MINEROS SA (MSA CN)

Initiating Coverage: Newly-listed 300koz producer brings 7% div yield to TSX

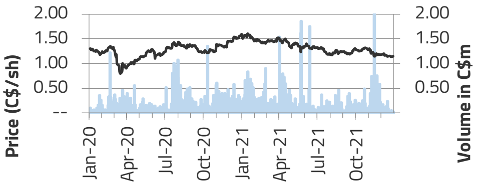
RECOMMENDATION: **BUY** *PRICE TARGET*: **C$2.70** *RISK RATING*: **MEDIUM**

SHARE DATA	**C$1.05/sh**
Shares (basic, FD)	299.7 / 299.7
52-week high/low (C$/sh)	1.24 / 1.05
Market cap (C$m)	315
Net cash (debt) (US$m)	(0)
1.0xNAV5% @ US$1850/oz (US$m)	834
1.0xNAV5% FD (C$/sh)	C$3.53
1.0xNAV5% FD + FF (C$/sh)	C$3.53
P/NAV (x)	0.30x
Average daily value (C$k, 3M)	206.7

FINANCIALS	**2022E**	**2023E**	**2024E**
Gold produced (000oz)	272	262	289
Revenue (US$m)	484	475	530
AISC (US$/oz AuEq)	1,256	1,186	996
Income (US$m)	60.9	75.4	145.3
EPS (C$/sh)	0.20	0.25	0.48
PER (x)	4.1x	3.3x	1.7x
CFPS (C$/sh)	0.43	0.46	0.57
P/CF (x)	1.9x	1.8x	1.4x
EBITDA (US$m)	167.4	185.3	249.2
EV/EBITDA (x)	1.4x	1.1x	0.6x

SPOT VALUATION	**2022E**	**2023E**	**2024E**
1xNAV5% FD (C$/sh)	860	870	916
ROI to 1xNAV (% pa)	95%	57%	42%

SOTP 1xNAV5% US$1850/oz	**US$m**	**C$/sh**
Nechi NPV 4Q21	372	1.58
Hemco NPV 4Q21	240	1.02
Gualcamayo NPV 4Q21	27	0.12
Porvenir NPV 4Q21	101	0.43
Luna Roja NPV 4Q21	106	0.45
DCP at US$50/oz	93	0.39
La Pepa at US$10/oz	10	0.04
Cash and restr. cash 3Q21	86	0.36
Debt 3Q21	(86)	(0.37)
G&A and central costs	(114)	(0.49)
TOTAL	**834**	**3.53**



Source: Factset, Bloomberg

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Multi-asset 250-300koz producer with long dividend paying history

Mineros is a Colombia-headquartered producer with mines in Nicaragua, Colombia and Argentina producing 250-300koz/year plus 6.4Moz in development projects. The company has a 40-year operating history in Colombia and expanded with its 2012 acquisition of the Hemco mine in Nicaragua. Since 2012, Mineros has grown production from 94koz to >250koz while paying US$60/oz in dividends, highlighting its superior ability to find ounces, mine profitably, and allocate capital to growth and dividends.

7% dividend yield backed by 30% FCF yield

Mineros is a "grown-up" company with a dividend policy of at least 15% of profits; it has paid out ~US$60/oz in dividends since 2015. The current 7% LTM dividend yield is backed by nil net debt and a 16% FCF yield in 2021. Between SCPe 2022-2030 average FCF yields of 30% per year, including 20% in 2022 and an 8.6Moz resource base, Mineros has cash flow and resource base to grow dividends long term while reinvesting in life extension and growth.

2022 should see FCF increase by >50%, driven by Nechi and Hemco

We forecast a US$21m or 73% increase in FCF to US$50m in 2022 above 2021's already healthy levels. At Nechi, the permits received in November 2021 enable mining of higher grade areas, which should result in a SCPe 20koz increase in production and a US$100-200/oz improvement in AISC. At Hemco, the new Pioneer mine ramps up in 2022 after initial mine development in 2021.

Actionable growth projects with major catalysts in 2022

We think Mineros has an outstanding suite of growth projects which are in the market cap for free at this point. Even better, Mineros has a catalyst-heavy 2022 ahead that should enable the market to form valuation parameters. We expect a DFS on Porvenir (SCPe 100kozpa) and a maiden Resource on Luna Roja (SCPe 500koz open pit-able) on Mineros's near mine development projects in Nicaragua. We also expect PEAs on the 1.9Moz at 3.4g/t Gualcamayo DCP sulphides project in Argentina and the 3.4Moz La Pepa open pit project in Chile. These projects add US$264m to SCPe NAV or >100% of Mineros's market cap.

Initiate with Buy rating and C$2.70/sh TP based on 1.0xNAV$_{5\%-1850}$ and 12.5% FCF yield

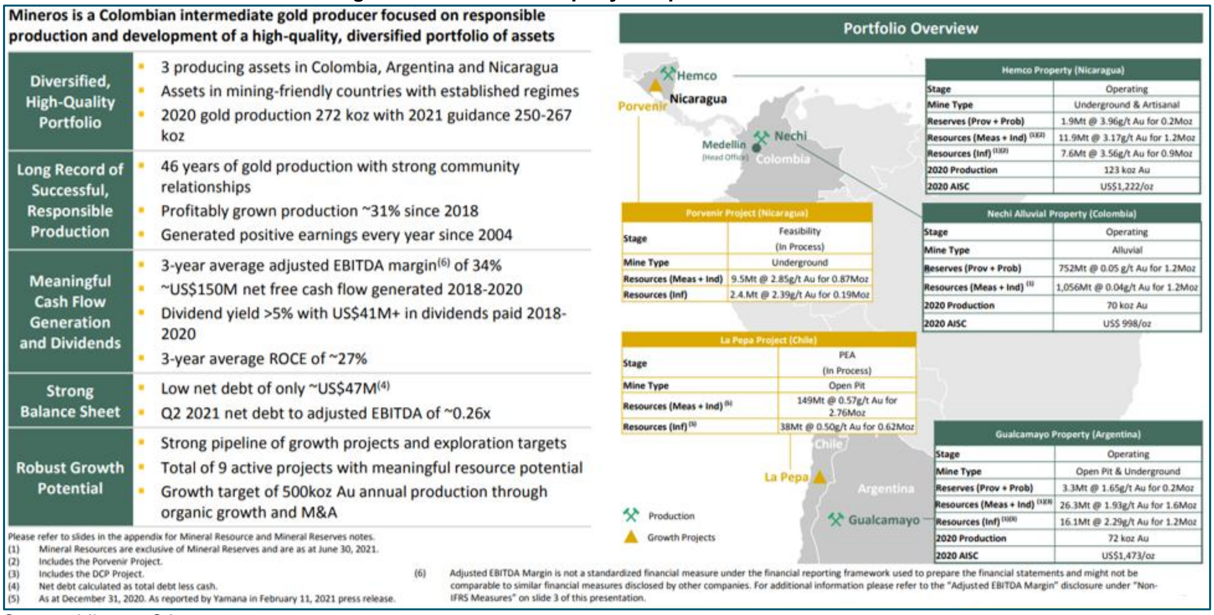
We think Mineros offers something for everyone: Cash flow, yield, growth, diversification, optionality and best of all, a track record of achieving all of the above without needing to raise equity financing. On an SCPe FCF yield of 17%, 0.3x NAV, 1.5x EBITDA and US$31/oz, we see at least 100-200% upside on all major metrics vs peer averages. With downside protected by a 7% dividend yield, and good upside on all metrics, we think Mineros offers among the best risk adjusted returns of TSX-listed gold producers.

Investment case

Overview: 20-year dividend payer that has grown to three mines without increasing share count

Mineros is a Medellin-headquartered gold producer with operating mines in Nicaragua, Colombia and Argentina with a total of 8.4Moz of attributable resources and guidance of 250-267koz at US$1,390-1,473/oz AISC for 2021. Mineros's largest cash generator is the Nechi alluvial operation in Colombia, which produces 80-100kozpa at high margins (SCPe 94koz at US$1,007/oz AISC in 2022). Nicaragua is the largest producer (SCPe 112koz at US$1,205/oz in 2022), with 2.34Moz at 3.4g/t of resources including the 1.2Moz at 2.9g/t Porvenir development project and the Luna Roja deposit. Gualcamayo Mine in Argentina has 2-3 years of remaining oxide heap leach mine life (SCPe 162koz total in 2022-2024). There is a further 1.86Moz at 3.4g/t sulphide resource called the Deep Carbonates Project (DCP). The development pipeline includes near mine SCPe 2-3Moz at Porvenir, Luna Roja and Caribe in Nicaragua and options to develop Gualcamayo DCP, and the 3.4Moz La Pepa project in Chile.

Figure 1: Mineros Company Snapshot and Overview



Source: Mineros SA

Company history

Mineros was founded in 1974, acquired Nechi listed in 1976 in Colombia. Grupo Colpatria became the major shareholder in 1977 and remains a 32% shareholder today. In 2013 Mineros expanded by acquiring a 90% interest in Hemco (Nicaragua) for US$99m in cash. In December 2018, Mineros purchased Gualcamayo from Yamana. In November 2021 Mineros listed on the TSX, concurrent with a US$34m equity placing in Canada and Colombia.

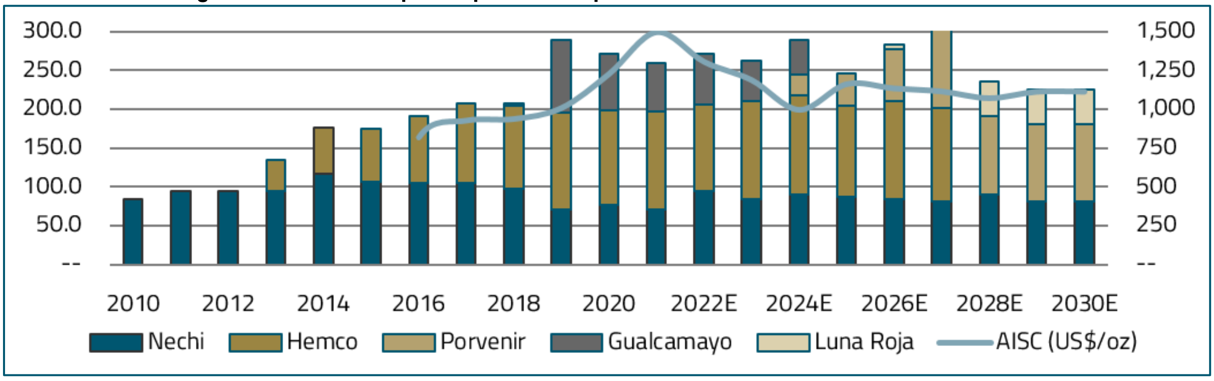
Figure 2: Share price history with key events

Source: Bloomberg, annotated by SCP

Production Profile: 200-300koz producer anchored by Colombia and Nicaragua

In the past ten years Mineros has grown from a single-asset 85koz producer in 2010, to a 250-300koz producer with three mines in three countries. The company's forward target is to grow to a 500koz producer by 2025. we base our estimates on a significantly more conservative scenario, with SCPe average annual production of 240koz at US$1,116/oz AISC. In these forecasts, we include a modest two-year mine life extension at Hemco, development of Porvenir in 2024 and Luna Roja from 2026, and Gualcamayo mine closure in 2023.

Figure 3: Mineros corporate production profile: 2014-2020 actuals and 2021-2030E



Source: SCPe

Nechi (Colombia) has the longest reserve life, to 2034 and is a steady 70-100koz producer that generates US$30-50m of FCF. Hemco (Nicaragua) is the largest producer at 120-140koz, including 40-60koz from own ore and 60-80koz from third party artisanal ore processing. Porvenir and Luna Roja are high margin growth projects that are both within 30km of Hemco and accessible by existing roads. We forecast 100kozpa AuEq from Porvenir (standalone new mill) with first production in 2024, and 45kozpa from Luna Roja (processed at Hemco). The opportunities to uplift our current forecast of 246koz for 2025 to Mineros's 500koz target include earlier development of Porvenir (40-50koz uplift) and Luna Roja (50koz), and the option to extend Gualcamayo's mine life by developing the Deep Carbonates Project (100-150koz). A feasibility study on Porvenir, maiden resource on Luna Roja and PEAs on the DCP and La Pepa are all guided for 2022 which we expect to drive a significant increase in the market's valuation of Mineros's growth pipeline.

Figure 4: Detailed SCPe production, AISC and FCF breakdown by asset

Production (koz)	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Nechi	71	95	84	90	88	84	82	91	81	81	81
Hemco	126	112	127	128	117	127	120	--	--	--	--
Porvenir	--	--	--	26	41	67	100	100	100	100	100
Luna Roja	--	--	--	--	--	5	9	45	45	45	45
Gualcamayo	63	65	52	45	--	--	--	--	--	--	--
Group	**259**	**272**	**262**	**289**	**246**	**282**	**311**	**236**	**226**	**226**	**226**
AISC (US$/oz)											
Nechi	1,264	1,093	1,021	956	1,064	1,110	1,139	1,036	1,149	1,149	1,149
Hemco	1,382	1,239	1,207	1,154	1,257	1,166	1,119	--	--	--	--
Porvenir	--	--	--	1,094	1,094	1,094	1,094	1,094	1,094	1,094	1,094
Luna Roja	--	--	--	--	--	1,324	1,091	1,087	1,087	1,087	1,087
Gualcamayo	1,978	1,521	1,402	570	--	--	--	--	--	--	--
Group	**1,494**	**1,256**	**1,186**	**996**	**1,161**	**1,135**	**1,115**	**1,071**	**1,112**	**1,112**	**1,112**
FCF (US$m)											
Gold price	*1,791*	*1,813*	*1,840*	*1,850*	*1,850*	*1,850*	*1,850*	*1,850*	*1,850*	*1,850*	*1,850*
Nechi	17	37	44	52	44	39	36	47	36	36	36
Hemco	17	21	41	47	32	64	66	-1	-1	-1	-0
Porvenir	--	-5	-50	-41	17	27	39	39	40	40	40
Luna Roja	--	-5	-5	-5	-5	-13	1	29	29	29	29
Gualcamayo	-14	7	20	36	-3	-20	-1	-0	-0	-0	--
Group	**29**	**50**	**43**	**72**	**86**	**59**	**105**	**115**	**90**	**89**	**88**
NPV (US$m)											
Nechi	372	370	352	325	289	260	234	209	172	145	116
Hemco	240	222	212	182	144	119	61	-2	-1	-1	-1
Porvenir	101	108	119	175	224	218	202	172	142	109	75
Luna Roja	106	115	125	137	148	161	181	190	170	150	128
Gualcamayo	27	37	32	13	-22	-20	-2	-1	-1	-0	--
Group	**779**	**780**	**766**	**759**	**721**	**667**	**639**	**560**	**468**	**397**	**323**

Source: SCPe

Financial review: Disciplined capital management, self-funding growth, dividends and returns

Over its 40-year operating history we believe Mineros has demonstrated great ability to generate profits and free cash flow, and allocate said cash flow towards growth and capital returns. Below we highlight Mineros's performance through the last cycle. From 2014 to 2021 YTD annualised, Mineros generated a 5% annual production growth rate, paid US$101m in dividends (US$60 per oz), reduced net debt by US$49m, and generated 17% annual returns on capital. To reiterate, Mineros was able to simultaneously pay down debt, pay dividends and fund growth, all through organic operating cash flow generation. Moreover, Mineros has generated positive net every year since 2004 which highlights Mineros's ability to generate returns and allocate capital efficiently without need for write-downs.

Figure 5: Financial summary – 2014 through 2021 YTD Q3

	2014	2015	2016	2017	2018	2019	2020	2021 Q1-Q3	2014-2021
Gold price (US$/oz)	**1,261**	**1,191**	**1,176**	**1,287**	**1,299**	**1,380**	**1,764**	**1,793**	**1,436**
Production (koz)	**184**	**178**	**191**	**208**	**207**	**290**	**272**	**197**	**1,727**
Shares out (m)	**262**	**262**	**262**	**262**	**262**	**262**	**262**	**262**	**262**
Revenue (US$m)	232	212	225	268	272	411	485	374	2,480
EBITDA (US$m)*	61	76	85	91	98	120	178	119	828
Net income (US$m)	18	22	29	40	52	37	63	32	294
EBITDA margin (%)	*26%*	*36%*	*38%*	*34%*	*36%*	*29%*	*37%*	*32%*	*33%*
Profit margin (%)	*8%*	*11%*	*13%*	*15%*	*19%*	*9%*	*13%*	*9%*	*12%*
Cash from Ops (US$m)	70	43	67	62	56	63	142	68	570
Cash from Investing (US$m)	-55	-37	-30	-34	-54	-41	-63	-59	-373
FCF (US$m)	15	6	37	28	2	22	80	9	197
Net debt (US$m)	75	60	36	17	45	64	11	36	36
Change in net cash (US$m)	2	16	24	19	-28	-19	53	-25	40
Dividends (US$m)	16	11	11	13	14	14	13	14	106
EPS (US$/sh)	0.07	0.09	0.11	0.15	0.20	0.14	0.24	0.12	1.12
EPS growth (%)	-19%	21%	29%	37%	31%	-28%	70%	-34%	12%
Production growth (%)*	36%	-3%	7%	9%	0%	40%	-6%	-3%	5%
3-year forward CAGR (%)*	6%	6%	15%	9%	8%	-2%	-1%	4%	5%
Return on Capital Employed (%)*	13%	18%	19%	23%	22%	20%	33%	27%	22%
ND/EBITDA (x)*	1.24	0.79	0.42	0.19	0.46	0.53	0.06	0.22	0.22

*Source: Mineros SA (2018-2021 Q1-Q3), Factset (2014-2017); *denotes SCPe calculation;*

The combination of disciplined capital allocation, dividends and growth has enabled Mineros to deliver superior returns to its peers, as evidenced by its 68% outperformance on total returns against the GDJX since 2009.

Figure 6: Mineros total returns (net dividends) charted vs the GDX in USD

Source: Bloomberg as at 4 January 2022

Valuation multiples: 17-44% FCF yield, 2-4x P/E and 20-45% ROIC over ten-year outlook

Mineros is trading on compelling forward valuation metrics, including a 20% free cash flow yield, 4.2x P/E and 1.4x 2022E EV/EBITDA. EV metrics become further discounted over time due to net cash accumulation. Even after SCPe 8-10% dividend yields, we project a negative EV by 2027. The balance sheet is strong at nil net cash/debt, and we estimate that planned mine developments can be funded from free cash flow. We expect Mineros to move to a net cash position in 2022, which provides opportunity for significant special dividends. We forecast 23-45% returns on invested capital over the next decade highlighting strong margins on a disciplined asset base.

Figure 7: SCPe valuation estimates 2021-2030E

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Gold price (US$/oz)	**1,791**	**1,813**	**1,840**	**1,850**	**1,850**	**1,850**	**1,850**	**1,850**	**1,850**	**1,850**
Production (koz)	**259**	**272**	**262**	**289**	**246**	**282**	**311**	**236**	**226**	**226**
Avg shares out (m)	**262**	**300**	**300**	**300**	**300**	**300**	**300**	**300**	**300**	**300**
Market Cap (US$m)	216	248	248	248	248	248	248	248	248	248
Net Debt (US$m)	10	-20	-44	-96	-161	-191	-263	-350	-418	-485
EV (US$m)	226	227	204	152	86	57	-15	-103	-171	-237
FCF yield (%)	**13%**	**20%**	**17%**	**29%**	**35%**	**24%**	**42%**	**46%**	**37%**	**36%**
Dividend yield (%)	**7%**	**8%**	**8%**	**8%**	**8%**	**12%**	**13%**	**11%**	**9%**	**9%**
ROIC (%)	17%	26%	29%	45%	27%	30%	32%	27%	23%	24%
Price to earnings (x)	3.5x	4.1x	3.3x	1.7x	2.9x	2.5x	2.3x	2.7x	3.3x	3.4x
EV/Revenue (x)	0.5x	0.5x	0.4x	0.3x	0.2x	0.1x	-0.0x	-0.2x	-0.4x	-0.6x
EV/EBITDA (x)	1.8x	1.4x	1.1x	0.6x	0.5x	0.3x	-0.1x	-0.6x	-1.0x	-1.5x

Source: SCPe

The financials underlying the per share metrics are equally attractive. Margins are healthy at 40-45% EBITDA margin and 15-25% profit margin with steady EPS and high returns on capital. Moreover, Mineros generates more than enough FCF from its continuing operations to fund the development of the Nicaraguan projects, Porvenir (SCPe US$120m, ~100kozpa AuEq), and Luna Rona (US$35m, 45kozpa) while maintaining a 20-40% free cash flow yield that can be used to fund dividends (SCPe 8-10% dividend yield) or further growth. Mineros enters this period with a strong balance sheet and disciplined capital allocation, so operating cash flow is able to fund returns and growth rather than pay down debt or amortize past missteps.

Figure 8: SCPe financial estimates 2021-2030E

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Gold price (US$/oz)	**1,791**	**1,813**	**1,840**	**1,850**	**1,850**	**1,850**	**1,850**	**1,850**	**1,850**	**1,850**
Production (koz)	**259**	**272**	**262**	**289**	**246**	**282**	**311**	**236**	**226**	**226**
Shares out (m)	**262**	**300**	**300**	**300**	**300**	**300**	**300**	**300**	**300**	**300**
Revenue (US$m)	456	484	475	530	447	510	555	419	401	401
EBITDA (US$m)	123	167	185	249	171	199	216	183	163	162
Net income (US$m)	47	61	75	145	85	99	109	91	75	73
EBITDA margin (%)	*27%*	*35%*	*39%*	*47%*	*38%*	*39%*	*39%*	*44%*	*41%*	*40%*
Profit margin (%)	*10%*	*13%*	*16%*	*27%*	*19%*	*20%*	*20%*	*22%*	*19%*	*18%*
Cash from Ops (US$m)	86	129	140	167	128	134	147	146	122	120
Growth capex (US$m)	-37	-39	-60	-60	-10	-10	-10	--	--	--
Sustaining capex (US$m)	-66	-40	-37	-35	-32	-64	-32	-31	-31	-31
FCF (US$m)	29	50	43	72	86	59	105	115	90	89
Net debt (net cash) (US$m)	10	-20	-44	-96	-161	-191	-263	-350	-418	-485
Change in net cash (US$m)	30	23	52	66	29	72	87	68	67	66
Dividends (US$m)	15	20	20	20	20	30	33	27	22	22
EPS (US$/sh)	0.18	0.20	0.25	0.48	0.28	0.33	0.36	0.30	0.25	0.24
EPS growth (%)	-26%	69%	24%	93%	-41%	17%	10%	-17%	-18%	-2%
Production growth (%)	-28%	4%	-4%	10%	-15%	15%	10%	-24%	-4%	0%
3-year forward CAGR (%)	4%	-3%	2%	2%	-1%	-7%	-10%	-1%	0%	-9%
Return on Capital Employed (%)	14%	20%	22%	32%	18%	19%	19%	15%	12%	11%
ND/EBITDA (x)*	0.06	-0.11	-0.18	-0.56	-0.81	-0.89	-1.44	-2.15	-2.58	-2.99

Source: SCPe

Valuation: Significant upside vs peers and intrinsic value

We value the producing mines using a discounted cash flow methodology at a 5% discount rate and US$1,850 LT gold price. Colombia and Nicaragua (Hemco, Porvenir and Luna Roja) provide the bulk of NAV at 44% and 53%, respectively. We project a flat share count as there are no options, warrants or dilutive securities outstanding and growth can be self-funded. Adding US$50/oz for brownfield DCP underground ounces at Gualcamayo and US$10/oz for La Pepa (Chilean earn-in), we generate a gross NAV of US$834m or C$3.53/sh. Importantly, our forecasts show steady NAVPS accretion over year over year. This highlights continued value creation, but also only modest execution risk relative to Mineros's track record, technical capabilities, and balance sheet strength.

Figure 9: Summary of DCF-driven NAV per share estimates through 2030E

	Metric	Multiple	Present	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Nechi	NPV5%	1.0x	372	370	352	325	289	260	234	209	172	145
Hemco	NPV5%	1.0x	240	222	212	182	144	119	61	-2	-1	-1
Porvenir	NPV5%	1.0x	101	108	119	175	224	218	202	172	142	109
Luna Roja	NPV5%	1.0x	106	115	125	137	148	161	181	190	170	150
Gualcamayo	NPV5%	1.0x	27	37	32	13	-22	-20	-2	-1	-1	-0
Modelled mines subtotal			**846**	**852**	**840**	**831**	**784**	**738**	**676**	**568**	**482**	**403**
DCP	$/oz	$50	93	93	93	93	93	93	93	93	93	93
La Pepa	$/oz	$10	10	10	10	10	10	10	10	10	10	10
Exploration Subtotal			**102**	**102**	**102**	**102**	**102**	**102**	**102**	**102**	**102**	**102**
Cash (US$m)			86	70	83	125	181	202	268	350	418	485
Debt (US$m)			-86	-50	-40	-29	-20	-11	-5	0	0	0
Net cash subtotal (US$m)			**0**	**20**	**44**	**96**	**161**	**191**	**263**	**350**	**418**	**485**
G&A (US$m)	NPV5%	1.0x	**-114**	**-114**	**-116**	**-114**	**-102**	**-107**	**-72**	**-36**	**-38**	**-26**
Total NAV (US$m)			**834**	**860**	**870**	**916**	**946**	**924**	**970**	**985**	**965**	**964**
Shares out (m)			300	300	300	300	300	300	300	300	300	300
NAVPS (US$/sh)			**2.78**	**2.87**	**2.90**	**3.05**	**3.16**	**3.08**	**3.24**	**3.28**	**3.22**	**3.22**
NAVPS (C$/sh)			**3.53**	**3.65**	**3.69**	**3.88**	**4.01**	**3.92**	**4.11**	**4.17**	**4.09**	**4.09**
P/NAV			*0.30x*	*0.29x*	*0.28x*	*0.27x*	*0.26x*	*0.27x*	*0.26x*	*0.25x*	*0.26x*	*0.26x*

Source: SCPe

Below we show Mineros's valuation metrics vs other mid-tier Latin American precious producers. Mineros shows significant upside to the peer ranges for all major valuation metrics including DCF, trading multiples, free cash flow and dividend yields, and in-situ value. Mineros's ability to maintain high dividends and self-funded growth and its diverse asset base makes Mineros lower risk than its peers from a jurisdiction and management perspective. Moreover, with Nechi and Hemco in cash flow harvest mode, and low-risk near-mine growth projects at Luna Roja and Porvenir, we believe Mineros has lower technical risk than its peers as well. Despite this, Mineros trades at a 50-75% discount to peer multiples for NAV, EBITDA, FCF yield and $/oz multiples. As a newcomer to the TSX, we believe Mineros is a hidden gem that will re-rate quickly as it becomes a household name among TSX gold miners.

Figure 10: Comparative analysis of Mineros vs LatAm producer peers

							EV/EBITDA		P/E		FCF yield		Dividend Yield		EV/oz AuEq		
	Ticker	Sh Px	Market Cap	EV	NAVPS	P/NAV	2021e	2022e	2021e	2022e	2021e	2022e	2021e	2022e	2P	M&I	MI&I
		US$/sh	US$m	US$m	US$/sh	(X)	(X)	(X)	(X)	(X)	%	%	%	%	US$/oz	US$/oz	US$/oz
Equinox Gold	EQX-CA	6.00	1,805	1,935	14.39	0.42x	5.6x	4.6x	1.8x	1.6x	(6%)	(17%)	--	--	$118	$64	$48
Lundin Gold	LUG-CA	7.25	1,689	2,230	9.95	0.73x	5.2x	5.2x	3.1x	2.9x	16%	15%	--	--	$418	$298	$231
Fortuna Silver Mines	FVI-CA	3.45	1,007	1,135	4.41	0.78x	4.0x	3.4x	1.9x	1.6x	1%	9%	--	--	$285	$224	$183
Hochschild Mining	HOC-LON	1.47	755	769	--	--	2.0x	2.2x	0.9x	1.0x	20%	3%	3.2%	3.0%	$574	$59	$46
Torex Gold	TXG-CA	9.70	832	617	23.77	0.41x	1.2x	1.4x	0.7x	0.8x	13%	1%	--	--	$316	$136	$119
McEwen Mining	MUX-CA	0.90	415	418	2.22	0.41x	--	--	3.1x	2.2x	7%	24%	--	--	$401	$15	$7
GCM Mining	GCM-CA	4.17	411	438	19.79	0.21x	2.3x	2.2x	1.1x	1.1x	(8%)	(3%)	--	--	$693	$40	$35
Calibre Mining	CXB-CA	0.99	337	293	2.08	0.48x	2.2x	1.8x	0.9x	0.7x	7%	12%	--	--	$333	$189	$134
Jaguar Mining	JAG-CA	3.29	238	208	6.86	0.48x	2.8x	2.2x	1.4x	1.2x	--	--	--	--	$412	$139	$84
Mineros SA	**MSA-CA**	**0.87**	**248**	**248**	**2.78**	**0.30x**	**2.0x**	**1.5x**	**0.5x**	**0.5x**	**12%**	**20%**	**8.0%**	**7.7%**	**$156**	**$54**	**$30**
Mean						**0.49x**	**3.2x**	**2.9x**	**1.7x**	**1.4x**	**6%**	**5%**	**0.4%**	**0.3%**	**$394**	**$129**	**$99**
Weigted Average						**0.54x**	**4.1x**	**3.8x**	**1.9x**	**1.7x**	**9%**	**4%**	**0.3%**	**0.3%**	**$262**	**$112**	**$83**
Average excluding high and low						**0.49x**	**3.1x**	**2.7x**	**1.6x**	**1.3x**	**6%**	**6%**	**--**	**--**	**$391**	**$122**	**$93**

Source: Market data and consensus estimates from Factset, Mineros estimates from SCPe

Initiate with a BUY recommendation and C$2.70/sh price target based on 1x NAV and 12.5% FCF yield

We think Mineros offers best in class risk adjusted upside among its TSX peers, combining the dividends, diversification and track record of a mid-tier with multiples that are cheap even for a small-cap. The company has cash flowing current operations, attractive near mine growth projects, and a track record of simultaneous organic growth and cash returns to shareholders. On our current conservative estimates alone we believe there is 100-200% upside to peer multiples across the board. Moreover, we see further sources of upside from Hemco mine life extension, faster development of Porvenir (SCPe 2024) and Luna Roja (SCPe 2026), exploration in Nicaragua and Colombia, and optionality from DCP and La Pepa. We initiate with a BUY rating and C$2.70/sh price target based on equal weightings between 1.0x NAV5%-1850, and a 12.5% next three-year average FCF yield.

Catalysts

- 1Q22: Updated Porvenir reserves and feasibility study
- 1Q22 La Pepa PEA
- 1Q22: Deep Carbonates Project PEA
- 2Q22: Luna Roja maiden resource

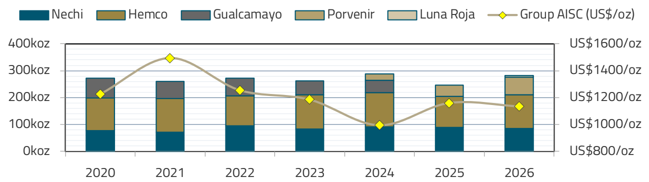
Ticker: MSA CN	**Price / mkt cap:**	C$1.05/sh, C$315m	**Market P/NAV:**	0.30x	**Assets:**	Hemco, Nechi
Author: J Chan / B Gaspar / E Magdzinski	**Rec / 1xNAV PT:**	BUY / C$2.70	**1xNAV$_{2020}$ FD:**	C$3.53/sh	**Country:**	Colo, Nica, Arg

Group-level SOTP valuation	3Q21	4Q21			
		US$m	**O/ship**	**NAVx**	**C$/sh**
Nechi NPV 4Q21		372	100%	1.00x	1.58
Hemco NPV 4Q21		240	100%	1.00x	1.02
Gualcamayo NPV 4Q21		27	100%	1.00x	0.12
Porvenir NPV 4Q21		101	100%	1.00x	0.43
Luna Roja NPV 4Q21		106	100%	1.00x	0.45
DCP at US$50/oz		93	100%	1.00x	0.39
La Pepa at US$10/oz		10	100%	1.00x	0.04
Cash and restr. cash 3Q21		86	100%	1.00x	0.36
Debt 3Q21		(86)	100%	1.00x	(0.37)
G&A and central costs		(114)	100%	1.00x	(0.49)
1xNAV5% US$1850/oz - Fully Funded		**834**			**3.53**
		Multiple	**Metric ($/sh)**		**Target (C$/sh)**
P/NAV:		**1.00x**	**3.53**		**3.50**
FCF Yield (3yr average)		**12.5%**	**0.18**		**1.90**
Blended Price Target					**2.70**

1xNAV sensitivity to gold price and discount / NAV multiple					
1xNAV asset (US$m)	$1500oz	$1700oz	$1850oz	$2000oz	$2200oz
8% discount	375	544	671	798	967
7% discount	400	583	720	857	1,040
6% discount	427	626	774	922	1,120
5% discount	458	673	834	995	1,209
4% discount	491	725	899	1,074	1,307
Valuation (C$/sh)	$1500oz	$1700oz	$1850oz	$2000oz	$2200oz
0.50xNAV	0.90	1.40	1.80	2.30	2.80
0.75xNAV	1.10	1.80	2.30	2.80	3.40
1.00xNAV	1.30	2.20	2.70	3.30	4.10
1.25xNAV	1.60	2.50	3.20	3.90	4.70

Valuation over time	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Mines NPV (US$m)	831	852	840	831	784
Projects (US$m)	102	102	102	102	102
Cntrl G&A & fin costs (US$m)	(109)	(114)	(116)	(114)	(102)
Net cash at year-end (US$m)	(0)	20	44	96	161
1xNAV (US$m)	824	860	870	916	946
1xNAVPS FD (C$/sh)	3.49	3.65	3.69	3.88	4.01
P/NAV (x):	0.30x	0.29x	0.28x	0.27x	0.26x
ROI to equity holder (% pa)	*264%*	*95%*	*57%*	*42%*	*33%*

Mineros 1xNAV sensitivity					
Asset NPV5% (US$m)	$1700oz	$1800oz	$1850oz	$1900oz	$2000oz
8.0% discount	544	629	671	713	798
7.0% discount	583	674	720	766	857
6.0% discount	626	725	774	824	922
5.0% discount	673	780	834	887	995
Assets NPV5% (US$m)	$1700oz	$1800oz	$1850oz	$1900oz	$2000oz
Cost per tonne + 20.0%	350	456	508	561	666
Cost per tonne + 10.0%	512	618	671	724	830
No change	673	780	834	887	995
Assets NPV5% (US$m)	$1700oz	$1800oz	$1850oz	$1900oz	$2000oz
5.0% grade reconciliation	775	887	943	999	1,111
0.0% grade reconciliation	673	780	834	887	995
-5.0% grade reconciliation	570	672	724	775	878



Production (100%)	**CY20A**	**CY21E**	**CY22E**	**CY23E**	**CY24E**
Nicaragua - Hemco (000oz)	122	126	112	127	128
Colombia - Nechi (000oz)	77	71	95	84	90
Argentina - Gualcamayo (000oz)	72	63	65	52	45
Nicaragua - Porvenir (000oz)	-	-	-	-	26
Nicaragua - Luna Roja (000oz)	-	-	-	-	-
Group (000oz)	272	259	272	262	289
Group cash cost (US$/oz)	1,018	1,252	1,131	1,068	911
Group AISC (US$/oz)	1,226	1,494	1,256	1,186	996

Resource / Reserve (Moz)	**P&P**	**M&I**	**Inf**	**Total**	**EV/oz**
Hard Rock	0.42	3.42	2.18	6.01	
Alluvial	1.17	1.21	--	2.38	
Total	**1.59**	**4.63**	**2.18**	**8.39**	**30**

Share data			**Basic**	**FD**	**FD+FF**
Shares out (m)			299.7	299.7	299.7

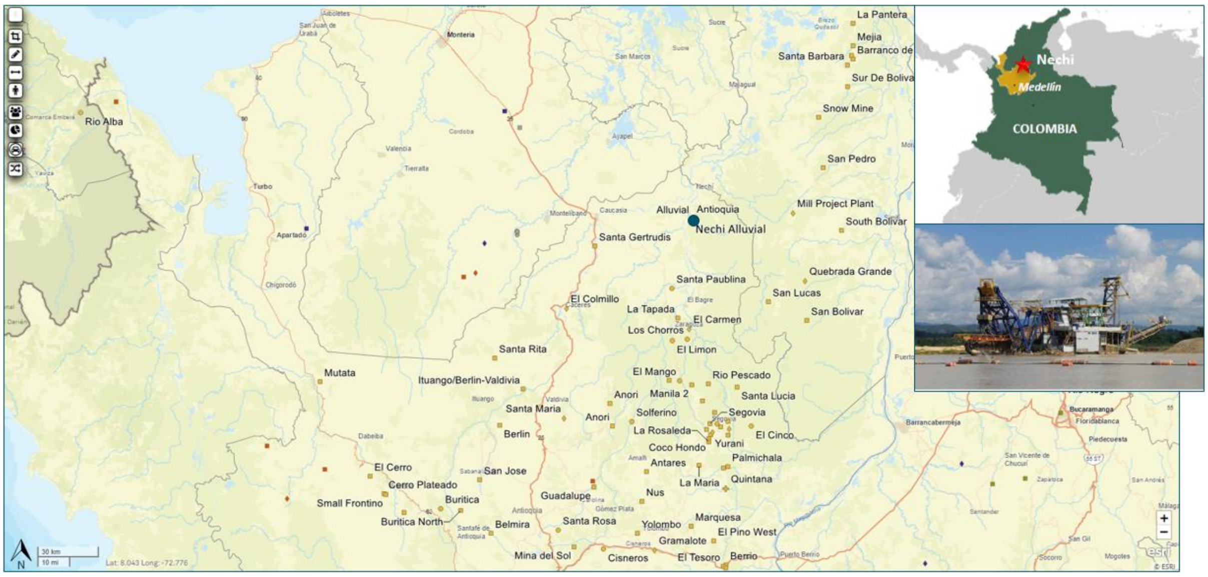
Commodity price	**CY20A**	**CY21E**	**CY22E**	**CY23E**	**CY24E**
Gold price (US$/oz)	1,772	1,791	1,813	1,840	1,850
Ratio analysis	**CY20A**	**CY21E**	**CY22E**	**CY23E**	**CY24E**
FD shares out (m)	261.7	261.7	299.7	299.7	299.7
EPS (US$/sh)	0.24	0.18	0.20	0.25	0.48
CFPS before w/c (US$/sh)	0.54	0.39	0.43	0.46	0.57
FCFPS pre growth (US$/sh)	0.44	0.12	0.30	0.34	0.44
FCFPS (US$m)	0.30	(0.03)	0.17	0.14	0.24
FCF yield pre growth (%)	61%	14%	36%	42%	53%
FCF yield (%)	42%	13%	20%	17%	29%
EBITDA margin (%)	37%	27%	35%	39%	47%
FCF margin (%)	29%	19%	27%	29%	32%
ROE (%)	13%	15%	16%	25%	13%
ROA (%)	8%	10%	11%	19%	10%
ROCE (%)	33%	14%	20%	22%	32%
PER (x)	4.7x	3.5x	4.1x	3.3x	1.7x
P/CF (x)	1.3x	2.1x	1.9x	1.8x	1.4x
EV/EBITDA (x)	1.1x	1.8x	1.4x	1.1x	0.6x
Income statement	**CY20A**	**CY21E**	**CY22E**	**CY23E**	**CY24E**
Revenue (US$m)	485	456	484	475	530
COGS (US$m)	(282)	(318)	(301)	(275)	(264)
Gross profit (US$m)	**204**	**138**	**183**	**200**	**266**
Expenses (US$m)	(67)	(71)	(83)	(79)	(44)
Impairment & other (US$m)	(23)	16	--	--	--
Net finance costs (US$m)	(8)	(5)	(5)	(4)	(3)
Tax (US$m)	(42)	(30)	(35)	(42)	(74)
Minority interest (US$m)	(0)	--	--	--	--
Net income attr. (US$m)	**63**	**47**	**61**	**75**	**145**
Cash flow	**CY20A**	**CY21E**	**CY22E**	**CY23E**	**CY24E**
Profit/(loss) after tax (US$m)	63	47	61	75	145
Add non-cash items (US$m)	77	54	67	64	27
Less wkg cap / other (US$m)	2	(16)	2	1	(5)
Cash flow ops (US$m)	**142**	**86**	**129**	**140**	**167**
PP&E (US$m)	(72)	(68)	(79)	(97)	(95)
Other (US$m)	9	(25)	--	--	--
Cash flow inv. (US$m)	**(63)**	**(93)**	**(79)**	**(97)**	**(95)**
Debt draw (repayment) (US$m)	(5)	--	(36)	(10)	(10)
Equity issuance (US$m)	--	34	--	--	--
Other (US$m)	(31)	(15)	(20)	(20)	(20)
Cash flow fin. (US$m)	**(36)**	**19**	**(56)**	**(30)**	**(30)**
Net change post forex (US$m)	44	13	(6)	13	42
Balance sheet	**CY20A**	**CY21E**	**CY22E**	**CY23E**	**CY24E**
Cash (US$m)	64	76	70	83	125
Accounts receivable (US$m)	20	44	46	46	51
Inventories (US$m)	86	82	79	74	72
PPE & exploration (US$m)	266	312	324	357	425
Other (US$m)	107	100	100	100	100
Total assets (US$m)	**542**	**614**	**620**	**660**	**773**
Debt (US$m)	74	86	50	40	29
Other liabilities (US$m)	153	158	159	154	152
Shareholders equity (US$m)	0	1	1	1	1
Retained earnings (US$m)	314	360	401	456	582
Minority int. & other (US$m)	0	10	10	10	10
Liabilities+equity (US$m)	**542**	**614**	**620**	**660**	**773**
Net cash (US$m)	*(11)*	*(10)*	*20*	*44*	*96*
Net debt to NTM EBITDA (x)	*0.1x*	*0.1x*	*(0.1x)*	*(0.2x)*	*(0.6x)*
Payout Analysis	**CY20A**	**CY21E**	**CY22E**	**CY23E**	**CY24E**
Beginning Cash (US$m)	19	64	76	70	83
Cash flow less debt mature (US$m)	75	(7)	14	33	62
Cash available for dividends (US$m)	94	57	90	103	145
Dividend (US$m)	13	15	20	20	20
Dividend yield (%)	6%	9%	8%	8%	8%
Payout (% of net income)	19%	42%	33%	27%	14%

Source: SCP estimates

Nechi, Colombia (100% owned)

Mineros's long-time cash flow machine, the Nechi operation extracts gold from gravels in and around the flood plain of the Nechi River in Antioquia, Colombia. The operation is based in El Bagre (pop ~50k), located 190km north of Medellin. Video overview link. **History:** Commercial dredging commenced in 1937. Mineros purchased the mining concession titles for the Nechi alluvial deposits from Pato Consolidated in 1974. The operation as produced 3.0Moz since 1974 including 62koz per year from 1974-2009 and 83.5koz per year from 2010-2021.

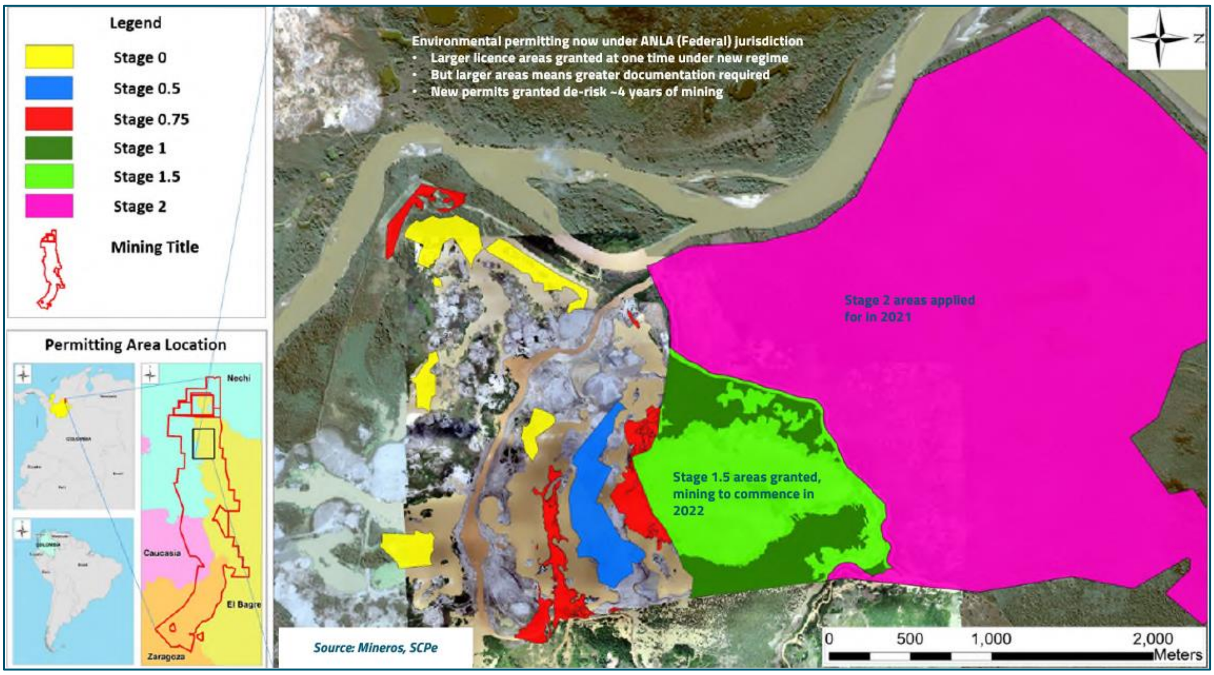
Figure 11 Nechi location with other gold properties shown



Source: S&P Market Intelligence, Mineros SA, SCPe

Permitting and land tenure: In 2018, Nechi was designated a project of national interest and brought under federal environmental permitting (previously it was regional). This resulted in a longer permitting process of ongoing environmental permits, but these were granted in October 2021, enabling Mineros to mine higher grades in 2022. In the figure below, the granted areas cover stage 1.5. The property is held under two types of titles: Recognition of Private Property (RPP) totalling 364km^2, and mining concession contracts for 49km^2. Concessions are granted for 30-years including a 3 to 11-year exploration period, a 3-4-year construction phase, and the remainder in the exploitation phase. A concession can be extended by up to 30 years, subject to new ESIA studies.

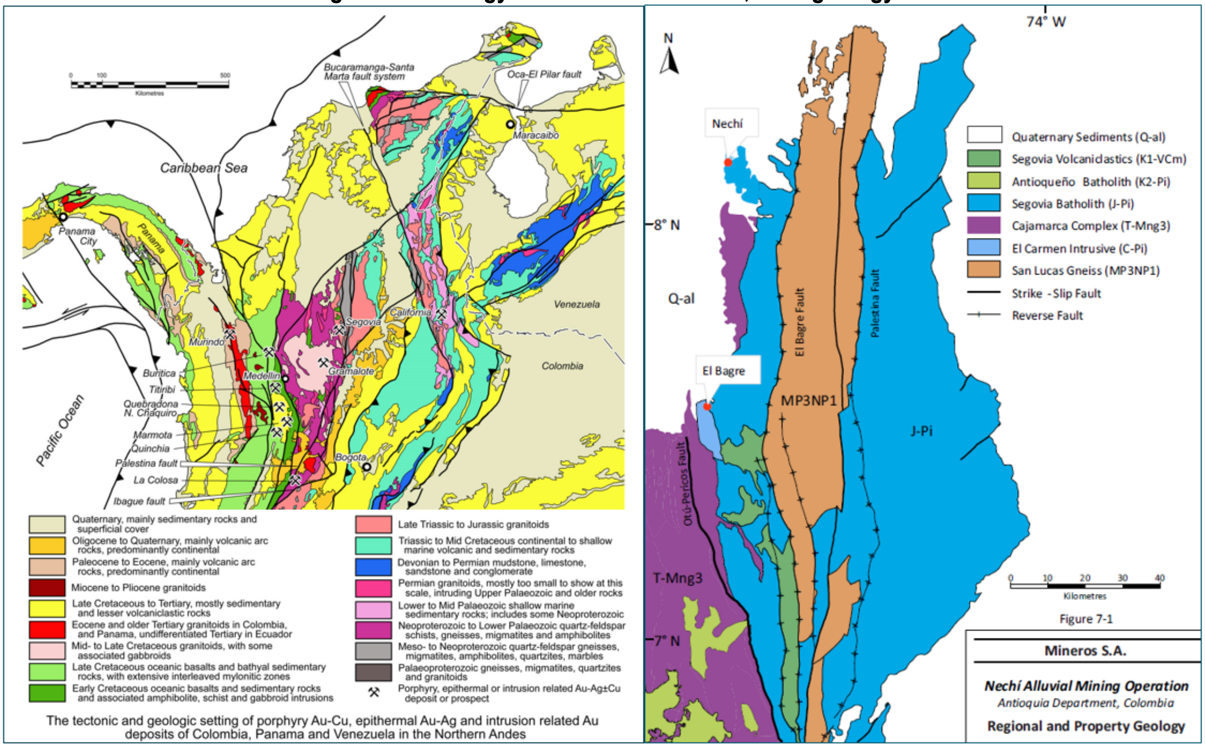
Figure 12: Map of environmental plan permit application areas – Stage 1.5 areas granted



Geology

Central Colombia is well endowed with gold deposits, including the >10Moz Gramalote and Segovia deposits, therefore it is not surprising that its alluvial systems are well endowed with secondary gold deposits. The property lies within the Central Cordillera, one of the three subdivisions on the Andes in northern South America. The Antioquia and Segovia batholiths are late Cretaceous plutons that host large intrusive-hosted gold systems including the Gramalote (Palaeocene) and Segovia (Paleogene) deposits.

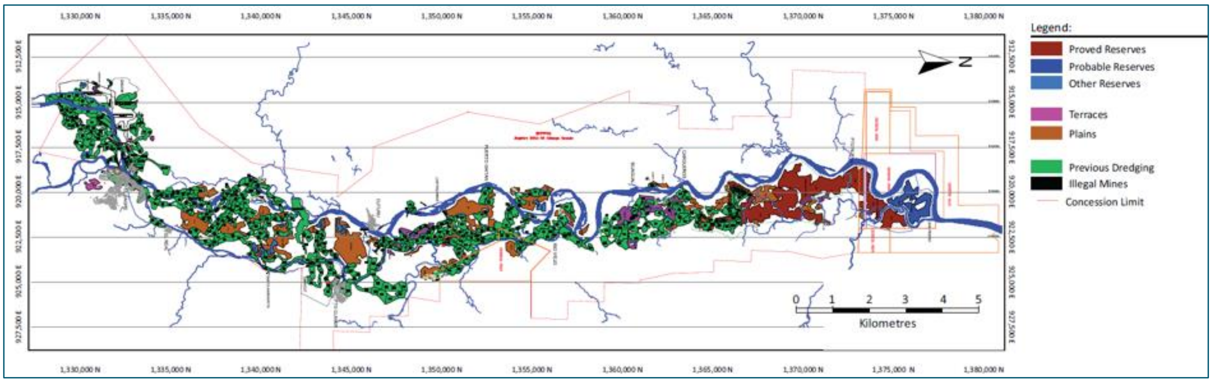
Figure 13: Geology of the northern Andes, local geology



Source: PorterGeo, Mineros SA

The Nechi alluvial deposit consists of sediments sourced predominantly from the Segovia batholith, Antioquian batholith and other intrusive bodies along the San Lucas Range. Most of the gold deposited with the alluvium is derived from igneous and metamorphic rocks enriched with primary disseminated and vein gold mineralization. Areas underlain by foliated and jointed rock fabrics form favourable deposition sites. Gravel plain-style placers are Mineros's primary exploration targets. Deposits are generally characterized by well-rounded gravels, few boulders and fine gold distributed laterally and vertically in the pay formations. Placers are formed in low velocity channels and in low-gradient valleys, therefore better grades and widths occur in river bends.

Figure 14:Plan view of reserve and resource areas (note looking west)



Source: Mineros SA

Figure 15: NI 43-101 resource estimate as at 30 June 2021

	Pay Gravel	Grade	Overburden	Total Volume	Area	Total Depth	Raw Gold	Diluted Grade	Fine Gold
	(000 m^3)	(mg/m^3 Au)	(000 m^3)	(000 m^3)	(ha)	(m)	(kg Au)	(mg/m^3 Au)	(koz Au)
Alluvial Plains	--	--	--	347,625	--	--	37,449	108	1,081
Suction dredge and terraces	--	--	--	27,948	--	--	3,173	113	93
Total Proven and Probable	**--**	**--**	**--**	**375,573**	**--**	**--**	**40,621**	**109**	**1,174**
Terrace Resources	1,886	126	2,010	3,896	55	7	490	121	14
Alluvial Plains	203,587	167	226,432	430,019	1,837	23	33,900	79	970
Brazilian Dredge	35,795	189	40,079	75,866	318	24	6,676	88	191
Total Measured	**241,268**	**167**	**268,521**	**509,781**	**2,154**	**23**	**41,065**	**80**	**1,175**
Indicated	11,937	104	6,535	18,472	82	23	1,245	67	36
M&I (exclusive of reserves)	**253,205**	**167**	**275,056**	**528,253**	**2,236**	**23**	**42,310**	**80**	**1,211**
Total reserves and resources				**903,826**			**82,931**	**92**	**2,385**

Source: Mineros SA; 15 September 2021 NI 43-101 Technical Report; As at 30 June 2021; resource cut-off grade of 34mg/m3, resource estimated at US$1,700/oz Au and 3,500 COP/USD; driling capped at 290mg/m3; average pay-gravel thickness of 11.1m, average overburden thickness of 12.0m

Reserves and Resources:

The technical report including the resource estimate was completed by SLR in Canada. The mineralised resource estimate is 1.21Moz at 80mg per cubic metre over an area of 22.36km^2 comprising 253 million cubic metres of pay gravel. Measured resources are drilled out at 122m x 122m grid spacing using Ward churn drills. Scouting techniques include drilling and sampling alluvium and terraces along the Nechi River, predominantly on the east flood plain closer to the Segovia Batholith. Overburden can be up to 14m deep therefore drilling is necessary to verify grade and horizon thickness. Seven drills are currently employed for a combination of scout drilling, mine plan infill, and testing old tailings. A single grade is estimated for pay formations in the hole and areas above are then contoured to determine the measured mineral resource areas. SLR noted that drill spacing compares favourably to that used by American River alluvials (mined 1898-1962) and to the Folsom, CA alluvial gold operation.

Figure 16: Reserve and resource cut-off parameters

Reserves cut-offs					
Parameter	Units	Bucket Line Dredge Plain Alluvials	Terrace Alluvials	Suction Plain Alluvials	Brazilian Suction Plain Alluvials
Gold Price	US$/oz Au	1,500	1,500	1,500	1,500
Volume	Mm3	28.3	0.46	3.09	0.70
Recovery	%	80%	75%	80%	70%
Total cost	COP million	142,171	5,396	15,636	3,903
Exchange Rate	COP/US$	3,500	3,500	3,500	3,500
Total cost	US$m	40.6	1.5	4.5	1.1
Unit Operating Cost	US$/m3	1.43	3.36	1.45	1.59
Cut-Off Grade	**mg/m^3 Au**	**38**	**96**	**39**	**49**

Source: Mineros SA Ni 43-101 Technical Report 15 September 2021

Resources cut-offs				
Parameter	Units	Terraces	Cutter Section Dredge Plains	Brazilian Dredge Plains
Gold Price	US$/oz Au	1,700	1,700	1,700
Exchange Rate	COP/US$	3,500	3,500	3,500
Unit Operating Cost	US$/m3	3.35	1.45	1.59
Process Recovery	%	75%	80%	70%
Cut-Off Grade	**mg/m^3 Au**	**85**	**34**	**43**

Source: Mineros SA Ni 43-101 Technical Report 15 September 2021

Figure 17: Historical drilling and comparison of Mineros drill density with US placer deposits

Year	Holes	Metres (m)	Average Depth (m)
1959-1979	**11751**	**278,172**	**26**
2016	411	10,576	26
2017	328	8,240	25
2018	262	6484	25
2019	185	4802	26
2020	247	6054	25
2021	239	4279	18
2016-2021	**1,672**	**40,435**	**24**

Source: Mineros SA

Location of Placer	Drill Hole Density (Acres/hole)	Drill Hole Density (m^2/hole)	Grid (m)
Mineros (Colombia)	1.3	5,152	60
Mineros (Colombia)	3.7	14,884	122
US placers	1	4,047	64
US placers	2	8,094	90
US placers	3	12,141	110
Folsom, CA	4	16,188	127
US placers maximum	10	40,469	201

Source: Mineros SA, US Dept Interor, Tech Bull. 4, 1970

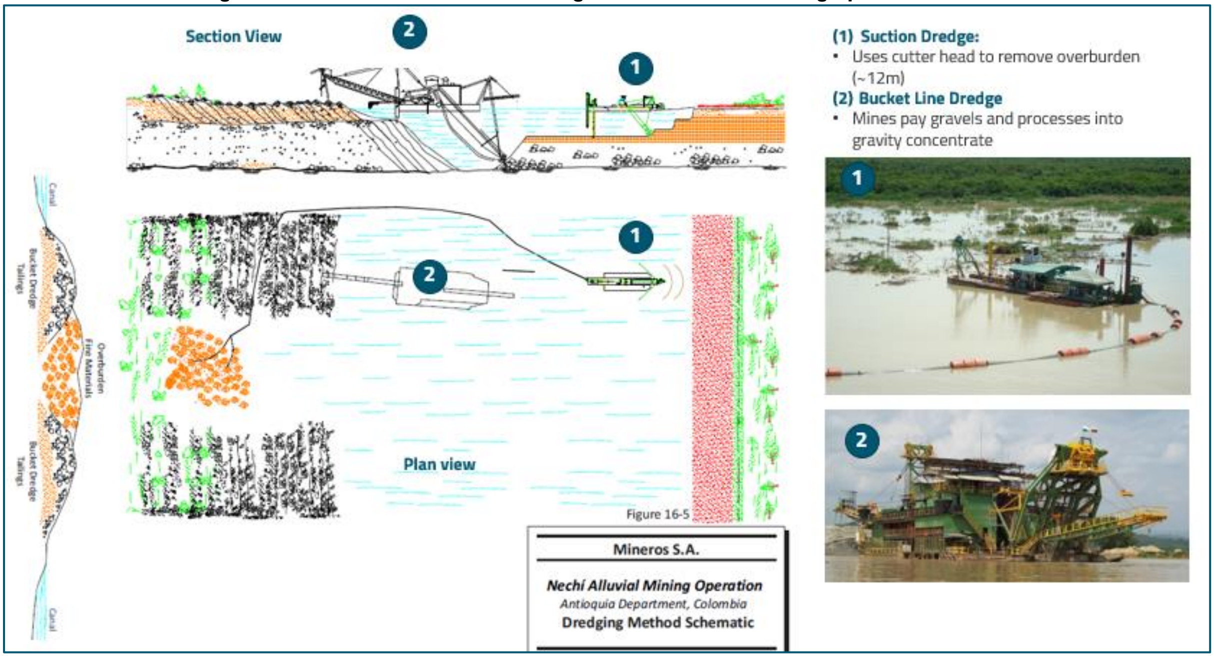
Reserves include ~12m of overburden; pay gravel grades are higher and volumes lower than the diluted volume shown. There are two sources of dilution: overburden not removed by the suction dredge and side-wall waste slough. Mining dilution is estimated at 13.9% (of pay gravels) for bucket line dredge, suction dredge and terrace mining. For the LOM plan estimated dilution is 14.3% for bucket line dredges in the first year and 10% thereafter. For suction dredging and terrace excavation 7.5% dilution of pay gravels is estimated. Relative to reserve volumes, which include overburden, this works out to 3.9-6.0% dilution overall.

Mining and processing

Mining: Mining takes place 365 days a year, 24h per day. Equipment availability is ~80%. Average depth for the zones is ~25m including overburden and pay gravels. Maximum dredge depth is 30m. Mining recovery is assumed to be 100% of M&I material in designated mining blocks.

Bucket Line Dredges: Mineros operates five dredge production units, each consisting of a wheel cutter suction dredge to strip mud/overburden, followed by a bucket line dredge that mines and processes the gold bearing gravels and sands to a minimum depth of 30m. In total there are seven suction dredges to remove overburden and five bucket line dredges for mining pay gravels. Each bucket line dredge has nominal capacity of 500m^3/hour. Suction dredges have a capacity of 300-500m^3/hour. This method accounts for 81% of production.

Figure 18: Overview of suction dredge and bucket line dredge production unit



Source: Mineros SA, SCPe

Suction Dredge: The "Llanuras" production unit consisting of a suction dredge for overburden removal, a modified suction dredge for mining the gold-bearing gravels, and a new floating plant, works smaller blocks of alluvial plains reserves.

Brazilian dredges: Six "Brazilian" rotary-head suction dredges are used to mine alluvial plains, terraces and old tailings. Mineros plans to increase this to 12 Brazilian dredges over the course of the reserve life. Vegetation and topsoil is removed using a bulldozer and overburden clays and sands are removed using a wheel cutter suction dredge. The Brazilian dredge uses a suction rotary cutter head to remove the pay gravels and processed on board.

Figure 19: (A) Llanuras suction dredge and attached floating processing plant; (B) Brazilian dredges

Source: Mineros SA

Processing: The bucket line dredges process gravels on board to produce gravity concentrate using three stages at 10:1, 6:1 and 6:1 concentration ratios, respectively. The Llanuras unit uses hydro cyclones and screens to separate large waste, then a rougher-cleaner-scavenger Gekko IPJ gravity separation jib to produce concentrate. The Brazilian dredges use a 1' grizzly to screen the -25mm fraction from large waste, followed by gravimetric separation to produce concentrate. Concentrate is flown by helicopter from each of the operations to the El Bagre processing plant where further gravity separation and a flotation scavenger stage are used to concentrate gold and remove impurities, followed by smelting to produce gold dore bars, which are exported to Switzerland and the US. Estimated gold recoveries range from 70% for Brazilian dredge areas to 80% for bucket line dredges.

Third party ore: The operation can opportunistically process third party ore at the El Bagre processing plant. We do not expect third party ore to be prominent over the mine life but there may be some processing of third party ores in the near term as mining ramps up in newly permitted areas.

Infrastructure and other: The operation has a fleet of excavators, backhoes and bulldozers to support overburden clearing. River equipment includes boats, canoes, and barges. The El Bagre complex covers 2.25km2 and includes administrative buildings, warehouse storage, and a 20-bed hospital (now operated by the Antiquoian health authority). There is also a nearby airport that accommodates short take-off and landing aircraft. Power is provided by a hydropower station as well as 3.4MW of backup diesel generator capacity.

Environmental and Social: Mineros's operations are designed to minimize impact. Alluvial blocks are progressively rehabilitated with the target of return to pre-mining land use and geomorphic conditions within several years of mining completion. Before mining commences detailed studies are undertaken to inform the rehabilitation plan. Cut-off banks are also established to isolate natural flows from working areas. Mineros compensates farmers for land use and damage and carries out construction and revegetation at agreed locations after completion of reclamation. Revegetation and environmental compensation plans were reviewed in detail as part of the permitting process. Mineros phased out the use of mercury in 2012 and completely eliminated mercury amalgamation in 2014 and transitioned to gravity recovery.

While alluvial mining is stigmatized, and environmental impact cannot be totally eliminated during mining, we believe Mineros's operating practices result in significantly better environmental and social outcomes for the community than widespread informal mining operations. Mineros's operations are professional and include grade control, which ensures that mined areas are profitable enough to fund professional rehabilitation and non-mercury gold processing, which achieves better environmental and worker health and safety outcomes.

Figure 20: Rehabilitated former mining areas at Nechi

Source: Mineros SA

Economics

The 2021 NI 43-101 Technical Report includes life of mine operating parameters as shown below with production through early 2034 averaging ~77kozpa at US$884/oz AISC. Key operating parameters include US$55-59m/year operating costs of which US$24m per year or US$0.80/m³ are fixed G&A and ~US$1.24/m³ are variable costs. Sustaining capex plus ongoing rehab costs average US$7.1m per year. 6% royalties to the Government are attributable and the corporate tax rate is 30-33%. Per the technical report, at US$1,500/oz, the project generates US$423m of life-of-mine FCF.

Figure 21: Economic summary – Mineros Technical Report and SCPe shown below

NI 43-101 mine plan	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035+	Total
Bucket dredges (000m³)	1,296	26,662	27,380	27,343	27,246	27,648	27,328	26,995	26,332	26,005	27,395	27,803	25,359	4,134		328,926
Other dredges (000m³)	99	2,258	2,631	3,152	2,821	3,013	3,025	3,161	3,069	2,812	862	--	--	--		26,903
Total tonnes processed (000m³)	1,395	28,920	30,011	30,495	30,067	30,661	30,353	30,156	29,401	28,817	28,257	27,803	25,359	4,134		355,829
Grade (mg/m³)	105	124	115	123	116	93	102	113	121	123	191	120	108	73		115
Gold contained (koz)	4	102	98	108	100	82	89	98	102	101	106	95	78	9		1,171
Recovery	79%	80%	80%	80%	80%	76%	80%	80%	80%	80%	80%	80%	80%	80%		80%
Gold produced (koz)	**3**	**82**	**79**	**86**	**80**	**62**	**71**	**78**	**81**	**81**	**85**	**76**	**63**	**7**		**934**
Cash cost (US$m)	21	59	59	59	58	58	58	58	58	58	57	55	51	17		726
Cash cost (US$/m³)	14.71	2.03	1.96	1.94	1.94	1.88	1.91	1.94	1.98	2.01	2.02	1.99	2.00	4.15		2.04
Cash cost (US$/oz)	**6,217**	**719**	**746**	**686**	**730**	**924**	**818**	**747**	**717**	**712**	**674**	**726**	**810**	**2,487**		**777**
AISC (US$m)	32	62	65	67	66	65	66	66	67	63	66	64	57	21		826
AISC (US$/m³)	22.96	2.14	2.17	2.19	2.19	2.13	2.17	2.20	2.26	2.19	2.32	2.29	2.24	4.96		2.32
AISC (US$/oz)	**9,706**	**758**	**827**	**775**	**824**	**1,046**	**929**	**850**	**820**	**777**	**774**	**838**	**908**	**2,974**		**884**
Development capex (US$m)	2	--	--	--	--	--	--	--	--	--	--	--	--	--		2
Sustaining capex (US$m)	8	5	5	5	5	5	5	5	5	5	5	5	5	2		70
Closure cost (US$m)	3	1	1	2	2	2	2	3	3	3	3	3	3	3	12	46
Total capex (US$m)	**13**	**6**	**6**	**7**	**7**	**7**	**7**	**8**	**8**	**8**	**8**	**8**	**8**	**6**	**12**	**117**

Source: Mineros SA NI 43-101 Technical Report, 15 September 2021; Priced at US$1500/oz

SCPe modelled scenario	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035+	Total
Gold price (US$/oz)	1,791	1,813	1,840	1,850	1,850	1,850	1,850	1,850	1,850	1,850	1,850	1,850	1,850	1,850	1,850	1,842
Production (koz)	71	95	84	90	88	84	82	91	81	81	81	81	81	80	--	1,170
vs Technical Report		*13*	*5*	*4*	*8*	*22*	*11*	*13*	*-0*	*-0*	*-4*	*5*	*18*	*73*	--	168
Cash cost (US$/oz)	1,044	889	839	778	874	916	943	848	952	951	951	951	952	962	--	914
AISC (US$/oz)	1,264	1,093	1,021	956	1,064	1,110	1,139	1,036	1,149	1,149	1,149	1,149	1,150	1,161	--	1,110
Capex (US$m)	13	16	7	8	9	9	9	10	10	10	10	10	10	10	12	152
FCF (US$m)	17	37	44	52	44	39	36	47	36	36	36	35	36	35	-12	519
NPV5%	372															

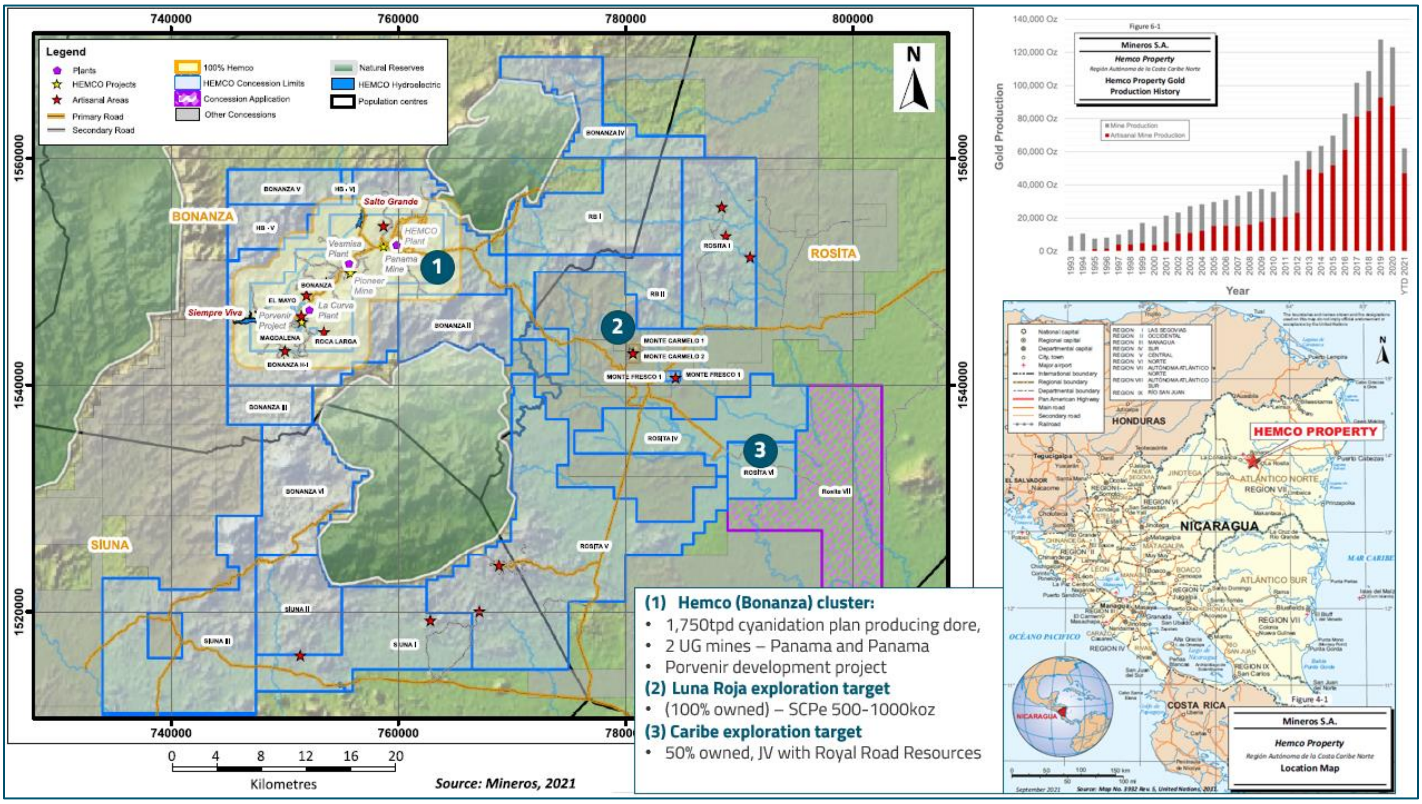
Source: SCPe, mine plan based on NI 43-101 technical report with modifications in 2021 and 2022; and running SCPe cost and capex estimates including US$2.20/m³ cash costs

We assume higher production and capex than the technical report, incorporating an additional 168koz of the 1.2Moz of M&I resources outside reserves. We assume higher capex in 2022 and 2023 for permitting and additional capacity, which results in a higher LOM average production rate of 85kozpa vs 77kozpa in the 43-101. We conservatively model higher operating costs in 2022 and 2023 as the new mining areas are developed, and use a US$2.20/m³ long-term operating cost estimate, ~10% higher than the technical report. In addition, we model moderately higher capex at US$10m/year, US$1.5m/year above the technical report. This generates US$519m of LOM FCF at our LT US$1850/oz gold price estimate and an NPV5% of US$372m.

Nicaragua – Hemco, Porvenir and Luna Roja (99.9975% owned)

Hemco is located in NE Nicaragua, in an area known as the Golden Triangle, near the town of Bonanza (pop ~30k) and 30km from the town of Rosita (pop 15k). Bonanza is connected to the national hydroelectric grid and has services including restaurants, hotels, shops, and a 30-bed hospital. The main road from Managua (Nicaragua's capital city) to Puerto Cabezas on the Caribbean coast passes through Rosita. There is a dirt airstrip at Bonanza and 3x weekly flights from Managua. The climate is wet with rain during most of the year and a short dry season. Average annual precipitation is 2,800mm. The average temperature during rainy season from May to October is 27-32°C increasing to 35°C during the dry season from November through April.

Figure 22: (A) Land tenure map, (B) production history since 1993, (C) location in Nicaragua



Source: Mineros SA

History: Gold deposits were discovered in 1880, underground mining commenced in 1889, and a cyanide mill was built in 1905. The Pioneer Mine, currently in development by Mineros, produced 375koz. The Panama Mine produced from the early 1900s with more than 50 named veins. Mines were nationalized in 1979 from predominantly American ownership. Hemco consolidated and reprivatized the areas mines in 1994. Mineros purchased 90% of Hemco in March 2013 and purchased the remaining stakes in 2016 and January 2021.

Reserves and Resources

The resource estimate was completed by SLR Consulting Canada, which acquired previous consultant RPA. The resource estimate by deposit is shown below. The majority of the resource was estimated using block models with grade assignment by using inverse distance, with the exception of ~130koz in the Panama area above level 850ft. The majority of veins were wireframe constrained using Leapfrog. Varying capping methodologies were applied.

Figure 23: Reserves and Resources

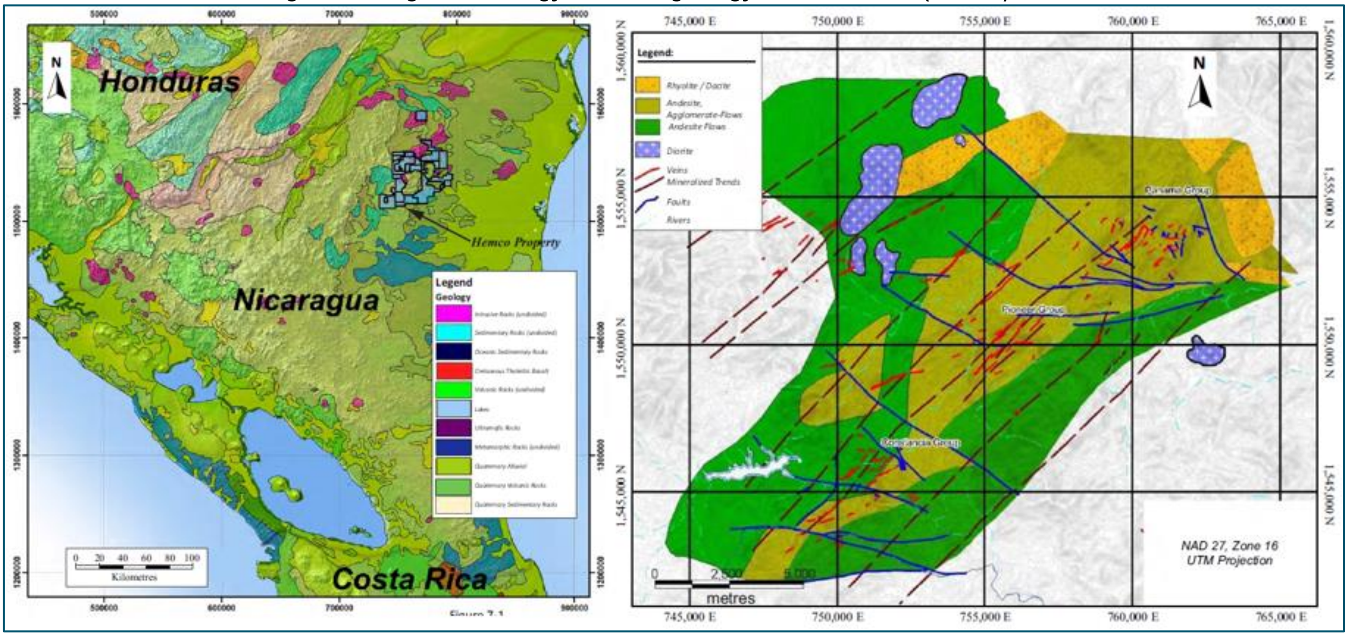
	2P Reserves					Measured and Indicated (exclusive of reserves)					Inferred					Total Contained				
Deposit	Tonnes	Grade	Au	Ag	Zn	Tonnes	Grade	Au	Ag	Zn	Tonnes	Grade	Au	Ag	Zn	Tonnes	Grade	Au	Ag	Zn
	Kt	(g/t Au)	Koz	Koz	Koz	Kt	(g/t Au)	Koz	Koz	Koz	Kt	(g/t Au)	Koz	Koz	Koz	Kt	(g/t Au)	Koz	Koz	Koz
Panama	1,198	3.69	142	--	--	1,977	4.59	292	--	--	2,118	4.42	301	--	--	5,293	4.32	735	--	--
Pioneer	704	4.42	100	--	--	407	3.64	48	123	--	851	3.63	99	258	--	1,962	3.92	247	381	--
Porvenir	--	--	--	--	--	9,507	2.85	872	3,070	249	2,446	2.39	188	955	80	11,953	2.76	1,060	4,025	329
Other	--	--	--	--	--	--	--	--	--	--	2,161	4.00	277.8	464.6	13.5	2,161	4.00	278	465	13
Total	**1,902**	**3.96**	**242**	**--**	**--**	**11,891**	**3.17**	**1,212**	**3,193**	**249**	**7,575**	**3.56**	**867**	**1,678**	**93**	**21,368**	**3.38**	**2,320**	**4,871**	**342**

Source: Mineros NI 43-101 Technical Report, 15 September 2021; Cutoff values 2.52g/t for Panama polygonal, 1.8g/t for Panama Open Pit, 2.0g/t Au for Panama below 850ft, US$70-84.60/t NSR for Porvenir, US$73.3/t for Leticia and San Antonio, 2.0g/t Au for Porvenir, 3.0g/t for Artisanal Areas

Geology

Gold mineralization in eastern Nicaragua is related to a Late Cretaceous to early Paleocene (61.1 +/- 2.3 Ma) island arc on oceanic (Siuna) to continental (Bonanza) crust. At Bonanza (Hemco), the main mineralizing trend is two parallel NE-trending andesitic volcanic sequences. Mineralization is hosted in quartz breccia veins associated with N-NE extension with strike-slip structures that result in steeply dipping veins offset by conjugate east-west fault trends. Pyrite occurs as disseminated specks and blebs in amounts greater than 2% but becomes more sulphide rich at depth. Oxidation is irregular but the weathering profile is generally to a depth of ~60 feet below surface but can be as deep as 120m below surface. Mineralization is generally free milling but higher cyanide soluble copper at depth does occur in specific zones which increases cyanide consumption.

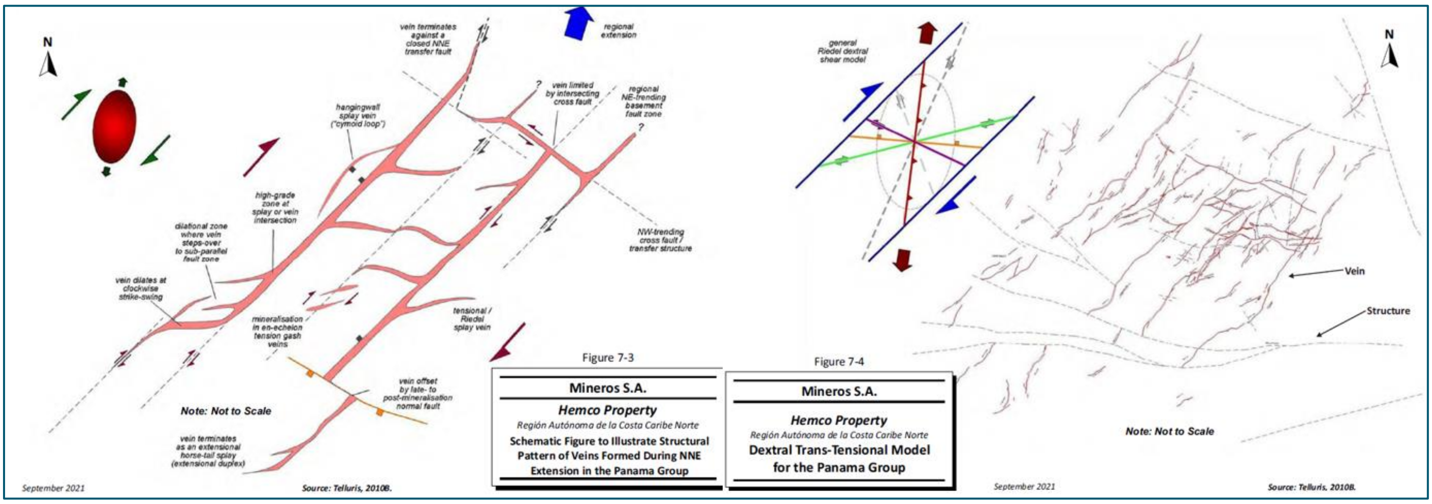
Figure 24: Regional Geology and local geology of the Bonanza (Hemco) District



Source: Mineros SA

The majority of mineralization consists of volcanic-hosted Au-Ag quartz veins potentially with Cu, Pb and Zn sulphides present with vertical zonation of metals. Veins in the NE of the district, including the Panama and Pioneer mines are lower in base metal content. Porvenir, Leticia and San Antonio are interpreted to be deeper in the epithermal system and have higher base metal content. Skarn mineralization is present in the Siuna and Rosita sub-districts where intrusive rocks intruded Cretaceous calcareous sedimentary rocks – Luna Roja, located 2.5km north of the town of Rosita, is a skarn-type deposit.

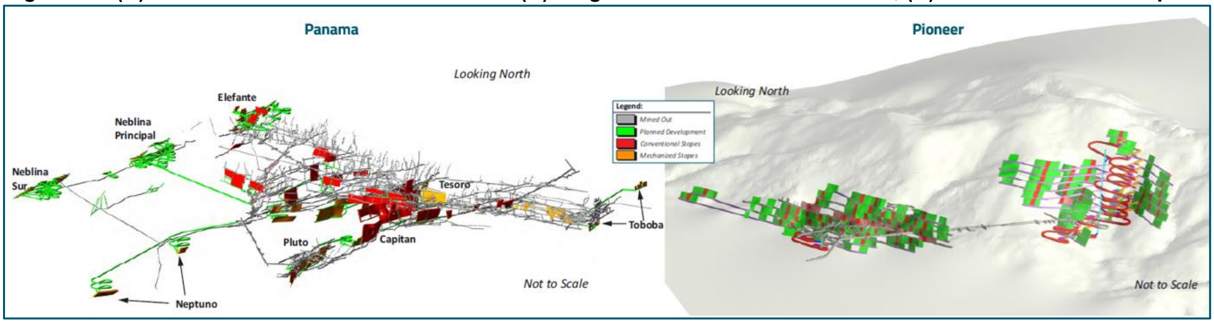
Figure 25: Illustration of structural pattern formation



Mining and processing

Mining: Hemco processes a combination of own ore at 350-450ktpa and artisanal production (500-700ktpa) sourced from the Hemco property and collected, assayed, and processed by Hemco. Own ore is sourced from two underground mines. The Panama Mine is the larger component of production (~150-250ktpa) mined using a combination of ~60% shrinkage mining and 40% long hole stoping. Production at Panama doubled since Mineros's acquisition in 2013 and has seen increased use of mechanized stoping. The Pioneer mine commenced production in 2021, and is a portal and adit-accessed longhole stoping operation producing 80ktpa in 2022 ramping up to ~220kt in 2025. Current reserves at Panama and Pioneer extend to early 2026, totalling 1.9Mt at 3.96g/t for 242koz. Estimated mining costs in the technical report range from US$25.60-47.70/t for mechanized mining and US$45.20/t for shrinkage mining.

Figure 26: (A) Isometric view of the Panama Mine (B) long section of the Pioneer Mine, (C) 2021 Reserves mine plan



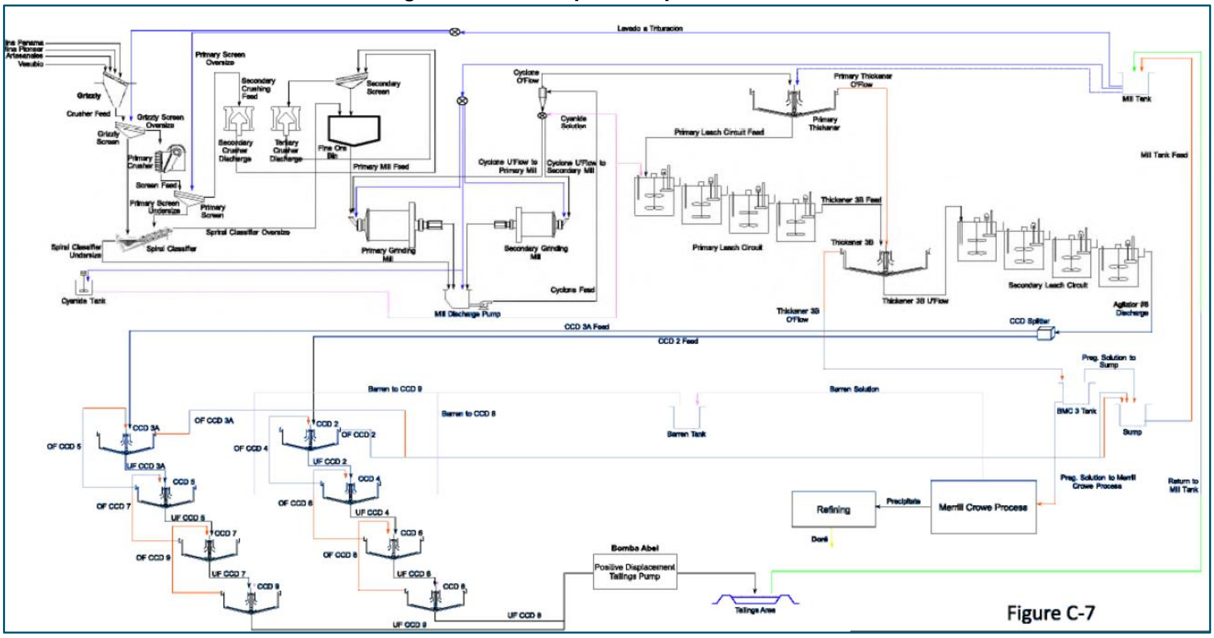
		2021	2022	2023	2024	2025	2026	Total
Panama shrinkage	kt	77	220	139	85	102	--	623
	g/t	3.41	3.65	3.77	3.82	3.00	--	3.56
	koz	8	26	17	10	10	--	71
Panama LH stoping	kt	53	57	166	185	111	--	575
	g/t	3.41	3.65	3.77	3.82	3.00	--	3.82
	koz	7	6	19	23	13	--	71
Panama total	kt	130	277	305	270	213	--	1,198
	g/t	3.59	3.59	3.67	3.80	3.36	--	3.69
	koz	15	32	36	33	23	--	142
Panama development	m	4,717	8,552	4,953	3,612	1,052	--	22,833
Production rate	*tpd*	*356*	*759*	*836*	*740*	*584*	*--*	*546*
Development rate	*m/d*	*13*	*23*	*14*	*10*	*3*	*--*	*13*
Pioneer LH stoping	kt	40	80	146	172	219	47	704
	g/t	4.72	5.91	4.97	4.34	3.62	4.14	4.43
	koz	8	26	17	10	10	6	100
Pioneer development	m	1,656	3,190	3,253	2,593	130	--	10,823
Production rate	*tpd*	*110*	*219*	*400*	*471*	*600*	*129*	*321*
Development rate	*m/d*	*5*	*9*	*9*	*7*	*0*	*--*	*6*

Source: Mineros SA in 2021 NI 43-101 Technical Report

Artisanal Mining: Under Nicaraguan mining law, artisanal miners are legally entitled to operate on all concessions. Mineros has contractually defined relationships with 13 local artisanal mining cooperatives. The cooperatives are licensed by the Nicaraguan Ministry of Cooperatives. Mineros makes 3-4% of the property available to artisanal miners and pays on average ~40-50% of the spot price for ore, depending on grade. Material purchased from artisanal miners has historically constituted 40-50% of Hemco production. For scale, the Hemco operation processed a total of 299kt at 7.9g/t of artisanal ore in 2020. Mineros assists artisanal miners with safety, geology, access road constructions and maintains a production committee. Areas within than 30m below surface are excluded from resource calculations as they are set aside for artisanal miners.

Processing: The Hemco plant is a standard flow sheet with three-stage crushing, two-stage grinding, cyanidation plant that uses a counter current decantation, Merrill-Crowe precipitation to produce dore. Overall recovery is ~89-90% for gold. Nameplate capacity is 1,750tpd (~630ktpa). In addition, there are two satellite plants that process artisanal ore. The Vesmisa plant is located 5km SW of the Hemco plant and processes 140tpd, producing dore. The La Curva plan is a 100tpd flotation plant that produces concentrates for processing at the Hemco plant.

Figure 27: Hemco process plant flowsheet



Source: Mineros SA

Infrastructure: Power is supplied by two hydroelectric power generators with total 5.3MW capacity plus 8.6MW of capacity from a main diesel power plant and up to 1.2MW of draw from the regional grid. Tailings are disposed via two tailings lines into the San Jose tailings area which is lined with HDPE liner. The Aguas Claras (2010-2017) and Concha Urrutia (1996-2010) are no longer in use. Recent environmental improvements include civil sewage water treatment, artisanal ore collection, sampling and storage facilities, a new solid waste management facility and a new fuel storage and filling station.

Figure 28. Hemco processing plant in Bonanza, Nicaragua

Source: Mineros

Environmental and social license: The operation operates under 83 environmental permits and has 1,633ha of private land for conservation. Progressive rehabilitation is underway. From 1995, preceding Mineros ownership, the operation significantly improved its operational record and wildlife has returned to the Tunky River. Prior to 1995, tailings had been disposed into the River with significant impact on aquatic life. As with Nechi, we believe that Mineros's operation results in better environmental management, provides assistance and supervision for rehabilitation, legal formalization for artisanal collectives, and a non-mercury ore processing solution.

Economics

Below we show our estimates for Hemco and Porvenir. Hemco generates US$40-70m of free cash flow and we believe our mine life extension from 2025 to 2027 is quite conservative. **Mine Plan:** The technical report assumes annual production of 48koz per year from 2022-2025 with no artisanal production. We make the following modifying assumptions: I) We assume artisanal production from 2022-2027 at a rate equating to 2-2.25Mtpa less own ore production. II) We have added 800kt at 4g/t to the mine plan, which assumes reserve conversation at Panama. This adds two years to the mine plan. We have not assumed artisanal production over the final two-year period.

Unit costs: The NI 43-101 technical report assumes unit costs of US$38/t for mining, US$43/t for processing and US$18/t for G&A, for total unit costs of US$102/t. US$30m of sustaining capital is assumed, inclusive of 2021, with an additional US$22m of closure costs. We assume US$45/t for mining and US$35/t for processing and US$14.8m year G&A costs. We increase sustaining capital assumptions to US$21m LOM average, falling in the final years of the mine life, for a total of US$159m. Hemco is subject to a 1% royalty as well as a 3% Government ad valorem tax.

Figure 29: SCPe summary of estimates for Hemco

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030+	LOM
Mined ore (kt)	340	357	451	441	432	438	383	--	--	--	2,842
Grade (g/t Au)	3.6	3.5	4.1	4.3	3.5	4.2	4.2	--	--	--	3.9
Artisanal ore (kt)	374	355	400	400	400	400	400	--	--	--	3,082
Grade (g/t Au)	8.5	7.5	6.5	6.5	6.5	6.5	6.5	--	--	--	7.9
Total processed (kt)	714	712	851	841	832	838	783	--	--	--	5,571
Grade (g/t Au)	6.2	5.5	5.2	5.3	4.9	5.3	5.4	--	--	--	5.4
Recovery (%)	89%	89%	89%	89%	89%	89%	89%	--	--	--	89%
Production (koz)	**126**	**112**	**127**	**129**	**117**	**128**	**121**	**--**	**--**	**--**	**859**
Mining cost (US$/t)	45	45	45	45	45	45	45	--	--	--	
Processing Cost (US$/t)	35	35	35	35	35	35	35	--	--	--	
G&A (US$/t)	22	20	16	17	17	17	18	--	--	--	
Received Price (US$/oz)	1,791	1,813	1,840	1,850	1,850	1,850	1,850	--	--	--	
Cash Cost (US$/oz)	1,144	1,160	1,089	1,076	1,172	1,083	1,106	--	--	--	1,117
AISC (US$/oz)	1,382	1,250	1,207	1,154	1,257	1,161	1,114	--	--	--	1,217
Sustaining Capex (US$m)	30	28	25	20	20	20	11	1	1	1	157
Growth Capex/Exploration (US$m)	--	--	--	--	--	--	--	--	--	--	--
FCF (US$m)	**17**	**20**	**41**	**47**	**32**	**65**	**67**	**-1**	**-1**	**-1**	**286**
NPV5% (US$m)	**240**										**240**

Source: SCPe

Porvenir: We assume a staged build with US$100m of capex in 2023 through mid-2024 to build a 3ktpd bulk underground mining operation producing concentrate. This generates steady state production of 105koz/year AuEq at US$1094/oz AISC. We assume initial capex of US$100m and average annual FCF of US$40m per year at steady state. This generates an $NPV_{5\%\text{-}1850}$ of US$101m.

Figure 30: SCPe summary of estimates for Porvenir

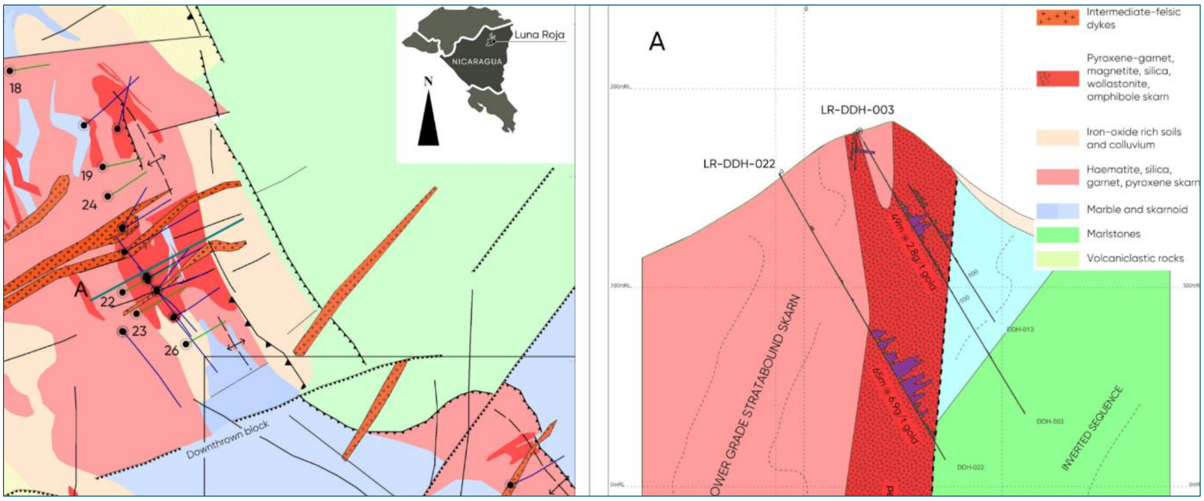
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	LOM
Ore mined/processed (kt)	--	--	277	442	720	1,080	1,080	1,080	1,080	1,080	1,080	484	--	--	8,403
Au Grade (g/t Au)	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	--	--	--
Ag Grade (g/t Ag)	9.3	9.3	9.3	9.3	9.3	9.3	9.3	9.3	9.3	9.3	9.3	9.3	9.3	9.3	9.3
Zn Grade (%)	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
Au Recovery (%)	--	--	88%	88%	88%	88%	88%	88%	88%	88%	88%	88%	88%	88%	88%
Ag Recovery (%)	--	--	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%
An Recovery (%)	--	--	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	51,182%
Au Production (koz)	**--**	**--**	**18**	**29**	**47**	**71**	**71**	**71**	**71**	**71**	**71**	**32**	**--**	**--**	**553**
Ag Production (koz)	**--**	**--**	**47**	**76**	**123**	**185**	**185**	**185**	**185**	**185**	**185**	**83**	**--**	**--**	**1,436**
Zn Production (kt)	**--**	**--**	**5**	**8**	**13**	**19**	**19**	**19**	**19**	**19**	**19**	**8**	**--**	**--**	**147**
AuEq production (koz)	**--**	**--**	**27**	**43**	**70**	**105**	**105**	**105**	**105**	**105**	**105**	**47**	**--**	**--**	**--**
Mining cost (US$/t)	--	--	45	45	45	45	45	45	45	45	45	45	--	--	45
Processing Cost (US$/t)	--	--	30	30	30	30	30	30	30	30	30	30	--	--	30
G&A (US$/t)	--	--	13	13	13	13	13	13	13	13	13	13	--	--	13
Received Price (US$/oz AuEq)	--	--	1,572	1,572	1,572	1,572	1,572	1,572	1,572	1,572	1,572	1,572	--	--	1,572
Cash Cost (US$/oz)	--	--	951	951	951	951	951	951	951	951	951	951	--	--	951
AISC (US$/oz)	--	--	1,094	1,094	1,094	1,094	1,094	1,094	1,094	1,094	1,094	1,094	--	--	1,094
Sustaining Capex (US$m)	--	--	4	6	10	14	14	14	14	14	14	6	--	--	111
Growth Capex/Exploration (US$m)	5	50	50	--	--	--	--	--	--	--	--	--	--	--	--
FCF (US$m)	**-5**	**-50**	**-41**	**17**	**27**	**39**	**39**	**40**	**40**	**40**	**40**	**20**	**-10**	**-10**	**186**
NPV5% (US$m)	**101**														**101**

Source: SCPe

Exploration: Luna Roja (100%-owned)

Luna Roja consists of two exploration licenses: Monte Carmelo I and II (see the Bonanza district map in Figure 22). Mineros purchased the remaining 50% of Luna Roja from Royal Road Minerals in March 2021 for US$22.5m cash and a 1.25% NSR. Luna Roja is a high grade open pit-able skarn that has seen very high grades and widths, including 49m @ 2.8g/t from surface and 69m @ 6.9g/t at depth. 17-holes for 2,472m were drilled by Royal Road in 2019 followed by 19 holes / 3,095m in 2020 and 9 holes / 1,932m in 2021. Drilling has delineated mineralization up to 150m in depth and 400m NE-SE.

Figure 31. Luna Roja Cross section showing 65m @ 6.9g/t down dip of 49m @ 2.8g/t Au at surface



Source: Royal Road Minerals

We model 450 metre pit to depth of 175m for a 5:1 strip ratio. This generates a conceptual reserve of 461koz at 2.5g/t. We model pre-strip in 2025 with ore mining commencing in 2026, filling unused milling capacity. From 2028 onwards we model Luna Roja as the sole source of ore feed at Hemco. We estimate unit costs of US$3.2/t mined, US$6/t for trucking (~30km), US$30/t processing costs and US$10/t G&A. This generates LOM production of 404koz at US$1,090/oz AISC. We estimate US$8m of pre-strip, US$10m of site preparation and US$15m total (US$5m per year) for exploration, evaluation and land acquisition costs. This generates an NPV5%-1850 of US$106m and a 35% IRR. At US$1700/oz, we estimate a US$83m NPV and 31% IRR. At both prices the project is highly attractive and represents a good return on its acquisition costs.

Figure 32: SCPe Luna Roja Financial estimates

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	LOM
Mined ore (kt)	--	--	--	--	75	130	639	639	639	639	639	639	639	639	422	5,736
Grade (g/t Au)	--	--	--	--	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Strip ratio (ore:waste)	--	--	--	--	32.6	18.3	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.0
Recovery (%)	--	--	--	--	88%	88%	88%	88%	88%	88%	88%	88%	88%	88%	88%	88%
Production (koz)	**--**	**--**	**--**	**--**	**5**	**9**	**45**	**45**	**45**	**45**	**45**	**45**	**45**	**45**	**30**	**406**
Mining cost (US$/t)	--	--	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Trucking Cost (US$/t)	--	--	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Processing Cost (US$/t)	--	--	30	30	30	30	30	30	30	30	30	30	30	30	30	30
G&A (US$/t)	--	--	10	10	10	10	10	10	10	10	10	10	10	10	10	10
Received Price (US$/oz)	1,826	1,843	1,850	1,850	1,850	1,850	1,850	1,850	1,850	1,850	1,850	1,850	1,850	1,850	1,850	1,850
Cash Cost (US$/oz)	--	--	--	--	1,154	952	948	948	948	948	948	948	948	948	948	951
AISC (US$/oz)	--	--	--	--	1,324	1,091	1,087	1,087	1,087	1,087	1,087	1,087	1,087	1,087	1,087	1,090
Sustaining Capex (US$m)	--	--	--	--	1	1	6	6	6	6	6	6	6	6	19	71
Growth Capex/Exploration (US$m)	5	5	5	5	15	5	--	--	--	--	--	--	--	--	--	40
FCF (US$m)	**-5**	**-5**	**-5**	**-5**	**-13**	**1**	**29**	**29**	**29**	**29**	**29**	**29**	**29**	**29**	**4**	**204**
NPV5%	**106**															**106**

Source: SCPe

Other exploration: Royal Road exploration alliance including Caribe

Mineros entered into a strategic alliance in 2019 with TSX-listed Royal Road Minerals to jointly explore and develop resources within their concessions in Nicaragua. Areas included in the strategic alliance the Hemco property with the exception of current mining operations (inclusive of a 1.5km boundary), the plant areas, and the Luna Roja property. Either party may designate an area a Designated Project Area (DPA), which results in the formation of a 50/50 joint venture between the parties. Royal Roads is a gold explorer with a history of exploration discovery success, led by CEO Tim Coughlin, who oversaw the discovery of the 4Moz Amulsar project in Armenia in his time as CEO of Lydian, has a PhD in Andean copper-gold projects, and was Chief Geologist for South America for Anglogold. The partnership has already had two notable successes in Luna Roja and the new Caribe discovery.

Caribe target – 100-200m at 1g/t from surface: Caribe is a breccia Au-Cu target located on the Rosita VI concession that is part of the 50/50 exploration alliance. Multiple hits including 207m @1.1g/t and 100m @ 1.0g/t from surface have been intercepted with drilling open at depth. Temperature mapping also suggests porphyry potential. Rio Tinto and Calibre Mining are conducting exploration for porphyry Au-Cu mineralization in the region.

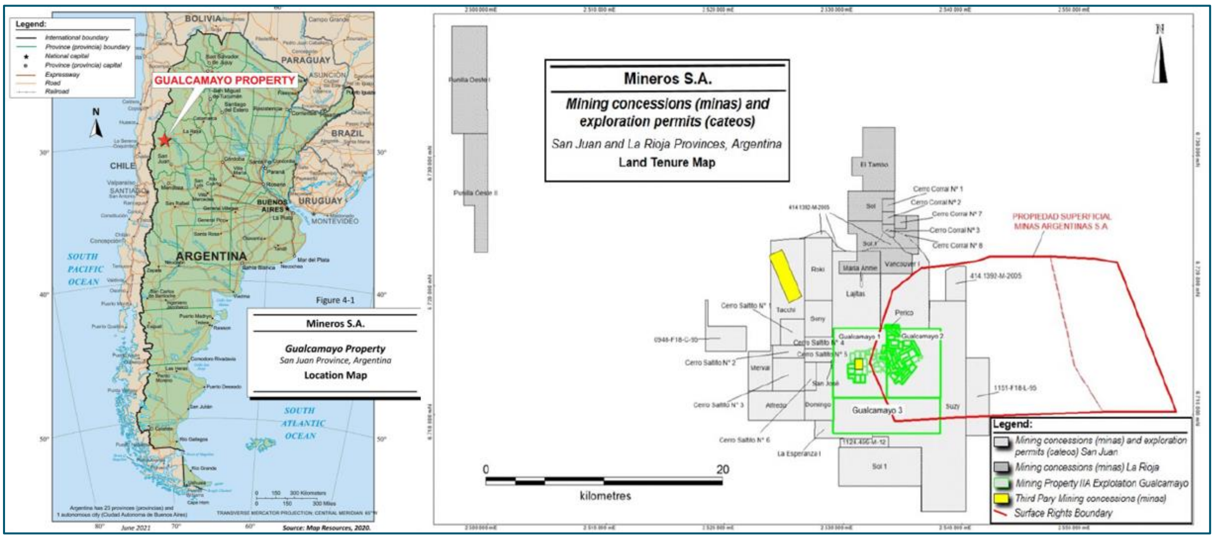
Figure 1: Caribe (A) plan map showing magnetic corridors on contoured soil geochem, (B) long section

Source: Royal Road Minerals

Gualcamayo, Argentina (100% owned)

Gualcamayo is a producing heap leach mine located in northern San Juan Province and SW La Rioja Province in west central Argentina. The property is accessible by paved road from San Juan City (pop ~100k). The journey is ~3 hours with the final 20km by unsealed access road. The project comprises 87 contiguous concessions and four exploration permits totalling 392km². All permits and exploration concessions are held in good standing. Mineros's Argentinian subsidiary, MASA, owns 100% of Gualcamayo and 262km² of surface rights that cover the entire mining and processing operations and most of the Gualcamayo property. 2022 is planned to be the final year of active mining, with leach recovery continuing through 2023. The Deep Carbonates Project (DCP), is a mine life extension prospect with 2,066koz at 0.95g/t of resources that are being evaluated for feasibility as an underground mine development with a sulphide plant build.

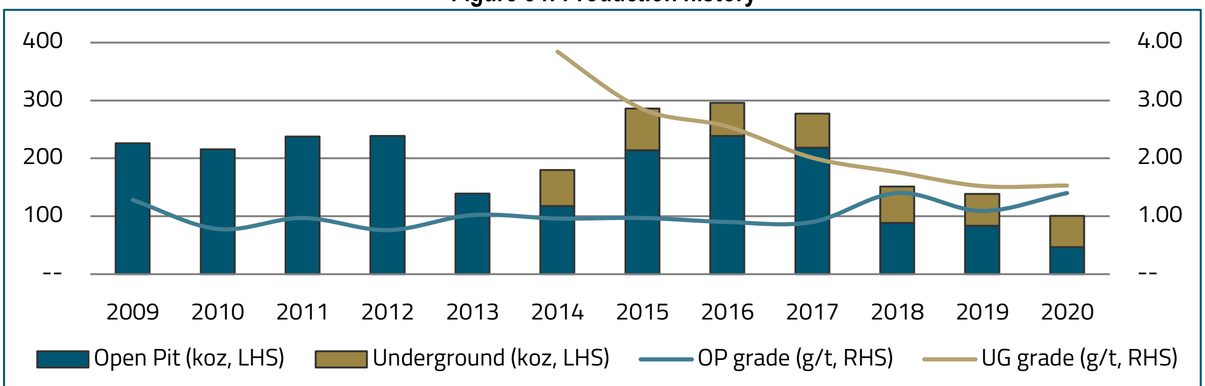
Figure 33 Property location and land tenure map



Source: Mineros SA

History: Gualcamayo was discovered by a subsidiary of Anglogold in 1980. From 1983-1988 it was explored for skarn and epithermal mineralization by Mincorp. In the late 1990s Yamana, through its subsidiary MASA, earned into the property and completed an 11,230m exploration program focused on epithermal mineralization hosted in sediments; this discovered carbonate breccias at QDD, which formed the bulk of the eventual resource and mine plan. Production started in 2009. The mine produced 2,066koz at 0.95g/t from open pit and 421koz at 2.11g/t from underground from 2009-2020. Mineros acquired MASA in December 2018 for US$30m cash, a 2% NSR after 395koz (capped at US$50m), a 1.5% NSR, and a US$30m continent payment on declaration of commercial production on the Deep Carbonates Project.

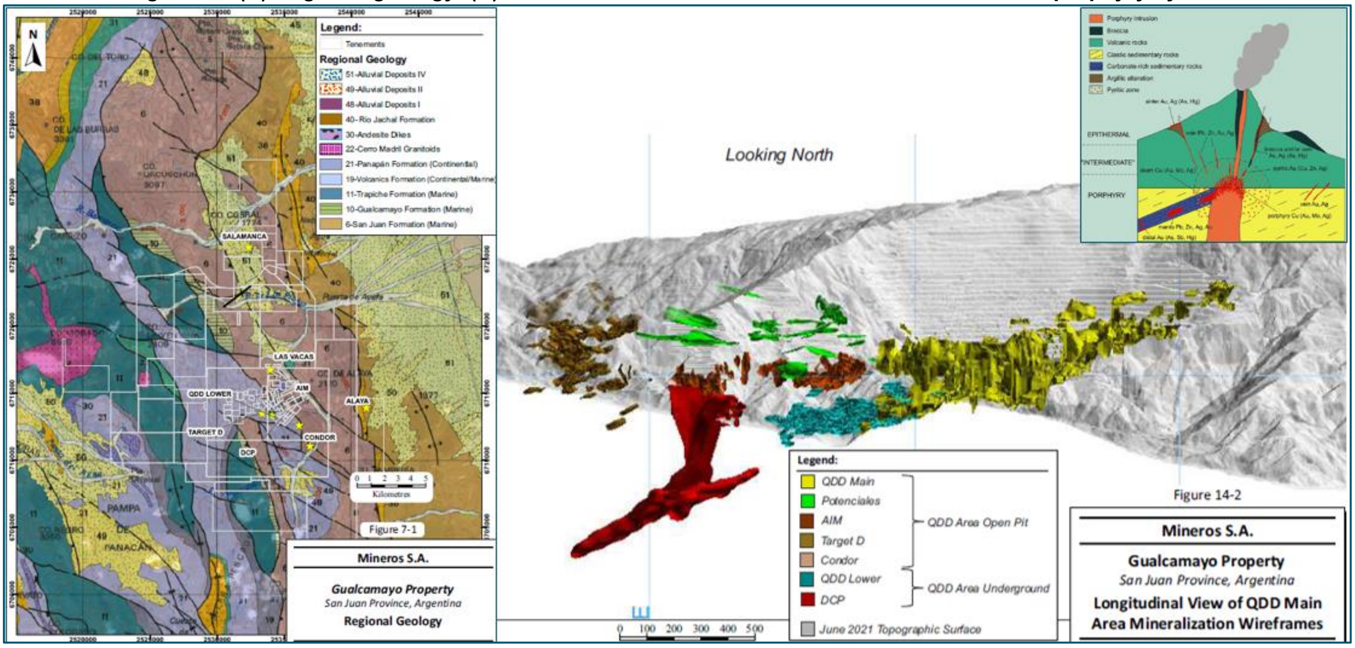
Figure 34: Production history



Geology

The Gualcamayo property is located along the eastern margin of the Pre-Cordillera, a package of lower Palaeozoic rocks characterized by thick carbonate sequences overlain by marine clastics. The area is intruded by a 5.6-16Ma quartz diorite stock. Gold is primarily hosted in the Ordovician San Juan formation, a 300m thick sequence of bedded grey limestone. Mineralization styles include sediment-hosted distal disseminated gold (QDD zone), skarn mineralization, and porphyry style molybdenum mineralization. The dominant structure underlying the Gualcamayo area is a shallow east dipping structure, interpreted to be a back thrust similar to the more regionally common west dipping thrusts. The QDD structure, believed to be the main feeder structure, is a NW-trending canyon that is believed to be a reactivated Ordovician rift structure.

Figure 35: (A) Regional geology; (B) cross section of QDD mineralization; schematic of a porphyry system



Source: Mineros SA, NI 43-101 Technical Report, 15 September 2021

Reserves and Resources: The majority of the resource is the QDD Main area, which includes QDD, Condor, Potenciales, Target D (open pit), and QDD lower and DCP (UGG). QDD mineralization has low sulphide content with gold and sulphides (arsenopyrite, pyrite) deposited along fractures and as matrix fillers. The remainder of resources are hosted in the Salamanca and Las Vacas satellite pits. Open pit resources are whittle-constrained with mining costs of US$1.80-2.06/t, processing costs of US$13-14.85/t and G&A of US$3.265/t. Met recoveries range from 50% at AIM to 75% at QDD Main. UG resources are wireframe constrained at a US$1,700/oz Au price, mining costs of US$20/t for block caving, US$35/t for SLC US$50/t for bench and fill with processing costs of US$35/t and G&A of US$3.265/t. Recoveries are 50-75% for Bajo, 76% for QDD Lower and 88.5% for DCP.

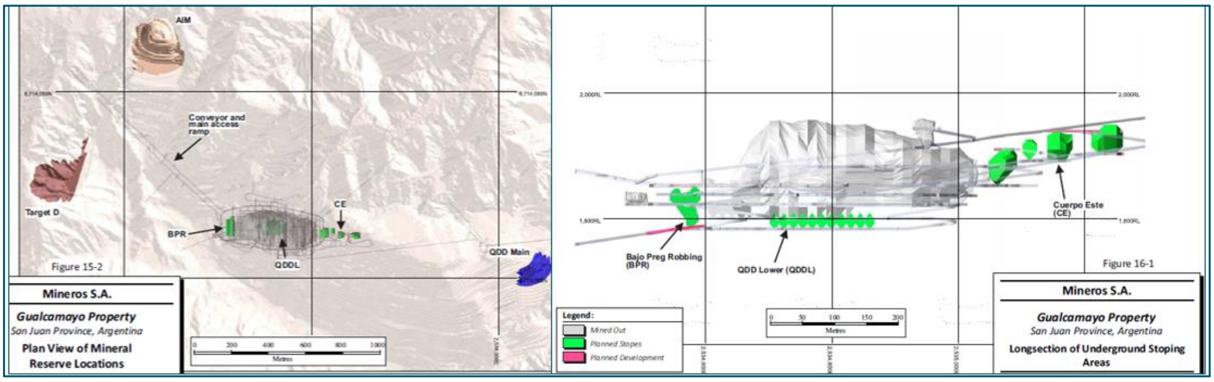
	2P reserves (exclusive)			M&I			Inferred			Total Contained		
	Tonnes	Grade	Contained	Tonnes	Grade	Contained	Tonnes	Grade	Contained	Tonnes	Grade	Contained
	(kt)	(g/t Au)	(koz)	(kt)	(g/t Au)	(koz)	(kt)	(g/t Au)	(koz)	(kt)	(g/t Au)	(koz)
QDD				11,748	0.79	298	277	1.04	9	12,025	0.80	308
Condor				29	2.98	3	223	1.77	13	252	1.91	15
Potenciales				48	1.00	2	41	1.56	2	89	1.26	4
Aim				758	2.19	54	199	2.00	13	957	2.17	67
Target D				102	1.36	4	111	1.24	4	213	1.30	9
Salamanca				577	1.26	23	1,967	1.63	103	2,544	1.55	126
Las Vacas				815	0.78	20	1,707	0.82	45	2,522	0.81	65
Sierras De Alaya				189	0.95	6	1	0.99	0	190	0.95	6
OP Total	**1,931**	**1.78**	**111**	**14,266**	**0.90**	**411**	**4,526**	**0.90**	**189**	**20,723**	**1.07**	**711**
Bajo UG				1,981	2.02	129	2,626	2.28	192	4,607	2.17	321
QDD Lower				822	1.59	42	--	--	--	822	1.59	42
DCP				9,249	3.54	1,053	8,947	2.79	802	18,196	3.17	1,855
UG total	**997**	**1.53**	**49**	**12,052**	**3.16**	**1,223**	**11,573**	**2.67**	**994**	**24,622**	**2.86**	**2,267**
Stockpiles	**357**	**1.30**	**15**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
Total	**3,285**	**1.66**	**175**	**26,318**	**1.93**	**1,634**	**16,099**	**2.29**	**1,184**	**45,345**	**2.04**	**2,978**

Source: Mineros SA, NI 43-101 Technical Report, 15 September 2021

Mining and processing

The mine includes three open pits (QDD, Las Vacas, and Salamanca) and one underground (QDD Lower). Production is split ~65/35% open pit vs underground. Open pit volumes have declined and current production levels are ~1Mtpa of ore and 9Mtpa of waste from three satellite pits. Open pit operations are drill and blast using a MASA owned and operated fleet that includes nine 36t ADTs, two 6.4m^3 front end loaders, and two 6.9m^3 excavators. Mining dilution is estimated at 2-6% for open pits with 86-91% mining recovery. The underground mine produces ~3,000tpd using sublevel stoping and sublevel caving (SLC). SLC is a bulk tonnage method that produces higher dilution but lower unit costs. The underground is accessed by a conveyor decline and vehicle access ramp. Mining is solely on the 1782 level which is the final planned mine level. Ore is accessed by cross cuts hauled by 30t trucks to the UG crusher where it is crushed and taken to surface by conveyor. The UG fleet includes five 30t haul trucks, five 6.3m3 LHDs, two LH rigs and a twin boom jumbo. Dilution assumptions are 10-24% for SLC and 10% for CE stopes and ore development.

Figure 36: (A) Isometric view of reserves facing north; (B) long section of UG stoping areas

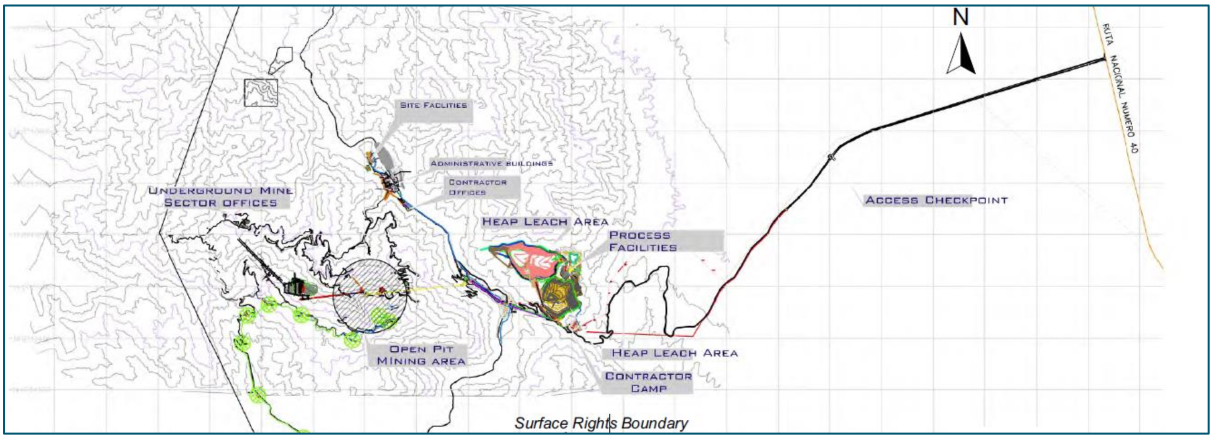


Source: Mineros SA, NI 43-101 Technical Report, 15 September 2021

Processing: The process facility is designed to treat up to 25ktpd (9.1Mtpa). The recovery process includes three-stage crushing to P80 25mm. Fines are agglomerated. Ore is stacked onto the heap leach pad by a conveyor stacker and treated with cyanide to dissolve gold. Pregnant solution is pumped to the ADR plant and recovered to produce dore ingots. A total of 73.3Mt at 1.07g/t for 2.52Moz was stacked from mine start-up through 2020, with 1.65Moz produced for cumulative recovery of 65.4%. 100.6koz at 1.47g/t was stacked in 2020 with 59.4koz recovered for 59% recovery plus an additional 13koz recovered through re-leaching and rinsing the leach pads. The North leach pad is HDPE lines and has 4.6Mt of remaining capacity, sufficient for 2.5 years. The South Leach Pad is now in the process of decommissioning.

Infrastructure: Road access is via an unsealed road from National Highway 40. Power is supplied from via a 132kv power line by 129km. Water is supplied by 10 deep wells with licences for 420m^3/hr and pumping capacity for 287m^3/h. The site is supported by two mine camps with a total of 370 beds. There are four sewage treatment facilities. Solid waste is collected, classified, stored, packaged and transferred to licensed offsite facilities for disposal. There is a fuel storage depot for 300,000L of fuel; estimated mine consumption is 700,000L per month.

Figure 37: (A) Isometric view of reserves facing north; (B) long section of UG stoping areas



Source: Mineros SA

Economics

Below we summarize the NI 43-101 Technical Report mine plan and financials alongside our estimates on the right. We base our 2022 production estimates on the technical report mine plan with 2021 estimates in line with guidance of 63-68koz at US$1,800-1,930/oz. We have added an additional year of mining in 2023, as we believe that with the DCP project under evaluation, Mineros is unlikely to want to shut down operations until the feasibility studies and project investment decision can be finalized. We estimate US$2.25/t OP mining costs, US$35/t for UG (assuming majority sub-level caving), processing costs of US$12/t and G&A of US$3.27/t (US$5.3m per year). In addition, we assume inventory costs of US$250/oz for gold from pad re-leaching. Income tax is 35% and applicable royalties include 3% to the Province of San Juan and 1% to Inversiones Mineras Argentinas. Other royalties (not modelled) include 2% due to Yamana for production above 396koz from acquisition, excluding DCP production and capped at US$50m. There is a 1.5% uncapped royalty on DCP production due to Yamana. There is also a 1% NSR capped at US$800k due to a private party payable on production from certain concessions in La Rioja.

Figure 38: Gualcamayo economic summary (A) NI 43-101 Technical Report summary; (B) SCPe

Mine Plan (tech report)	2021	2022	2023	2024+	LOM
OP tonnes (kt)	882	1,048	--	--	1,930
Grade (g/t)	1.52	2.00	--	--	1.78
Strip ratio (x)	4.8	6.1	--	--	5.5
Total tonnes moved (kt)	5,094	7,449	--	--	12,543
UG tonnes (kt)	431	616	--	--	1,047
Grade (g/t)	1.40	1.59	--	--	1.51
Stockpile feed (kt)	50	235	--	--	285
Total tonnes processed (kt)	1,336	1,949	--	--	3,285
Grade (g/t)	1.54	1.73	--	--	1.65
Ounces (koz)	66	108	--	--	174
Recovery	57%	56%	--	--	57%
Gold produced	26	50	23	--	99
Gold produced - pad rinsing	9	17	26	--	52
Total Au Produced	**35**	**66**	**49**	**--**	**150**
OP mining (US$/t moved)	2.1	2.1	--	--	2.1
UG mining (US$/t)	20.6	17.3	--	--	18.6
Processing (US$/t)	7.6	7.2	--	--	7.4
G&A (US$/t)	1.3	1.5	--	--	1.6
Sales Costs (US$/oz)	231	234	236	--	234
Cash cost (US$/oz)	**1,140**	**885**	**246**	**--**	**736**
AISC (US$/oz)	**1,351**	**1,120**	**494**	**--**	**968**
Sustaining capital (US$m)	6	10	--	--	16
Closure (US$m)	--	--	--	27	27
Total Capex (US$m)	**6**	**10**	**--**	**27**	**43**

Source: Mineros SA NI 43-101 Technical Report - 15 September 2021

SCPe modelled scenario	2021	2022	2023	2024+	LOM
OP tonnes (kt)	1,100	1,100	1,100	--	3,300
Grade (g/t)	1.5	2.0	1.5	--	1.7
Strip ratio (x)	6.5	5.8	6.0	--	6.1
Total tonnes moved (kt)	8,250	7,501	--	--	15,751
UG tonnes (kt)	600	625	600	--	1,825
Grade (g/t)	1.40	1.65	1.50	--	1.52
Stockpile feed (kt)	193	--	--	--	193
Total tonnes processed (kt)	1,893	1,725	1,700	--	5,318
Grade (g/t)	1.44	1.87	1.50	--	1.60
Ounces (koz)	88	104	82	--	274
Recovery	57%	57%	--	--	39%
Gold produced	48	59	47	--	107
Gold produced - pad rinsing	15	6	5	45	118
Total Au Produced	**63**	**65**	**52**	**45**	**225**
Cash cost (US$/oz)	**1,538**	**1,247**	**1,173**	**458**	**1,154**
AISC (US$/oz)	**1,978**	**1,523**	**1,402**	**570**	**1,432**
Sustaining capital (US$m)	25	25	10	5	89
Closure (US$m)	--	--	--	3	27
Total Capex (US$m)	25	25	10	8	117
Gold price (US$/oz)	1,791	1,826	1,843	1,850	--
FCF (US$m)	-14	8	21	36	38
NPV5%	**28**				

Source: SCPe

Mine life extension: Deep Carbonates Project

The Deep Carbonates Project (DCP) comprises three underground zones: The Santiago, Feeder and Rodado deposits totalling 1.86Moz at 3.17g/t Au (see Figure 35). Yamana Gold holds a 1.5% NSR on production from DCP which it acquired as part of consideration for its sale of Gualcamayo. The resources are sulphides and are not amenable to heap leach gold recovery. Mineros is evaluating development options for DCP including mining and processing scenarios including a planned internal PFS in 2022. In our view the key work streams for study are:

- Further metallurgical testing is required to evaluate whether mineralization is free milling (CIL to produce dore vs flotation to produce concentrate), ideal grind size, and plant optimization.
- Further infill drilling to inform mine geology and mine planning
- Geotechnical evaluation to determine mining methods and mine scheduling

Figure 39: Deep Carbonates Project (DCP) resource estimate; (B) resource estimate modifying parameters

	Tonnes (kt)	Grade (g/t Au)	Contained (koz)
Indicated	9,249	3.54	1,053
Inferred	8,947	2.79	802
Total	**18,196**	**3.17**	**1,855**

Source: Mineros, NI 43-101 Technical Report, 15 September 2021, US$1,500/oz Au price

	Santiago	Feeder	Rodado
Mining method	Sub-level caving	Bench and fill	Block caving
Cut-off grade (g/t)	1.54	1.85	1.43
Mining cost (US$/t)	30	50	20
Processing cost (US$/t)	35	35	35
G&A cost (US$/t)	3.27	3.27	3.27
Total op cost (US$/t)	68	88	58
Selling cost (US$/t)	24	24	24
Met Recovery (%)	88.5%	88.5%	88.5%

Source: Mineros, NI 43-101 Technical Report, 15 September 2021

Appendix: Corporate overview

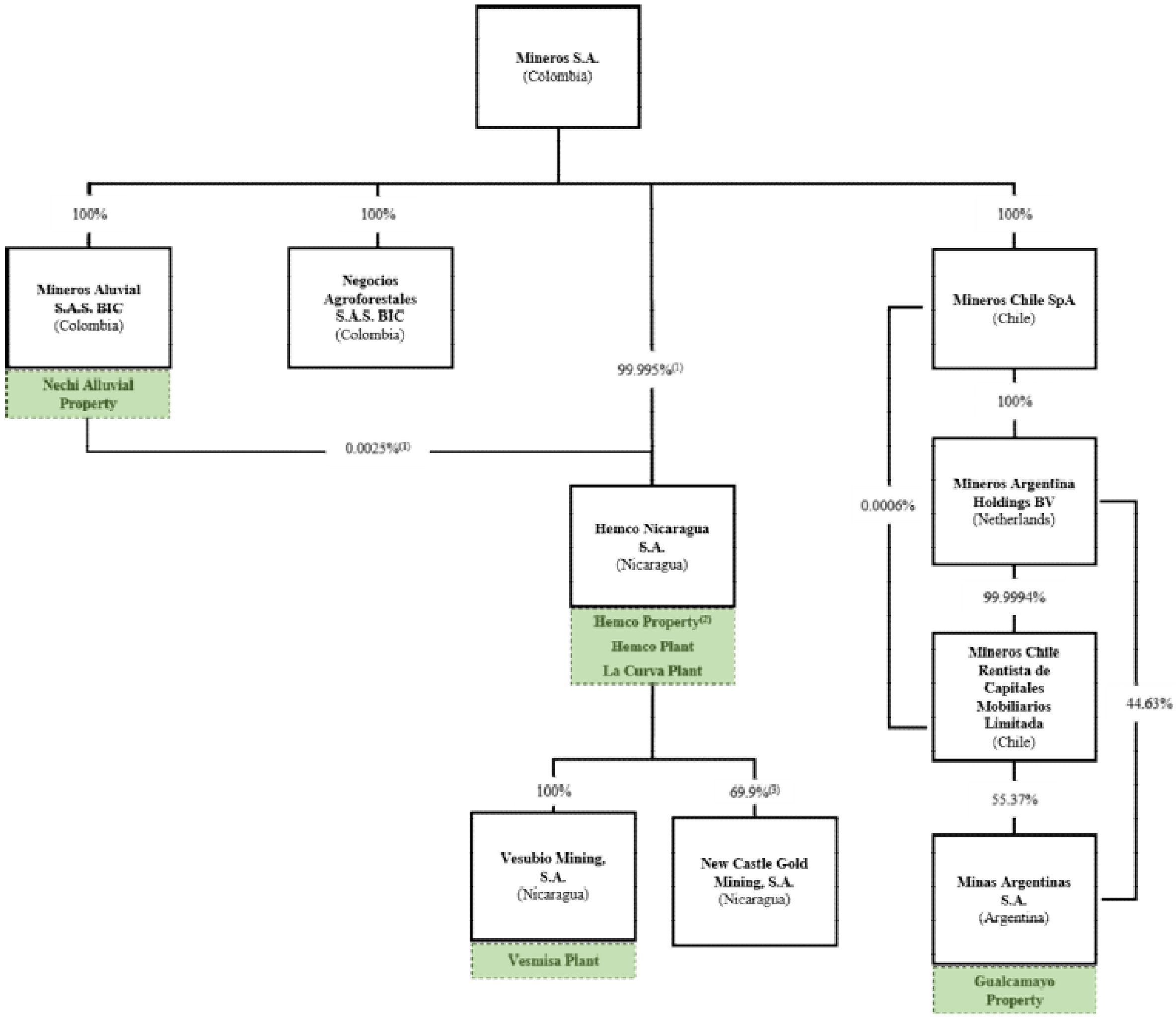
Share structure: Mineros has 299.7m shares outstanding after the November 2021 placement, and excluding of 56.2m shares held in treasury by the company. There are no further dilutive securities outstanding. We estimate that Porvenir and Luna Roja can be funded from cash flow generation and model a flat share count going forward. Mineros shares are listed on the TSX and the Colombia Stock Exchange.

Debt and balance sheet: As at the end of 3Q21 Mineros had US$86.3m of debt outstanding at a weighted-average interest rate of 5.9%. Mineros had US$51.9m of cash on the balance sheet and subsequently completed an offering for total proceeds of US$34.3m in November 2021.

Dividend policy: The dividend policy adopted in 2021 aims to pay out at least 15% of net income.

Corporate structure: Through subsidiaries, Mineros owns 100% of Nechi and Gualcamayo. Mineros directly owns 99.995% of Hemco and another 0.0025% through Mineros Alluvial. The remaining 0.0025% is owned by Colpatria SA.

Figure 40: Mineros Corporate Holding Structure



Source: Mineros SA, November 2021 Prospectus

Taxes: Mineros is subject to 30-35% profit tax rates in its operating jurisdictions. Government royalties range from 3-6%. On a pre-tax basis, the effective tax rate has ranged from 0-45%, averaging 29% over the past five years. We model an average ETR of 30% going forward, in line with historical averages and the tax rates in Colombia and Nicaragua.

Figure 41: Mineros summary of asset by asset tax and royalty terms

	Nechi	Hemco	Gualcamayo
Country	Colombia	Nicaragua	Argentina
Corporate Tax	30-33%	30%	35%
Govt Royalty	6.0%	3.0% ad valorum tax	3.0% NSR to San Juan
Private royalties	--	1.0% (Auric)	1.0% NSR (Golden Arrow Resource)
Other private royalties (not affecting current production)	--	--	2.0% NSR capped at US$50m on production exceeding 396koz from the date of MASA's acqusition (Yamana sold to Nomad), 1% NSR on DCP (Yamana), 1% NSR capped at $800k on certain claims in La Rioja
Other tax and govt terms	--	--	8% tax on dore exports, 30-yr fiscal stability from 2007

Source: Mineros SA from 2021 Technical reports, compiled by SCPe

Permits: Of the operating mines, Nechi is the operation that has seen some impact from permitting. In 2018, the project transitioned from Antioquian to Federal environmental permitting. This results in higher initial documentation requirements but comes with the benefit of larger areas permitted. The first major permit areas were granted in November 2021, which should enable higher grade areas to be mined in 2022. Approval for additional areas covering several years of mine plans are expected to be received in 2022. Hemco operates with more than 80 environmental permits and approvals in place covering exploration, exploitation, beneficiation and supply chain. Gualcamayo also has all permits in place and we don't consider permitting a major consideration at either operation unless there is an unforeseen material adverse change from the current status.

Electoral calendar: Colombia has a Federal election in May 2022. Nicaragua completed a Federal election in 2021. The most recent Argentine federal election was completed in 2019, the next scheduled is in October 2023.

Risks

Geological: Hemco, Nechi and Gualcamayo recently completed reserve and resource estimates completed by SLR, a respected third-party, in compliance with CIM definitions. As Mineros has three operating mines, production and valuation are diversified and not subject to outsized grade estimation risk at any one operation nor do we view grade or tonnage estimation risk as outsized at any of the operations.

Mining: While Mineros has a meaningful contribution on less conventional mining methods, operations are sufficiently mature that we believe risks to Mineros's ability to deliver to guided volumes and grades are moderate. A growing share of production at Hemco utilizes bulk mining methods and we expect this to increase with the development of Porvenir and Luna Roja. At Nechi, operations are mature and well understood. Gualcamayo is an established bulk mining operation.

Development: The main development projects are Porvenir and Luna Roja, within 10km and 30km of existing Hemco operations and with good road access. We therefore view development risks as low within the context of other gold mining development projects.

Processing: We view this risk as low. Gold mineralization is free milling at Porvenir. Gravity recoveries are well understood at Nechi and the transition to mercury-free operations has been completed for several years with achievable recoveries well understood. Heap leach recoveries at Gualcamayo are also well understood. We expect mineralization at Porvenir to be amenable to flotation, and gold mineralization at Luna Roja to be free milling.

Environmental: We view this risk as moderate. Nechi is an alluvial operation which carries higher risks but these can be managed using progressive rehabilitation and practices designed to isolate mining's impact on overall river flow; these practices are in place. We also note that Mineros has phased out mercury use, and we believe the operation has a significantly better environmental track record than if such areas were instead exploited by informal mining operations. At Hemco, rehabilitation efforts are ongoing and Mineros is responsible for managing rehabilitation of owner mining and third party artisanal mining areas. In all cases Mineros operates in compliance with local laws and environmental regulations with regular third-party audits.

Social: We view this risk as moderate. Mineros has community programs at each of its operations. The operations have facilitated electricity access for 2,000 households in Bonanza, Nicaragua, support for local agriculture programs in San Juan, Argentina, and provision of safe drinking water for 60 schools in Antioquia, Colombia. At Hemco, Mineros owns the surface rights through private landholdings. Artisanal cooperatives at Hemco are formal Government-licenced entities. Mineros's operations in Colombia and Argentina are OHSAS 18001-certified (covering occupational health and safety) and in Nicaragua operations are expected to be certified at an ISO 45001 standard in the next 6-12 months.

Governance: We view this risk as low. Mineros's board includes 9/9 non-executive directors. Mineros's largest shareholder, Colpatria Group (a Colombian insurance and finance business) holds 30.7% of shares outstanding. Three of nine Directors on Mineros's board are affiliated with Colpatria. Related party transactions with Colpatria included US$2.2m for insurance in 2020 and are modest within overall expenditures. Executive compensation is similarly modest at US$2.2m for 2020 and US$1.2m for 2019. In combination with Mineros's record of shareholder returns and production growth, we believe Mineros is a well-managed and well governed organization.

Political: We view this risk as moderate. As with other risks, having multiple operations in multiple countries helps diversify risk. Mineros has a 40-year operating history in Colombia and has recently received key permits related to the new mine plan. In Nicaragua, Mineros has a nearly ten-year operating history and is continuing to reinvest in country with anticipated development of Porvenir and Luna Roja. In the 2020 Fraser Institute Survey of Mining Companies, Colombia scored the highest of any Latin American country at 72.3 for overall attractiveness, while San Juan Province (Argentina) scored a 63.4, similar to Mexico (66.9). Fewer than five responses in the survey related to Nicaragua therefore Nicaragua was not rated in the 2020 rankings.

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NOT RATED:	0
TOTAL	52

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