Scotia	--	--	--	--	--	--	--
Average	**--**	**--**	**--**	**--**	**0.5x**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**$112**	**$64**
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 Marathon, Maritime and Anaconda, S&P consensus for peers

Peers: Maritime is cheaper and with a developable project = better risk adjusted returns

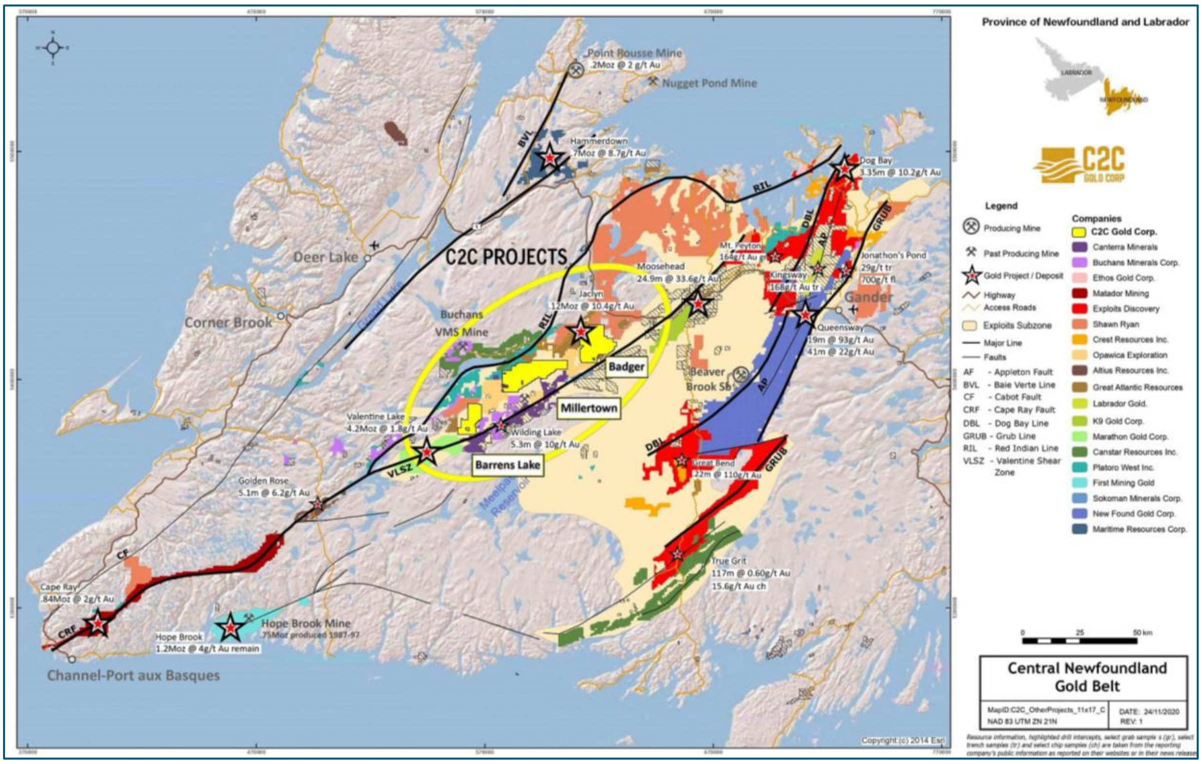
Atlantic Gold, which developed the Moose River Mine in Nova Scotia, put Atlantic Canada on the map and was the first to target a bulk open pit approach instead of selective underground mining. This resonated with investors and led to the successful development and M&A takeout by St Barbara for ~US$600m EV or US$250/oz for resources. Newfoundland has also seen a resurgence, led by Marathon Gold, who is at mine development stage, and New Found Gold, which is pre-resource. Maritime is trading at ~0.2x NAV, vs the peer average at 0.5x, including pre-resource New Found Gold at 0.8x on a ~US$1bn market cap. Moreover, Martime's market cap is at a significant discount to pre-resource peers Labrador and Sokoman. We believe this is unwarranted as Maritime has large exploration holdings and discovery potential, but unlike the others has an already defined and near development project to underpin value.

Figure 8: Map of Central Newfoundland Gold Claims, July 2021



Source: Newfoundland Gold (an alliance of Newfoundland mineral exploration companies)

Figure5: Map of NW and central Newfoundland Gold Claims, September 2020



Source: Newfoundland Gold (an alliance of Newfoundland mineral exploration companies)

Producer trading ranges suggest 3x uplift to steady state production in SCPe 2024 = 60% annual return

Below we highlight pure play Australian/Canadian/USA small to mid cap producers. We believe the group is representative of the range Maritime could be expected to trade at once in production. The weighted average metrics are 5.0x 2021e EV/EBITDA, 0.7x NAV, 2.3x revenue and a 2% 2021e FCF yield, rising to 13% in 2022e. Currently, Maritime is trading at SCPe LOM average metrics of 1.5x EBITDA, 0.21x NAv, 0.8x revenue and a 48% FCF yield at US$1850/oz or 1.7x EBITDA, 0.25x NAV, 0.8x Revenue and a 41% FCF yield at spot US$1725/oz. This suggests ~3x uplift potential to steady state production (SCPe 2024), or annual uplift of ~60%.

Figure 9: Pure play Tier I (Australia, Canada, US) 50-400koz producers

						EV/EBITDA		EVRevenue		FCF yield		EV/oz		
	Ticker	Market Cap	EV	NAVPS	P/NAV	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	1,792	1,794	11.09	0.9x	6.7x	5.8x	2.9x	2.7x	9%	13%	$427	$215	$129
Regis	ASX:RRL	1,091	1,171	2.35	0.6x	4.2x	3.2x	1.9x	1.5x	(37%)	8%	$323	$168	$152
Wesdome	TSX:WDO	1,112	1,069	8.50	0.9x	8.5x	5.1x	5.0x	3.3x	0%	10%	$1,907	$376	$190
Ramelius	ASX:RMS	782	637	1.21	0.8x	2.6x	2.9x	1.3x	1.3x	16%	25%	$579	$188	$135
Silver Lake	ASX:SLR	853	667	1.25	0.8x	3.1x	3.9x	1.5x	1.5x	10%	15%	$578	$203	$126
Gold Road	ASX:GOR	757	748	1.17	0.7x	7.9x	5.0x	3.7x	2.6x	5%	12%	$430	$241	$165
New Gold	TSX:NGD	705	1,008	1.91	0.5x	3.0x	1.9x	1.3x	1.1x	5%	16%	$157	$85	$82
Victoria Gold	TSX:VGCX	702	891	15.68	0.7x	12.1x	--	4.6x	2.4x	22%	19%	$291	$197	$168
Karora	TSX:KRR	374	337	5.52	0.5x	3.9x	2.9x	1.6x	1.3x	7%	11%	$254	$134	$100
Puregold	TSXV:PGM	297	380	1.46	0.5x	39.4x	5.1x	7.7x	2.5x	(17%)	5%	$375	$184	$150
Fiore Gold	TSXV:F	92	75	2.18	n/a	2.8x	2.5x	0.9x	0.8x	6%	(10%)	$259	$26	$24
Mean					**0.7x**	**8.6x**	**3.8x**	**2.9x**	**1.9x**	**2%**	**11%**	**$507**	**$183**	**$129**
Weigted Average					**0.7x**	**5.0x**	**4.0x**	**2.3x**	**1.8x**	**2%**	**13%**	**$359**	**$170**	**$128**
Average excluding high and low					**0.7x**	**5.8x**	**3.8x**	**2.6x**	**1.9x**	**5%**	**12%**	**$391**	**$180**	**$134**
Median					**0.7x**	**4.2x**	**3.5x**	**1.9x**	**1.5x**	**6%**	**12%**	**$375**	**$188**	**$135**

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

Recommendation: initiating coverage with BUY rating and C$0.30/sh PT

In an area where peers trade at multiples of Maritime's market cap for pre-resource potential, Maritime is trading at 0.2x NAV on Hammerdown alone, equal the exploration upside but within trucking distance of an operating mill. We model Hammerdown on a DCF basis based on the PEA mine plan but with a conservative 15% lift in operating cost assumptions, mirroring industry inflation from 2019 to present. This generates an NPV5%-1850 of C$251m. To this, we add US$25/oz for resources outside the mine plan, totalling C$14m, plus a nominal C$25m for exploration. This generates an asset NAV of C$251m. To this, we add C$11m for 2Q21 net cash. Our funding assumptions include C$51m of debt at a 12% lender IRR and C$34m of equity at the current share price. This generates our fully funded, fully diluted NAVPS estimate of C$0.41/sh. We apply a 0.75xNAV multiple and initiate with a BUY recommendation and C$0.30/sh price target.

Table 1. SOTP valuation for Maritime

	Maritime	SCPe			
	PEA	PEA Mirror	SCPe costs	Base Case	Spot
Gold price (US$/oz)	**1,375**	**>>**	**>>**	**1,850**	**1,750**
OP mining inventory (Mt)	2.5	>>	>>	>>	>>
OP grade (g/t)	3.80	>>	>>	>>	>>
OP Au contained (Moz)	301	>>	>>	>>	>>
OP strip ratio (waste:ore)	13.7	>>	>>	>>	>>
UG mining inventory (Mt)	2.0	>>	>>	>>	>>
UG grade (g/t)	4.3	>>	>>	>>	>>
UG Au contained (koz)	268	>>	>>	>>	>>
LoM (years)	9	>>	>>	>>	>>
Peak throughput (Mtpa)	0.28	>>	>>	>>	>>
Recovery (% Au)	97%	>>	>>	>>	>>
LOM production (koz)	522	>>	>>	>>	>>
Avg annual production (koz)	29	>>	>>	>>	>>
Initial capex (C$m)	57	>>	65	>>	>>
Total sustaining capex (C$m)(1)	85	>>	>>	>>	>>
OP mining costs (C$/t mined)	4.66	>>	5.00	>>	>>
UG mining costs (C$/t mined)	109.56	>>	109.56	>>	>>
Ore sorting + rehandle (C$/t ore mined)	12.45	>>	13.00	>>	>>
Hauling cost (C$/t per km)	0.13	>>	0.20	>>	>>
Processing costs (C$/t mined)	31.97	>>	35.00	>>	>>
G&A + water treatment (C$/t mined)	6.65	>>	6.65	>>	>>
AISC (US$/oz)	938	>>	992	997	996
NPV5% (C$m)	111	107	88	**251**	**217**
IRR (%)	51%	51%	30%	**67%**	**60%**

Commodity price		CY21E	CY22E	CY23E	CY24E	CY25E
Gold price (US$/oz)		1,820	1,801	1,837	1,850	1,850
Group-level SOTP valuation						
		-	**C$m**	**O/ship**	**NAVx**	**C$/sh**
Hammerdown (NFLD) NPV 3Q21		-	236	100%	1.00x	0.55
Central SG&A & fin costs 3Q21		-	(41)	-	1.00x	(0.10)
Ounces outside mine plan (US$25/oz)		-	14	-	1.00x	0.03
Exploration ($25m)		-	25	100%	1.00x	0.06
Cash and restr. cash 2Q21		-	11	-	1.00x	0.03
Debt 2Q21		-	(0)	-	1.00x	(0.00)
1xNAV5%US$1850/oz		**-**	**245**	**-**	**-**	**0.57**
*above diluted for options but not fundraises, fellow diluted for build raise						
Cash raised		-	34	-	1.00x	0.05
1xNAV5%US$1850/oz - Fully Funded		**-**	**279**	**-**	**-**	**0.41**
			P/NAV multiple			**Target (C$/sh)**
Price Target			**0.75x**			**0.30**

Target price sensitivity to gold price and P/NAV multiple					
Valuation (C$/sh)	$1500oz	$1700oz	$1850oz	$2000oz	$2200oz
0.50xNAV	0.12	0.16	0.20	0.24	0.28
0.75xNAV	0.18	0.26	**0.30**	0.36	0.44
1.00xNAV	0.24	0.34	0.42	0.48	0.58
1.25xNAV	0.30	0.42	0.52	0.60	0.72

Source: SCPe, Maritime Resources. Note C$251m NPV differs from C$236m shown in sensitivity and in our SCPe NAV due to timing difference. C$251m is measured at build start, not at present (C$236m).

Catalysts

- 4Q21/early 1Q22: Feasibility study and final permits
- 1H22: Construction finance and construction decision
- 2H22: Construction start
- 2H23: SCPe first production

Why we like Maritime

1. Nearly permitted quick payback 60kozpa Hammerdown generates >50% IRR
2. Trading at just 0.2x NAV for Hammerdown, cheap on all metrics
3. 358km^2 contiguous licences within trucking distance of mill

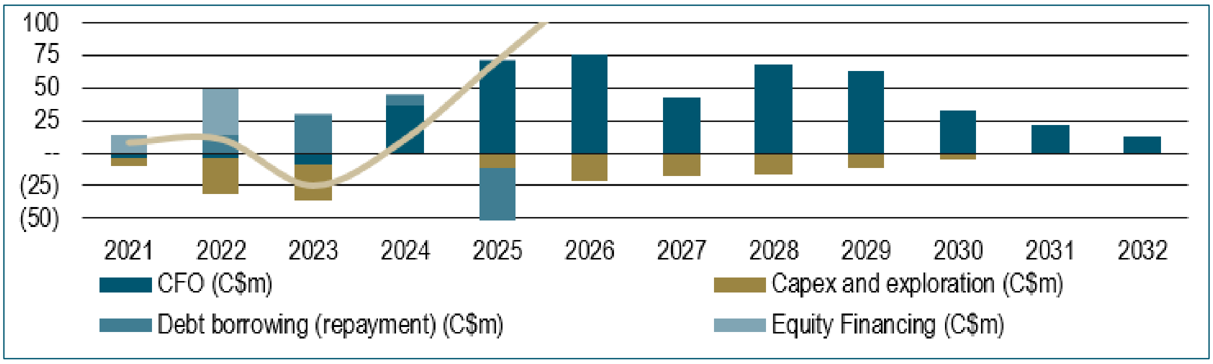
Corporate and Financial Summary

Share structure: Maritime has 398.96m shares outstanding with 26.13m options outstanding at a weighted average exercise price of C$0.10/sh and 1.846m warrants at C$0.1794/sh. We assume a further C$34m of equity at C$0.13/sh for 252m shares to fund the equity portion of project construction. We assume C$51m of debt at a 12% 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 678.8m fully diluted, fully funded shares outstanding.

Balance sheet: As the end of June 2021, Maritime had C$10.9m of cash (incl restricted cash) with C$2.7m of borrowings. We estimate C$65 of capex, C$17m of G&A and C$5m of working capital to first production, creating a total external funding requirement of C$87m. We assume this is financed through C$51m of debt at a 12% cost of capital, C$34m of equity and C$1m of ITM options expiring before first gold pour, for total funding of C$97m, leaving a buffer of C$10m or 15% of the build.

Other Assets: Maritime's acquired the Nugget Pond gold CIP circuit in April 2021 for US$2m in cash, assumption of certain liabilities, and 3.57m shares (C$500k). In the transaction, Maritime acquired a portfolio of exploration assets including the Lac Pelletier gold project in Rouyn Noranda, Quebec, several other exploration interests, and six gold royalties in key camps across Canada. For now we have not included these in our valuation but see these assets as potential upside that Maritime can monetize over the next year.

Figure 10: SCPe cash flow and balance sheet estimates



Source: SCPe

Cash flow and profitability: We estimate a LOM EBITDA margin of 53% at US$1,850/oz. At the corporate level, we estimate a LOM EBITDA margin of 50% at US$1,850/oz and LOM FCF margin of 26%. We estimate a 42% FCF yield over the life of mine, with an average return on capital employed (ROCE) of 30% over that period. We estimate FCF payback in 1.5 years at US$1850/oz, 2.0 years at spot. Combined with a two-year timeline to production, we believe that Maritime offers excellent annualized risk adjusted returns.

Government and stakeholders:

Ownership: Maritime owns 100% of the Green Bay, Whisker Valley and Gull Ridge properties.

Government: Hammerdown is subject to 15% federal income tax and 15% Newfoundland provincial income tax. In addition, a 16% Newfoundland Mineral Rights tax is applicable (deductible from federal and provincial income tax). The PEA estimated an effective tax rate of 40%. We also estimate an effective tax rate of 40%.

Royalties: There is a 1% NSR on Hammerdown. We have assumed this is repurchased, in line with the PEA. In addition, there is a one-off C$3.65m royalty payment due in the first profitable year of operation.

Permits: Maritime was released from the EA process in July, freeing the company to seek final permits needed for mining and the new front end for the plant. The receipt of permits is targeted for 4Q21, though we assume receipt in early 1Q22. In our view, Newfoundland is a mining-friendly jurisdiction with a history of expedient permit processing, as evidenced by the 10-month timing on release from the EA.

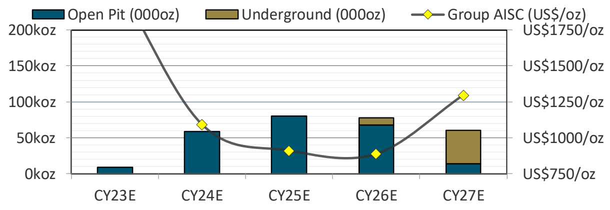
Ticker: MAE CN	**Price / mkt cap:** 0.14/sh, C$54m	**Market P/NAV:**	0.24x	**Assets:** Hammerdown	
Author: J Chan / B Gaspar / E Magdzinski	**Rec / 0.75xNAV PT:** BUY / C$0.30	**1xNAV$_{2Q20}$ FD:**	C$1.20/sh	**Country:** Canada	

Group-level SOTP valuation	3Q21			
	C$m	O/ship	NAVx	C$/sh
Hammerdown (NFLD) NPV 3Q21	236	100%	1.00x	0.55
Central SG&A & fin costs 3Q21	(41)	-	1.00x	(0.10)
Ounces outside mine plan (US$25/oz)	14	-	1.00x	0.03
Exploration ($25m)	25	100%	1.00x	0.06
Cash and restr. cash 2Q21	11	-	1.00x	0.03
Debt 2Q21	(0)	-	1.00x	(0.00)
1xNAV5%US$1850/oz	**245**			**0.57**
*above diluted for options but not fundraises, fellow diluted for build raise				
Cash raised	34	-	1.00x	0.05
1xNAV5%US$1850/oz - Fully Funded	**279**			**0.41**
	P/NAV multiple			Target (C$/sh)
Price Target	**0.75x**			**0.30**

1xNAV sensitivity to gold price and discount / NAV multiple					
1xNAV asset (US$m)	$1500oz	$1700oz	$1850oz	$2000oz	$2200oz
8% discount	108	167	210	252	307
7% discount	115	176	221	265	323
6% discount	121	185	232	279	340
5% discount	128	196	245	294	358
4% discount	136	207	258	310	377
Valuation (C$/sh)	$1500oz	$1700oz	$1850oz	$2000oz	$2200oz
0.50xNAV	0.12	0.16	0.20	0.24	0.28
0.75xNAV	0.18	0.26	0.30	0.36	0.44
1.00xNAV	0.24	0.34	0.42	0.48	0.58
1.25xNAV	0.30	0.42	0.52	0.60	0.72

Valuation over time	3Q21E	3Q22E	3Q23E	3Q24E	3Q25E
Mines NPV (C$m)	227	239	280	321	289
Cntrl G&A & fin costs (C$m)	(47)	(39)	(39)	(32)	(22)
Net cash at 1Q (C$m)	9	11	(25)	9	68
1xNAV (C$m)	189	211	217	298	335
1xNAVPS FD (C$/sh)	0.50	0.40	0.33	0.45	0.50
P/NAV (x):	0.27x	0.34x	0.41x	0.30x	0.27x
ROI to equity holder (% pa)	*271%*	*72%*	*35%*	*35%*	*30%*
1.2xNAV share px FD (C$/sh)	0.60	0.48	0.40	0.54	0.60
ROI to equity holder (% pa)	*346%*	*89%*	*43%*	*41%*	*35%*

Goldboro 1xNAV sensitivity					
Goldboro NPV5% (C$m)	$1700oz	$1800oz	$1850oz	$1900oz	$2000oz
8.0% discount	157	185	199	213	240
7.0% discount	167	196	210	225	254
6.0% discount	177	207	223	238	269
5.0% discount	188	220	236	252	284
Goldboro NPV5% (C$m)	$1700oz	$1800oz	$1850oz	$1900oz	$2000oz
Cost per tonne + 20.0%	132	164	181	197	229
Cost per tonne + 10.0%	160	192	208	224	257
No change	188	220	236	252	284
Goldboro NPV5% (C$m)	$1700oz	$1800oz	$1850oz	$1900oz	$2000oz
10.0% grade reconciliation	214	249	267	284	319
0.0% grade reconciliation	188	220	236	252	284
-10.0% grade reconciliation	153	184	199	214	244



Production (100%)	CY23E	CY24E	CY25E	CY26E	CY27E
Hammerdown (000oz)	9	58	80	77	60
Open Pit (000oz)	9	58	80	68	14
Underground (000oz)	-	-	-	10	46
Hammerdown cash cost (US$/oz)	1,638	955	736	639	1,018
Hammerdown AISC (US$/oz)	1,735	1,028	863	858	1,259
Group (000oz)	9	58	80	77	60
Group cash cost (US$/oz)	1,657	1,014	755	657	1,036
Group AISC (US$/oz)	2,116	1,092	910	887	1,296

Source: SCP estimates

Resource / Reserve	Mt	000oz	EV/oz
Measured, ind. & inf.	2.87	987	35
Proven & probable	0.00	0	#DIV/0!

Share data	Basic	FD	FD+FF
Shares out (m)	399.0	426.9	678.8

Funding: uses		Funding: sources	
DFS capex	C$57m	2Q21 cash + options	C$12m
SCPe contingency	C$18m	Debt @ 60% gearing	C$51m
SCPe G&A + fin. cost to first Au	C$17m	SCPe Equity Raised	C$34m
SCPe working capital	C$5m		
Total uses	C$97m	Total proceeds	C$97m

*Cash from options expiring pre first pour

Commodity price	CY21E	CY22E	CY23E	CY24E	CY25E
Gold price (US$/oz)	1,820	1,801	1,837	1,850	1,850

Ratio analysis	CY21E	CY22E	CY23E	CY24E	CY25E
FD shares out (m)	377.2	527.3	656.8	664.8	670.1
EPS (C$/sh)	(0.007)	(0.007)	(0.011)	0.037	0.081
CFPS before w/c (C$/sh)	(0.01)	(0.01)	(0.01)	0.05	0.10
FCFPS pre growth (C$/sh)	(0.01)	(0.01)	(0.01)	0.05	0.09
FCFPS (C$m)	(0.03)	(0.06)	(0.05)	0.05	0.09
FCF yield pre growth (%)	(19%)	(45%)	(38%)	39%	66%
FCF yield (%)	(19%)	(45%)	(38%)	39%	66%
EBITDA margin (%)	nmf	nmf	(11%)	42%	57%
FCF margin (%)	--	--	(155%)	24%	30%
ROE (%)	(8%)	(6%)	(12%)	29%	39%
ROA (%)	(8%)	(5%)	(6%)	17%	36%
ROCE (%)	(10%)	(6%)	(7%)	57%	68%
PER (x)	(13.7)	(17.4)	(12.4)	3.7x	1.7x
P/CF (x)	(18.1)	(17.9)	(16.6)	2.5x	1.3x
EV/EBITDA (x)	(12.3x)	(16.1x)	(49.4x)	1.4x	0.2x

Income statement	CY21E	CY22E	CY23E	CY24E	CY25E
Revenue (C$m)	--	--	22	144	197
COGS (C$m)	--	--	(20)	(79)	(81)
Gross profit (C$m)	**--**	**--**	**2**	**65**	**116**
Expenses (C$m)	--	--	(3)	(2)	(3)
Impairment & other (C$m)	--	--	--	--	--
Net finance costs (C$m)	1	(0)	(3)	(6)	(4)
Tax (C$m)	--	--	--	(18)	(36)
Minority interest (C$m)	--	--	--	--	--
Net income attr. (C$m)	**1**	**(0)**	**(3)**	**39**	**72**

Cash flow	CY21E	CY22E	CY23E	CY24E	CY25E
Profit/(loss) after tax (C$m)	(3)	(4)	(7)	24	55
Add non-cash items (C$m)	0	--	2	12	16
Less wkg cap / other (C$m)	(1)	--	(3)	(2)	(1)
Cash flow ops (C$m)	**(3)**	**(4)**	**(8)**	**34**	**70**
PP&E (C$m)	(3)	(28)	(28)	(1)	(12)
Other (C$m)	0	--	--	--	--
Cash flow inv. (C$m)	**(7)**	**(28)**	**(28)**	**(1)**	**(12)**
Debt draw (repayment) (C$m)	--	15	29	7	(51)
Equity issuance (C$m)	13	34	1	0	1
Other (C$m)	(1)	--	--	--	--
Cash flow fin. (C$m)	**13**	**49**	**30**	**8**	**(50)**
Net change post forex (C$m)	2	17	(7)	41	8

Balance sheet	CY21E	CY22E	CY22E	CY22E	CY22E
Cash (C$m)	9	26	19	60	68
Accounts receivable (C$m)	--	--	0	1	1
Inventories (C$m)	--	--	10	15	16
PPE & exploration (C$m)	28	55	82	71	66
Other (C$m)	0	0	0	0	0
Total assets (C$m)	**37**	**81**	**111**	**148**	**152**
Debt (C$m)	--	15	44	51	--
Other liabilities (C$m)	2	2	9	13	14
Shareholders equity (C$m)	46	80	81	81	82
Retained earnings (C$m)	(11)	(15)	(22)	2	57
Minority int. & other (C$m)	--	--	--	--	--
Liabilities+equity (C$m)	**37**	**81**	**111**	**148**	**152**
Net cash (C$m)	*9*	*11*	*(25)*	*9*	*68*
Net debt to NTM EBITDA (x)	*nmf*	*nmf*	*0.4x*	*(0.1x)*	*(0.6x)*

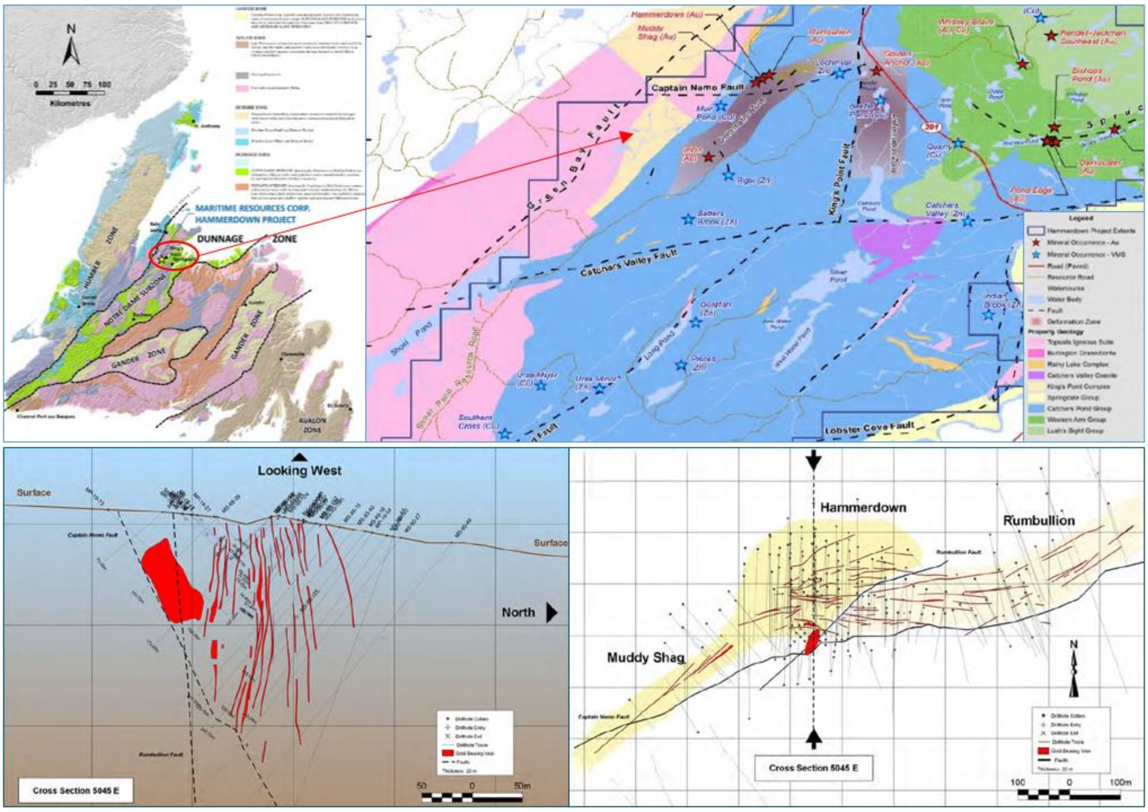
Hammerdown Gold Project, Baie Verte Peninsula, Newfoundland (100% owned by Maritime)

The asset is located approximately 5 km southwest of the Town of King's Point Newfoundland & Labrador within the Baie Verte Mining District. A key benefit being the infrastructure (roads, grid power, port access), access to skilled labor, and near two operating mines / mills. Historic exploration in the 1960s focused on base metals, with gold recognized in the early 1980's that resulted in the discovery of Hammerdown by Noranda in 1988. Richmont began mining the deposit in 2000 and produced 143koz @ 15.7g/t from a small starter pit and underground operation before closing due to lower gold prices in 2004. Richmont processed the ore at the Nugget Pond mill 140km away, now owned and operated by Rambler Metals, with an average gold recovery of 97.1%.

Regional geology: Some of the oldest rocks combined with unique sequences of rocks that can be traced back to the colliding North American (Humber Zone) and African plate (Avalon Zone), and disappearing Lapetus ocean, that subsequently formed the Appalachian Mountain chain and late rifting that left a piece of old African plate behind (Avalon). Remnants of the ancient ocean floor (Dunnage Zone) were uplifted, highly deformed and sandwiched between the old continental margins, i.e NE Humber Zone > Central Dunnage Zone > SE Avalon Zone shown in Figure 11A. The Hammerdown Gold Project is located in the NE portion of the Appalachian Orogen within the Notre Dame Subzone, underlain by Ordovician volcanic rocks of the **Catchers Pond Greenstone belt,** located in a mineral-rich area of north central Newfoundland (four well-defined Au deposits including Hammerdown), comparable to more southern greenstones responsible for >60 years of base + precious rich production.

Local geology: A series of stacked, shear-hosted gold veins lie along a NE-SW trending 100-250m wide, ~4km long **Hammerdown Deformation Zone** (Figure 11) within the uppermost felsic / mafic units of the Catchers Pond Group. The host rock was intruded by early Silurian quartz feldspar porphyry dykes, which were closely followed by the gold-bearing quartz-sulphide veins. The porphyries play a key role in localizing the veining, with the strongest veins occurring along the southern contact of the sills. Veins at Hammerdown are generally steep (~80º) and occur as a well-developed main vein zone (mined by Richmont), located along the N-S contacts of sill-like felsic porphyry body intruding the sheared mafic volcanic host, bounded by distinct hanging wall and footwall veins. Gold occurs as discrete grains within sulphides, at boundaries and / or within quartz fractures near sulphides. Gold grades are directly related to sulphide content at Hammerdown.

Figure 11. (A) Regional, (B) project geology, (C) cross-section and (D) plan view of vein system



Source: Maritime Resources

Resources: 987koz @ 5.03g/t global resource, 58% conversion to mine inventory

The MRE includes 501koz at 6.6g/t from Hammerdown and 486koz at 4.04g/t from Orion. The drilling database included 814 drill holes for 69,426m. Cut-off grades are 1.0g/t for open pit and 2.0g/t for underground, both calculated at US$1,500/oz. Grades were capped at 125g/t at Hammerdown and 23.88g/t at Orion. Ordinary kriging was used for grade interpolation using 2.5 x 1.0 x 2.5m blocks. For the PEA mine inventory, open pit tonnes were increased by 85% and grade reduced by 46% for Hammerdown, and 72% and 46%, respectively for Orion based on 50% overall dilution at nil grade. For mine planning, underground cut-off grades were increased to 2.5g/t for Orion and 3.0g/t with 64% dilution for Hammerdown and 50% dilution for Orion. The resource and mine inventory appear to be based on appropriately conservative methodology in our view.

Table 2. Resource and PEA mine inventory

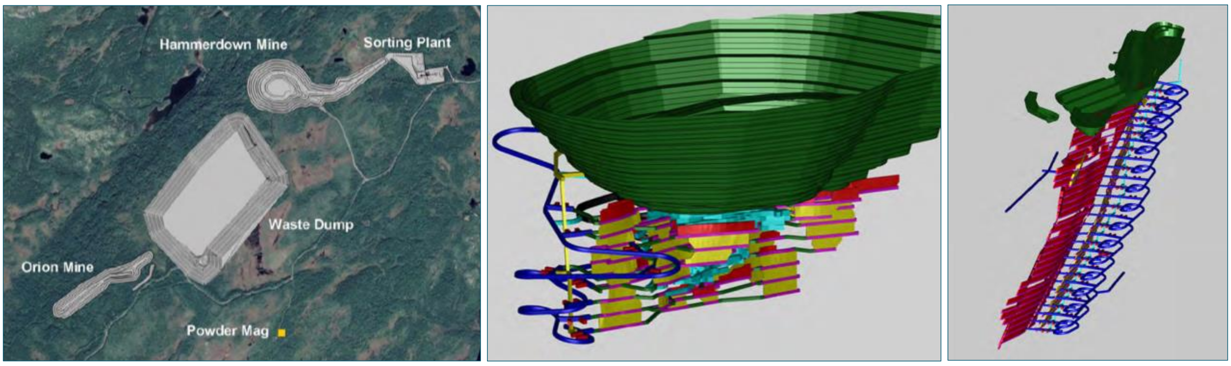
	Hammerdown		Orion		Whisker Valley	Gull Ridge	Total
Mining	OP	UG	OP	UG	Exploration	Exploration	UG + Pit
Licence	Green Bay				Whisker Valley	Gull Ridge	
Licence size (km^2)	112				216	65	369
CY20 drilling (m)	17,981				3,436	--	21,417
CY21 drilling (m)	30,000				10,000		40,000
Resource (kt)	1,584	481	1,482	2,556	--	--	6,103
Resource (g/t Au)	8.43	4.65	3.04	4.15	--	--	5.03
Resource (koz)	430	72	145	341	--	--	987
M&I (%)	70.2%	14.2%	45.9%	41.9%	--	--	52.8%
PEA mine inventory (koz)	256	52	44	221	--	--	569
PEA mined grade (koz)	4.23	7.60	2.38	3.90	--	--	4.01

Source: Maritime Resources

Mining: The PEA includes open pit and underground mining at a nominal total rate of 1,400tpd of ore. The plan is for initial open pit mining at Hammerdown (180m deep x 950m long) and Orion (55m deep x 800m long). UG portals can be staged from to access the footwall of the deposit and existing workings, with the first decline at the 9,913m elevation in the Hammerdown pit, followed by a deeper second access at the pit floor. At both operations, 5m lifts with 8-10m catch berms were designed for every 20 vertical metres. Face angles are expected to be between 65-75° depending on the geology. Haul roads are expected to be two lanes, 20.4m wide (3x operating width of a 46t truck + berm / ditch) with a grade of 10%. Best practice suggests haul road widths should be at least 2.0-3.5x truck width for one or two lanes; the planned road width is in line. Based on this, we believe the haul roads could handle larger trucks than the 20t trucks planned.

Underground production starts in year three, ramping up fully in year four, using the same smaller mining equipment for both areas, and is amenable to cut & fill and longhole mining methods. For reference, Hammerdown was historically mined using cut & fill, but geotechnical work in the PEA plus historical mining data suggests ground conditions are suitable for longhole mining. The deposit geometry is also amenable for longhole mining as the veins are predominantly vertical to sub-vertical, with a dip ranging between 80-90º. Ore thickness is also amenable for long hole mining as average true thickness is 2.0m at Hammerdown and average vein true thickness is 2.5m at Orion. Both of these are above the 1.2m minimum stoping width. Whilst veins pinch and swell, the upside is where veins broaden up to 10m.

Figure 12. (A) PEA site layout and isometric view (B) Hammerdown and (C) Orion pit / underground designs



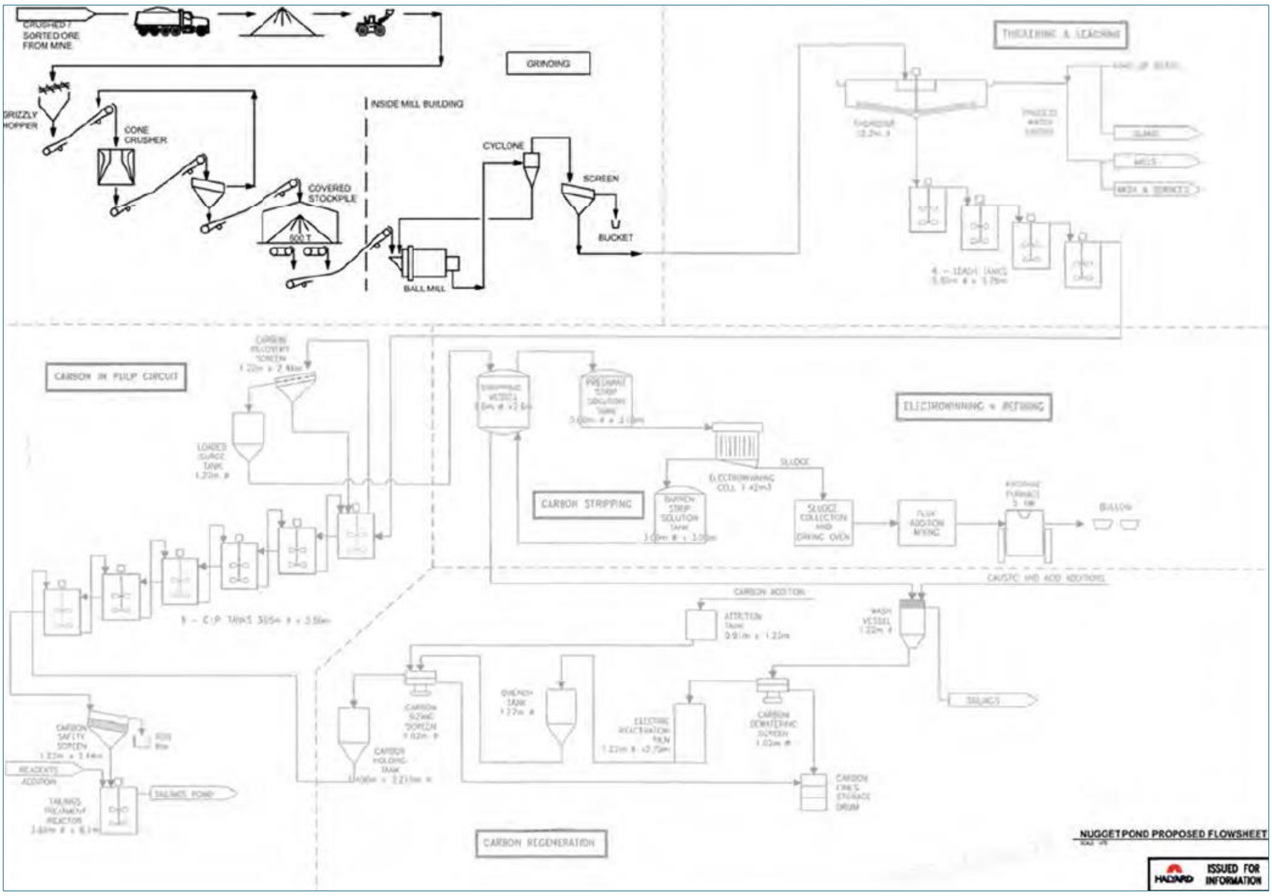
Source: Maritime Resources

Processing: The LOM inventory of ~4.4Mt @ 4g/t is sent to the sorting plant from both the open pits and the underground mines (48 / 52, Hammerdown / Orion) over 5.5 years of the operations life. Post sorting, the PEA assumes 2.14Mt at 7.83g/t is sent to the Nugget Pond processing plant at 97% recovery.

Ore sorting: The PEA assumes a 1400tpd crushing and sorting circuit at the mine site. The circuit includes two-stage crushing, using grizzly and cone crushers, followed by size screening and an XRT ore sorter. The PEA assumes 48.5% mass pull and 94.7% Au recovery with test work indicating 93-95.8% recovery. The plan optimizes strip ratios from both pits by stockpiling lower grade material, prioritizing higher grades upfront, and feeding the lower grade stockpile ore through an ore sorter located at mine site. Trucked and processed ore volume is reduced by sorting to 2.1Mt at 7.8g/t. On these assumptions we calculate that ore sorting is accretive up to a gold price of US$1,972/oz or at spot, to a gold recovery of 94.0% (assuming 48.5% mass pull) or a mass pull of 45.5% (assuming 94.7% Au recovery). Whilst the tests completed in the PEA suggest mineralization at Hammerdown to be amenable to sorting with positive results, sorting doesn't come without risk, namely the lack of common, public, published precedents of it working to nameplate.

Nugget Pond: Sorted ore, crushed to 80% -2" will trucked 140km to the Nugget Pond Mill. The circuit is a standard using a newly built crushing and grinding circuit and the existing leach / CIP circuit at a throughput rate of 700tpd. Ore will be crushed to 100% -1/2" and ground to P80 58 µm using a closed circuit ball mill. The PEA assumed process plant gold recovery is in line with historic processing by Richmont at 97%. Grind size is finer than Marathon Gold's Valentine Lake (75µm) but the PEA's assumed costs appear reasonable. Isa and Verti mills routine regrind to 10um with many global precedents, so we don't see this regrind as a major risk. Tailings will be co-mingled with Rambler's Ming Mine tailings from the flotation circuit and deposited in the currently operating TMF.

Figure 13. Proposed Nugget Pond mill flowsheet schematic with new front end



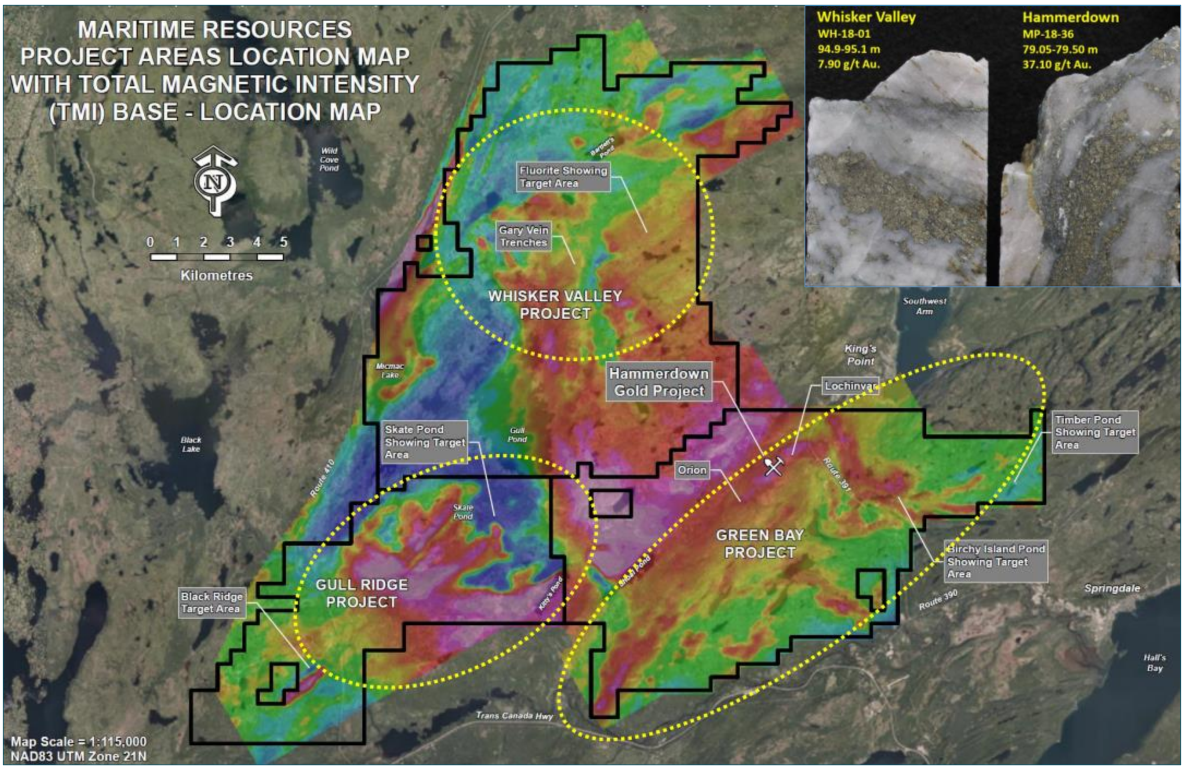
Source: Maritime Resources

Exploration: 358km² in mining district offers discovery upside

Maritime's exploration is systematic and multi-layered, with broad airborne geophysics (VTEM + ZTEM) and bottom up refinement via ground field work (trenching, soil sampling, mapping and ground IP) supported by AI assisted target generation; we call this 'SLAM targeting' (structure, lithology, alteration, mineralization). From Hammerdown and Orion, it is well understood that large-regional scale structures and subsequent faults (splays) play a key role in controlling mineralization. There is close association between gold and sulphide content, making the geophysics a good first step before 'ground truthing' ahead of the drill bit. Maritime's 358km² land package is separated into three key areas (i) **Green Bay** which hosts Orion and Hammerdown deposits, (ii) **Whisker Valley** and (iii) **Gull Ridge**—all connected via contiguous mining claims. Whilst the primary focus of the 30,000m drill programme this year is bulking out resources at Hammerdown and Orion, ~10,000m has been allocated to test new regional targets testing conductivity, chargeability, and geochemical targets across the broader land package for gold and base metals.

Advanced targets: The **Birchy Island Pond** target at Green Bay (5km from east of Hammerdown) is currently being drilled with five holes planned, key here is this is comparable geology to Hammerdown, and ability to be a useful satellite due to its proximity. The **Whisker Valley** (6km north of Hammerdown) is a >200m wide mineralized hydrothermal breccia zone with gold grabs grading up to 1.3g/t at surface and E-W trending epigenetic gold veins comparable to Hammerdown. The first four wide-spaced holes completed in late 2018 targeting a series of high-grade gold, sulphide-bearing quartz veins (Gary, Ben and Jackson) exposed in trenches and sampled over 250m strike returned 1m @ 16g/t including 0.4m @ 37g/t. In 2020, Maritime hit a new blind lode with 6.3m @ 5.7g/t including 0.5m @ 22g/t in a broader corridor from 150m downhole. Next steps will see ground IP and further vectoring towards areas of higher concentrations of sulphide mineralization ahead of a potential drill program. Lastly, the **Gull Ridge** target is a monzonitic intrusion (2km x 4km) with surface samples of base and precious metal occurrences within a large-scale chargeability anomaly that points to a potential blind porphyry underneath. Early identification of polymetallic system quite in an area with limited exploration makes this exciting, albeit more leg work needed to advance to drilling including alteration mapping / IP to vector in on most prospective areas to target.

Figure 14. (A) Plan map of Maritime's 358km² property with magnetic survey and (B) Whiskey Valley vein in core



Source: Maritime Resources

Hammerdown model scenario

Restart: The PEA estimated C$57m capex to establish a 1,400tpd mining and ore sorting operation at Hammerdown, a 700tpd comminution circuit, refurbishment of administrative and infrastructure. We conservatively lift our modelled capex estimate by 15% to C$65m.

Mining schedule: We model construction start in 2H22 occurring over 12-months with first production in 2H23. We model mining ramping up over 6 months to reach 1,400tpd of ore in 1Q24 with initial mined/processed grades of 2.0g/t for the first two quarters.

Opex: The PEA estimates costs of C$4.66/t (US$3.66/t) for open pit mining and C$110/t (US$83/t) UG mining, C$11.45/t for ore sorting, C$18.78/t for haulage (C$0.13/t per hkm), C$31.97/t for processing and C$6.65/t for G&A. The project is subject to a 1% NSR (50% re-purchasable for C$1m), and a C$3.65m one-off royalty payment on positive cash flow. The PEA estimated sustaining capex of C$85m or C$19/t. In our modelled scenario, we lift mining costs to C$5/t for open pit, in line with St Barbara's updated reserve mine plan for Moose River (US$3.75/t), lift ore trucking costs to C$0.20/t per km, and lift ore sorting and processing costs by 5% and 9% to C$12/t and C$35/t, respectively. We have matched PEA estimates for UG mining and G&A costs, and sustaining capex.

Economics: The PEA generated a C$111m $NPV_{5\%\text{-}1375}$ and 51% IRR with LOM AISC of C$938/oz. Our PEA mirror scenario calculates similar outcomes of a C$107m NPV and 51% IRR. Layering on our higher capex and opex estimates, and moderated ramp up schedule, increases LOM AISC to US$992/oz and reduced NPV and IRR to C$88m and 30%, respectively. Increasing the gold price to our base case US$1,850/oz LT gold price estimate results in a mine-build $NPV_{5\%\text{-}1850}$ of C$251m and 67% IRR, moderating to C$217m and 60%, respectively at US$1,750/oz.

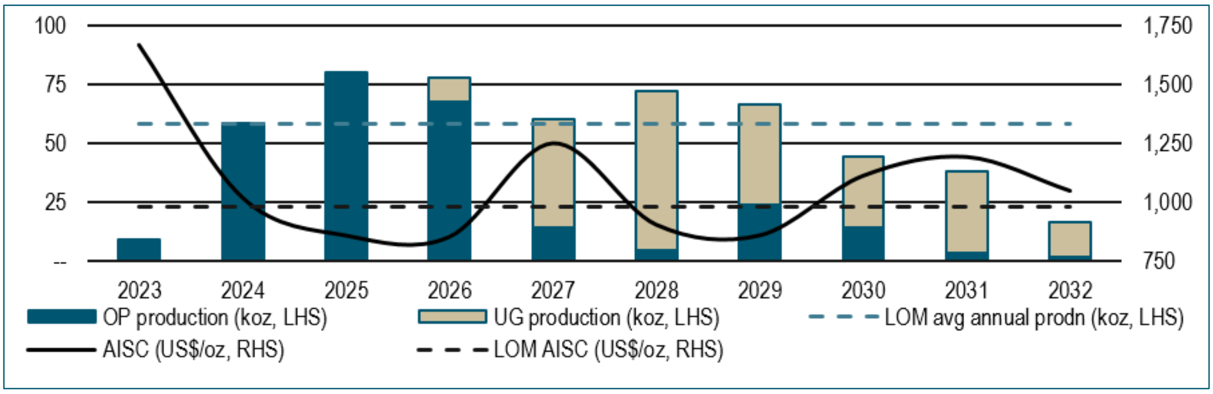
Table 3: Hammerdown mine economic analysis and sensitivity

	Maritime	SCPe			
	PEA	PEA Mirror	SCPe costs	Base Case	Spot
Gold price (US$/oz)	**1,375**	**>>**	**>>**	**1,850**	**1,750**
OP mining inventory (Mt)	2.5	>>	>>	>>	>>
OP grade (g/t)	3.80	>>	>>	>>	>>
OP Au contained (Moz)	301	>>	>>	>>	>>
OP strip ratio (waste:ore)	13.7	>>	>>	>>	>>
UG mining inventory (Mt)	2.0	>>	>>	>>	>>
UG grade (g/t)	4.3	>>	>>	>>	>>
UG Au contained (koz)	268	>>	>>	>>	>>
LoM (years)	18	>>	>>	>>	>>
Peak throughput (Mtpa)	0.28	>>	>>	>>	>>
Recovery (% Au)	97%	>>	>>	>>	>>
LOM production (koz)	522	>>	>>	>>	>>
Avg annual production (koz)	29	>>	>>	>>	>>
Initial capex (C$m)	57	>>	>>	>>	>>
Total sustaining capex (C$m)[(1)]	85	>>	>>	>>	>>
OP mining costs (C$/t mined)	4.66	>>	5.00	>>	>>
UG mining costs (C$/t mined)	109.56	>>	109.56	>>	>>
Ore sorting + rehandle (C$/t ore mined)	12.45	>>	13.00	>>	>>
Hauling cost (C$/t per km)	0.13	>>	0.20	>>	>>
Processing costs (C$/t mined)	31.97	>>	35.00	>>	>>
G&A + water treatment (C$/t mined)	6.65	>>	6.65	>>	>>
AISC (US$/oz)	938	>>	992	997	996
NPV5% (C$m)	111	107	88	**251**	**217**
IRR (%)	51%	51%	30%	**67%**	**60%**

Hammerdown NPV5% sensitivity to gold price, unit costs, and grade					
Hammerdown NPV5% (C$m)	$1700oz	$1750oz	$1850oz	$1900oz	$2000oz
8.0% discount	157	185	199	213	240
7.0% discount	167	196	210	225	254
6.0% discount	177	207	223	238	269
5.0% discount	188	220	**236**	252	284
Hammerdown NPV5% (C$m)	$1700oz	$1800oz	$1850oz	$1900oz	$2000oz
Cost per tonne + 20.0%	132	164	181	197	229
Cost per tonne + 10.0%	160	192	208	224	257
No change	188	220	**236**	252	284
Cost per tonne - 10.0%	216	248	264	280	312
Hammerdown NPV5% (C$m)	$1700oz	$1800oz	$1850oz	$1900oz	$2000oz
20.0% grade reconciliation	234	270	288	306	342
10.0% grade reconciliation	214	249	267	284	319
0.0% grade reconciliation	188	220	**236**	252	284
-10.0% grade reconciliation	153	184	199	214	244

Source: SCPe, Maritime Resources. Note C$251m NPV differs from C$236m shown in sensitivity and in our SCPe NAV due to timing difference. C$251m is measured at build start, not at present (C$236m).

Figure 15. SCPe Production Profile



Source: Maritime Resources

Risks

Geological: We view this risk as moderate. The sheared veins hosting mineralization are high grade and narrow which presents inherent challenges, but the estimation methods and constraining factors used, including grade capping, a pit-constrained resource and nil-grade dilution are sufficiently conservative in our view.

Mining: We view this risk as moderate. Open pit operations are lower risk and the pits are not especially deep. Access to skilled labour and quality contractors in Atlantic Canada is good by global standards. With respect to the planned underground mines, rock quality is considered good. Additional geotechnical data gathering including drilling would further derisk this aspect in our view.

Development: We view this risk as low at Hammerdown. The mine site is not remote by Canadian standards, and is accessible primarily on paved roads with the final kilometres on well-maintained gravel road. Infrastructure includes grid power to site. The mill site is actively processing ore from Rambler's Ming copper mine with well maintained access roads, an active tailings facility and grid power access.

Processing/Metallurgy: We view the CIP portion of the circuit as low risk. The main risk is ore sorting, as test work included multiple passes through the machine which may not be possible at commercial scale.

Environmental: We view this risk as low. The mill site and tailings facility are active and the mine site is already disturbed. Test work indicates limited potential for acid generation or metal leaching. Baseline studies do not indicate specific wildlife concerns.

Social: We view this risk as low. Hammerdown 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. 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.

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UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	47

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