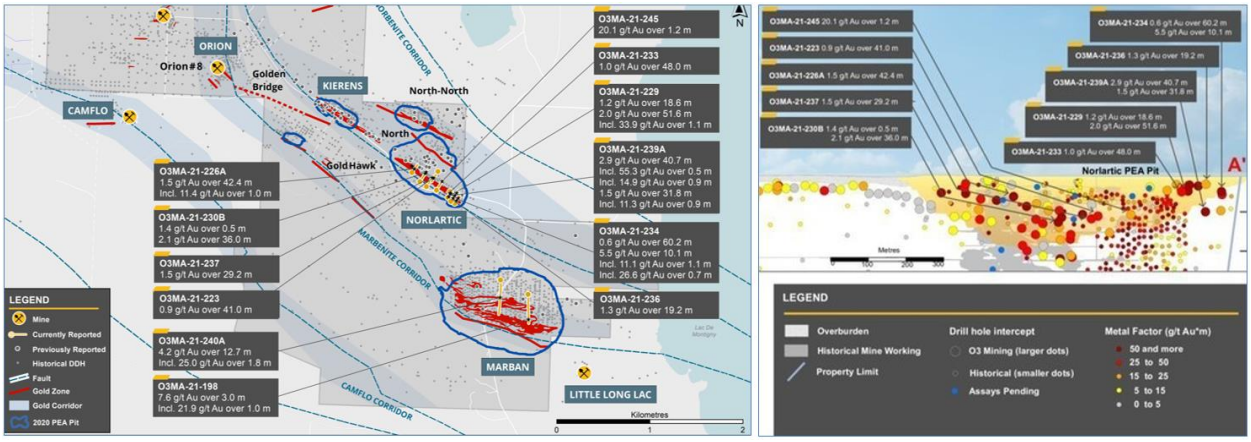
Ticker: OIII CN	**Cash:** C$53m	**Project**: Marban + Val d'Or
Market cap: C$153m	**Price:** C$2.25/sh	**Country:** Canada, QC
REC. (unc): BUY	*TARGET (unc): C$5.95/sh*	*RISK RATING (unc): HIGH*

Today's results are mainly infill holes drilled in 2021 at Marban ahead of the 1Q22 MRE, all <200m from surface with highlights averaging >45-50g-ms falling within and just outside the PEA pit shells. Recall Malarctic is low grade (Marban is 1.8Moz @ 1g/t, 6:1 strip), but this is the land of WDO (Kiena Deep A Zone next door) hence infilling on high grade structures should improve pits, while step outs should lift ounces, so we think this is looking good for an improvement on the current 'baseload 2.5Moz' MRE, perhaps nudging towards SCPe 3Moz, a number that if booked could see PFS inventory lift +60-80% from PEA (1.8Moz @ 1.2g/t), and that is before other growth / discovery targets are added this year. As such, ***we maintain our BUY rating and C$5.95/sh PT*** *based on 0.5x$_{NAV5\%-1850}$ for Marban, including an SCPe 100koz @ 2.75g/t satellite and US$25/oz for resources outside mining inventory. With up to seven rigs this year (73,000m) ahead of the Marban PFS, C$53m cash at 3Q21, O3 also gets a 'free ride' on its current 27% interest in Moneta Gold (currently valued at ~C$50m), adding to the optionality along the belt in Timmins.*

Figure 1. Marban Project (A) plan map and (B) long-section, showing today's drilling



Source: O3

2021 exploration drilling now complete at Marban ahead of 1Q22 MRE; 12.7m @ 4.2g/t

O3 reported results from 12 holes (2 Marban / 10 Norlartic) with highlights from infill drilling at Marban **12.7m @ 4.2g/t Au** (incl. **1.8 @ 25.0g/t**) from 262m and Norlartic **51.6m @ 2.0g/t** from 47m. Additional drilling 30m east of Norlartic PEA pit shell hit **40.7m @ 2.9g/t** from 91m and **31.8m @ 1.5g/t** from 139m in a single hole. 2021 infill drilling is now complete at Marban, with updated MRE expected in 1Q22. Alongside greenfield exploration at Marban, the 2022 focus will shift towards advancing engineering studies ahead of the 3Q22 PFS.

Why we like O3

- Large holding on global top-three Archean belt straddling the Cadillac Break around Val d'Or
- Existing 'base load' 2.5Moz resource / 1.8Moz inventory / 134koz pa Y1-10 scenario at Marban
- 27% ownership of 8.4Moz Moneta where Garrison provides base-load while Highway lifts grade
- 'Get it done, fast' including +150km drill program underway speeds equity ROI

Catalysts

- 1Q22: Results from 2021 drill program
- 1Q22: Marban MRE update
- 3Q22: Marban PFS
- 2022: 73,000m drill program in Alpha-Marban corridor

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Ticker: OIII CN	**Price / mkt cap:**	C$2.25/sh, C$153m	**Project PNAV today:**	0.26x	**Asset:** Marban + Val d'Or
Author: Brock Salier	**Rec / xNAV PT:**	BUY, C$5.95/sh	**1xNAV build start, FD:**	C$8.66/sh	**Country:** Canada, QC / ON

Commodity price	CY20A	CY21E	CY22E	CY23E	CY24E
Gold price	1,768	1,863	1,857	1,852	1,850

SOTP *project* valuation*

	C$m	O/ship	NAVx	C$/sh
Marban proj @ 2Q22 build start	517	100%	0.5x	3.15
Cash & investment @ 3Q21	53	100%	1.0x	0.61
Cash from options	60	100%	1.0x	0.69
Resource ex reserve @ US$25/oz	75	100%	1.1x	0.94
O3 interest in Moneta Porcupine	49	27%	1.0x	0.56
Asset NAV5% US$1850/oz	705		PT:	5.95
*Diluted for options but not mine build			Market P/NAV5%3Q20	0.26x

Asset value: 1xNPV project @ build start (C$m, ungeared)*

Project NPV (C$m)*	$1750oz	$1850oz	$1950oz	$2150oz	$2250oz
10.0% discount	314	363	412	511	559
7.5% discount	377	433	488	598	653
5.0% discount	454	517	580	705	766
Ungeared project IRR:	35%	38%	42%	49%	52%
NPV5 (C$m) vs satellite*	Sat: 0Mt	1.1Mt	1.7Mt	3.4Mt	2.8Mt
Satellite grade: 1.75g/t	443	473	488	517	517
Satellite grade: 2.75g/t	443	517	554	631	625
Satellite grade: 3.75g/t	443	561	617	742	733

**Project level NPV, excl finance costs and central SGA, discounted to build start*

Group valuation over time^	1Q22	1Q23	1Q24	1Q25	1Q26
Marban NPV (C$m)	509.5	789.2	718.6	635.2	618.2
G&A and finance costs (C$m)	(72.0)	(59.9)	(47.5)	(37.3)	(35.2)
Net cash prior qtr (C$m)	30.1	(112.7)	(25.4)	74.0	95.0
Cash from options (C$m)	60.0	60.0	60.0	60.0	60.0
Resource ex reserve (C$m)	74.6	74.6	74.6	74.6	74.6
O3 interest in Moneta Porcupine	48.6	48.6	48.6	48.6	48.6
NAV FF FD (C$m)	602	751	780	806	813
Shares in issue (m)	*60.3*	*68.2*	*110.8*	*110.8*	*110.8*
1xNAV5%/sh FF FD (C$/sh)	9.99	11.02	7.04	7.28	7.33
Equity ROI from spot (% pa)			77%	48%	34%

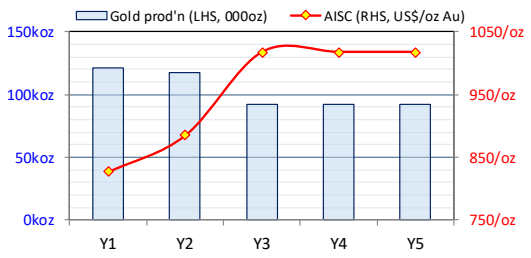
Geared company NAV diluted for mine build, net G&A and finance costs

3Q22 1xNAV FF FD (C$/sh)^	$1750oz	$1850oz	$1950oz	$2150oz	$2250oz
10.0% discount	619	680	741	862	921
7.5% discount	661	726	791	920	984
5.0% discount	710	780	850	989	1,058
Geared project IRR:	32%	36%	39%	46%	49%
2Q22 1xNAV FF FD (C$/sh)^	$1750oz	$1850oz	$1950oz	$2150oz	$2250oz
10.0% discount	5.18	5.81	6.46	7.76	8.41
7.5% discount	5.69	6.38	7.08	8.48	9.18
5.0% discount	6.29	7.04	7.80	9.33	10.09

*^Project NPV incl grp SG&A & fin. cost, +net cash; *diluted for mine build equity*

Production	Y1	Y2	Y3	Y4	Y5
Gold production (000oz)	121	117	92	92	92
C1 cost (US$/oz)	722	779	898	898	898
AISC cost (US$/oz)	827	885	1,018	1,018	1,018

AISC = C1 + ug sustaining capex, Y1 = 12M to Sep 2024



Resource / Reserve	Au (koz)	Au (g/t)		Deposit	Au (koz)
M&I	2112koz	2.16g/t		Marban	1785koz
Inferred	1056koz	0.29g/t		Akasaba	543koz
Total	3168koz	1.79g/t		Orenada	321koz
SCPe Marban pit inventory	1118koz	1.21g/t	epy, E Cadillac, Simkar		519koz
SCPe Marban satellite inventory	100koz	2.75g/t			

Disclosed investments	Shares	Price	Value
Hemlo Explorers	2.6m	0.62/sh	C$1.6m
Troilus shares	2.0m	1.14/sh	C$2.3m
Blue Thunder shares	4.5m	0.12/sh	C$0.5m
Manitou shares	14.5m	0.04/sh	C$0.6m

Share data

Basic in issue (m)	68.2	Mine build equity (C$m)	103
FD with options (m)	87.0	Mine build debt (C$m)	130
FD for mine build @ 0.5xNAV (n	110.8	uild shares issued @ 0.5xNAV (m)	23.8

Ratio analysis	CY20A	CY21E	CY22E	CY23E	CY24E
Average shares out (m)	54.5	65.8	94.8	110.8	110.8
EPS (C$/sh)	-	-	-	0.14	0.69
CFPS (C$/sh)	-	-	-	-	0.90
EV (C$m)	88.4	117.9	174.3	349.9	250.0
FCF yield (%)	-	-	-	-	40%
PER (x)	-	-	-	15.7x	3.2x
P/CF (x)	-	-	-	-	2.5x
EV/EBITDA (x)	-	-	-	7.0x	1.5x

Income statement	CY20A	CY21E	CY22E	CY23E	CY24E
Net revenue (C$m)	-	-	-	81.2	288.0
COGS (C$m)	-	-	-	25.6	120.7
Gross profit (C$m)	**-**	**-**	**-**	**55.6**	**167.3**
D&A, attrib (C$m)	0.0	(0.0)	0.0	7.4	25.1
Group G&A (C$m)	4.7	5.3	6.1	5.6	4.0
Finance cost (C$m)	0.1	0.1	-	8.6	9.9
Taxes (C$m)	-	0.2	-	18.1	51.3
Net income (C$m)	**(4.8)**	**(5.6)**	**(6.1)**	**15.8**	**77.0**
EBITDA (C$m)	*3.3*	*24.9*	*(6.1)*	*50.0*	*163.3*

Cash flow, attrib.	CY20A	CY21E	CY22E	CY23E	CY24E
EBIT (C$m)	(4.8)	(5.3)	(6.1)	42.6	138.2
Add back D&A (C$m)	0.0	(0.0)	0.0	7.4	25.1
Less tax (C$m)	0.1	0.3	-	26.7	61.2
Net change in wkg cap (C$m)	0.8	0.1	3.6	21.0	(1.1)
Add back other non-cash (C$m)	(0.7)	0.1	(7.2)	(95.5)	(120.1)
Cash flow ops (C$m)	**(4.6)**	**(4.9)**	**(9.7)**	**2.2**	**103.2**
PP&E - build + sust. (C$m)	1.4	(0.5)	(75.0)	(141.9)	(3.2)
PP&E - expl'n (C$m)	(15.9)	(36.2)	(9.4)	-	-
Cash flow inv. (C$m)	**(14.6)**	**(36.7)**	**(84.4)**	**(141.9)**	**(3.2)**
Share issue (C$m)	37.9	32.9	103.0	-	-
Debt draw (repay) (C$m)	-	-	43.2	86.4	(21.6)
Cash flow fin. (C$m)	**37.9**	**32.9**	**146.2**	**86.4**	**(21.6)**
Net change in cash (C$m)	*18.7*	*(8.6)*	*52.1*	*(53.2)*	*78.3*

Balance sheet	CY20A	CY21E	CY22E	CY23E	CY24E
Cash (C$m)	34.3	30.1	82.2	29.0	107.3
Acc rec., inv, prepaid (C$m)	2.5	2.2	2.2	31.5	31.9
PP&E + other (C$m)	174.3	233.9	318.3	452.7	430.9
Total assets (C$m)	**211.1**	**266.2**	**402.7**	**513.2**	**570.1**
Debt (C$m)	-	-	43.2	129.6	108.0
Accounts payable (C$m)	3.3	8.0	4.4	12.6	14.2
Others (C$m)	13.1	19.2	19.2	19.2	19.2
Total liabilities (C$m)	16.3	27.2	66.8	161.5	141.4
Sh'hlds equity + wrnts (C$m)	184.2	202.3	305.3	305.3	305.3
Retained earn'gs + rsvs (C$m)	10.6	36.7	30.6	46.5	123.5
Liabilities + equity (C$m)	**211.1**	**266.2**	**402.7**	**513.2**	**570.1**

Source: SCP estimates

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HOLD:	1
SELL:	0
UNDER REVIEW:	0
TENDER:	1
NOT RATED:	0
TOTAL	52

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