

Ticker: GBAR CN
Market cap: C\$58m

Cash: C\$20m
Price: C\$0.69/sh

Project: Beaufor / McK Break
Country: Canada / QC

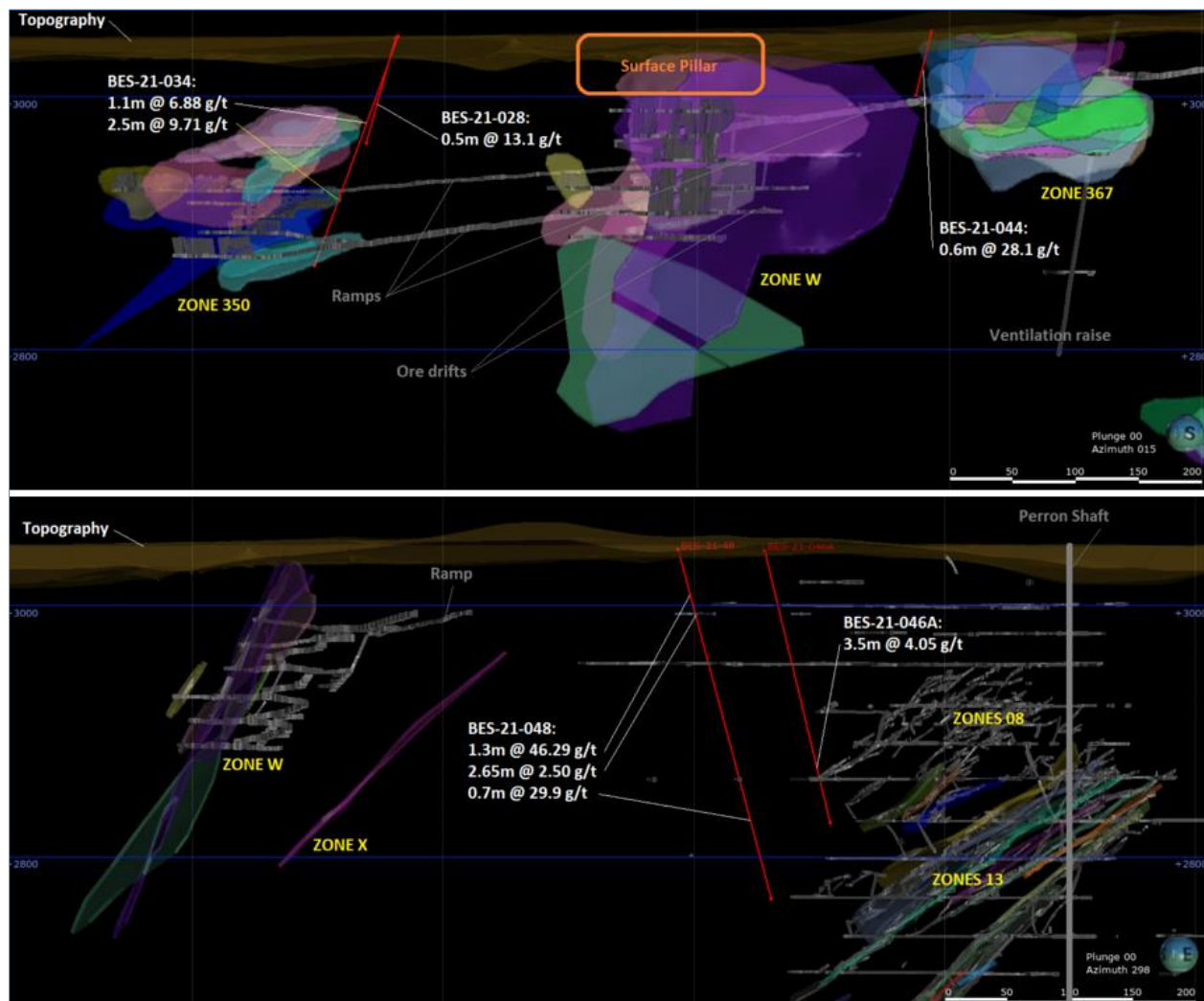
RECOMMENDATION (unc): BUY

TARGET (unc): C\$1.45/sh

RISK RATING: SPECULATIVE

Today's results from the last of the 2021 drill program continues to showcase the continuity of mineralization at Beaufor. Of the 21 holes released today, 33 pierce points were intersected. Better still, the headline hits averaged >30gms. Key here is the location of today hits—all landing within 200m of existing infrastructure, making the case for 'easy' ore access. Stepping back, today's drilling is of >25,000m drilled since the August 2021 MRE, still to be incorporated in the next update / mine plan. With rehab efforts currently underway for W and 350 zones (both with ramp access to surface), we predict quick turn-around from MRE iterations to production restart based on proximity to ore zones from existing infrastructure. As such, we **maintain our BUY rating and C\$1.45/sh** based on a 0.75xNAV multiple on the upcoming Beaufor restart and subsequent expansion to 750tpd / 250koz inventory. While not a large mine, Monarch's market cap is still largely underrated, putting the stock on SCPe 19% FCF yield next year, lifting to SCPe >40% the following year. Still, without an FS the market has been overlooking the story, but Monarch is quite the little jewellery box in our view, with group-wide resources now standing at 1,138koz @ 3.47g/t with 42% M&I between Beaufor, McKenzie Break, Croinor and Swanson.

Figure 1. Beaufor (A) long and (B) section views showing today's drilling and mine development



Source: Monarch Mining

Shallow 0.6m @ 100g/t in wider 1.3m @ 46g/t at Beaufor near mine workings; five rigs turning

Monarch reports final 2021 drill results from 21 holes, highlighting **0.6m @ 99.7g/t** within **1.3m @ 46.3g/t**, **0.5m @ 33.1g/t** within **2.5m @ 9.7g/t**, **0.7m @ 29.9g/t**, and **0.6m @ 28g/t** from the shallow W and 350 zones at Beaufor. A total of 43,419m (258 holes) have been drilled since June 2020. Additional reserve conversion and exploration drilling is ongoing with five underground rigs at Beaufor.

Why we like Monarch

1. Existing ~100koz at Beaufor likely grows to 250koz with current 42,000m drilling
2. Low-cost restart at historic 350tpd / ~20-30koz pa at Beaufor using Beacon Mill
3. Recent drilling 10m @ 35g/t near surface opens door to second decline / 750tpd at Beaufor
4. McKenzie Break 14m @ 14g/t wide open to support resource growth

Catalysts

- 1Q22: Results from 15,000m of drilling at McKenzie Break
- 1H22: Results from drilling underway at Beaufor
- 1Q22: SCPe Beaufor production start
- 1H22: Croinor bulk sample

Research

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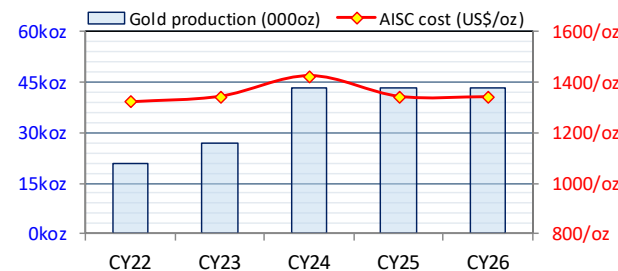
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Ticker: GBAR CN	Price / mkt cap: C\$0.69/sh, C\$58m	Project PNAV today: 0.38x	Asset: Beaufor, McK Brk
Author: B Salier/B Gaspar	Rec / 0.75xNAV P: BUY, C\$1.45/sh	1xNAV_{1Q21} FF FD: C\$1.81/sh	Country: Canada: QC

Commodity price	FY22E	FY23E	FY24E	FY25E	FY26E	Global resources				
Gold price	1,850	1,850	1,850	1,850	1,850	Beaufor	2104kt	5.07g/t	343koz	64% M&I
Monarch Mining SOTP valuation						Mackenzie Break	5156kt	2.39g/t	397koz	37% M&I
	C\$m	O/ship	NAVx	C\$/sh		Croinor	965kt	8.84g/t	274koz	86% M&I
Beaufor @ 1Q22 SPCE	175.1	100%	0.75x	1.15		Swanson	2071kt	1.86g/t	124koz	9% M&I
Central G&A and fin. Costs	(15.0)	100%	0.75x	(0.10)		Total M&I&I resource	10297kt	3.47g/t	1138koz	42% M&I
McKenzie break @ US\$15/oz	7.7	100%	1.00x	0.07		Share data				
Croinor @ US\$15/oz	5.3	100%	1.00x	0.05		Basic shares (m)	84.7	114.4	121.9	
Swanson @ US\$15/oz	2.4	100%	1.00x	0.02		Ratios (yr to Jun)				
3Q21 Net cash + nov rse (C\$m)	19.9	100%	1.00x	0.17		Average shares out (m)	81.8	85.6	85.6	85.6
Cash from options (C\$m)	8.1	100%	1.00x	0.07		EPS (C\$/sh)	0.13	0.18	0.31	0.35
Group NAV5% C\$1850/oz	204	0.24	1.43			CFPS (C\$/sh)	-	0.13	0.29	0.41
<i>*Shares diluted for options but not mine build</i>						EV (C\$m)	56.6	61.2	9.1	(12.9)
Asset value: 1xNAV (C\$m, geared)*						FCF yield (%)	-	19%	43%	60%
Project NPV (C\$m)*	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz	PER (x)	5.2x	3.8x	2.2x	2.0x
10.0% discount	153	168	182	197	211	P/CF (x)	-	5.1x	2.4x	1.7x
7.5% discount	162	177	192	207	222	EV/EBITDA (x)	3.0x	1.8x	0.2x	(0.2)
5.0% discount	171	187	204	220	236	Income stmt (yr to Jun)				
Project NPV (C\$m)*	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz	Net revenue (C\$m)	19.0	55.6	91.5	103.6
10.0% discount	1.10	1.20	1.29	1.38	1.48	COGS (C\$m)	6.8	19.9	32.8	37.0
7.5% discount	1.16	1.26	1.36	1.46	1.55	Gross profit (C\$m)	12.2	35.7	58.8	66.6
5.0% discount	1.22	1.32	1.43	1.54	1.64	Group G&A (C\$m)	(2.6)	2.4	2.4	2.4
<i>*Project level NPV, excl fin costs and cent SGA</i>						Expensed expl'n (C\$m)	(2.9)	-	-	-
NAV over time (FD, C\$m 1Q22 1Q23 1Q24 1Q25 1Q26)						Share based pmnts (C\$m)	-	-	-	-
Beaufor mine (C\$m)	175	189	177	145	111	Care and maintnc (C\$m)	-	-	-	-
Other (EV in-situ, C\$m)	15	15	15	15	15	Depreciation (C\$m)	1.1	5.2	10.0	13.1
Group G&A, finance (C\$m)	(15)	(14)	(11)	(9)	(6)	Tax, fin. cost, other (C\$m)	5.69	12.69	19.99	21.52
Net cash prior qtr (C\$m)	18	16	33	54	90	Net income (C\$m)	11.0	15.4	26.4	29.6
Cash from options (C\$m)	8.1	8.1	8.1	8.1	8.1	Cash flow (yr to Jun)				
NAV FF FD (C\$m)	202	216	223	215	218	EBIT (C\$m)	17.8	28.1	46.4	51.1
FD shares in issue (m)	114.4	121.9	121.9	121.9	121.9	Add back D&A (C\$m)	1.1	5.2	10.0	13.1
1xNAV5%/sh FF FD (C\$/sh)	1.76	1.77	1.83	1.76	1.79	Let tax (C\$m)	2.7	12.1	19.5	21.5
NAV and NAV/sh FD sensitivities						Change in wkg cap (C\$m)	(10.1)	(0.3)	(3.9)	0.0
Project NPV (C\$m)*	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz	Plus other non-cash (C\$m)	(21.3)	(8.9)	(7.4)	(7.2)
10.0% discount	152	166	181	195	209	Cash flow ops (C\$m)	(4.2)	20.36	32.47	42.65
7.5% discount	160	175	191	206	221	PP&E - build + sust. (C\$m)	(21.0)	(8.9)	(7.4)	(7.2)
5.0% discount	169	186	202	218	234	PP&E - expl'n (C\$m)	(2.6)	-	-	-
Project NPV (C\$m)*	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz	Cash flow inv. (C\$m)	(23.5)	(8.9)	(7.4)	(7.2)
10.0% discount	1.33	1.45	1.58	1.70	1.83	Share issue (C\$m)	6.0	-	-	-
7.5% discount	1.40	1.53	1.67	1.80	1.93	Debt draw (repay) (C\$m)	13.5	-	-	(13.5)
5.0% discount	1.48	1.62	1.76	1.90	2.04	Other (C\$m)	1.1	-	-	-
<i>*Project level NPV, excl finance costs and central SGA, discounted to build start</i>						Cash flow fin. (C\$m)	20.62	-	-	(13.5)
<i>^Project NPV incl grp SG&A & fin. cost, +net cash; *diluted for mine build equity</i>						Net change in cash (C\$m)	(7.1)	11.5	25.1	22.0
Beaufor prod'n						EBITDA (C\$m)	(4.4)	(12.1)	(19.5)	(21.5)
Gold production (000oz)	21	27	43	43	43	Balance sheet (yr to Jun)				
AISC cost (US\$/oz)	1,323	1,344	1,424	1,344	1,342	Cash (C\$m)	13.4	24.9	50.0	71.9
						Acc rec., inv, prepaid (C\$m)	6.2	6.3	11.5	11.5
						PP&E + other (C\$m)	77.4	81.3	78.9	73.0
						Total assets (C\$m)	96.9	112.5	140.4	156.5
						Debt (C\$m)	13.5	27.0	-	-
						Accounts payable (C\$m)	1.4	1.5	3.0	3.0
						Others (C\$m)	5.8	5.8	5.8	5.8
						Total liabilities (C\$m)	29.8	16.4	31.4	17.9
						Sh'hlds equity + wrnts (C\$m)	58.7	58.7	58.7	58.7
						Rt'nd earn'gs + rsvs (C\$m)	38.2	53.7	81.6	97.7
						Liabilities + equity (C\$m)	96.9	112.4	140.4	156.5



Source: SCP estimates

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Summary of Recommendations as of January 2022	
BUY:	50
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	1
NOT RATED:	0
TOTAL	51

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