

<b>Ticker:</b> SGNL CN	<b>4Q22 Cash:</b> C\$9.2m	<b>Project:</b> Goldboro / Point Rousse
<b>Market cap:</b> C\$65m	<b>Price:</b> C\$0.335/sh	<b>Country:</b> Canada
<i>REC. (unc): BUY</i>	<i>TARGET (unc): C\$1.40/sh</i>	<i>RISK RATING (unc): SPECULATIVE</i>

Today's reported production from 4Q22 of 4.7koz is a slight miss on SCPe 5.9koz due to the flagged mining issues and mill availability. Grade was in line at 1.8g/t but tonnes missed (flat QoQ). Cash fell by C\$3m but working cap not reported today (awaiting full financials)—our read through this is likely a combination of lower production and exploration spend at Goldboro but also some reducing of the working capital deficit. Net net, we think today's news has little materiality given the Point Rousse mine is ramping down (mining now concluded) with only stockpiles left to process ahead of full transition to care and maintenance this quarter. The main prize and value driver for Signal in our view remains Goldboro (15+ year mine life at 110kozpa including high grade 2.3g/t pit open pit) and they're trading at <0.1x NAV. As such, **we maintain our BUY rating and C\$1.40/sh price target on 0.6x fully diluted and fully funded NAV<sub>5%-1700</sub>**. At this point the opportunity here is to buy low on a Canadian developer with a FS completed >100kozpa Canadian project that could get it's permits in the next twelve months. Also exciting is the potential 'step change' 4,000m drill program along strike to the west of Goldboro is underway.

## CY22 Point Rousse production of 17.9koz comes just under guidance; 4.9koz sold in 4Q22

Signal Gold reported production of 4.7koz (-5.6% QoQ) and 4.9koz of sales, both coming from Point Rousse. Full year's production comes at 17.9koz Au representing a 49% increase YoY due to higher grade material mined, but lower than the revised guidance of 20-21koz due to constraints related to blasting/mucking of the final benches of the pit and the lower than expected mill availability due to weather. The stockpiled material is expected to be processed in 1Q23 resulting in a 2.5koz forecasted production for the same quarter. Rehabilitation activities on site are already in progress as the operations at Point Rousse are transitioning to care and maintenance as planned. Signal also reported a cash balance position of C\$9.2m as of December 31, 2022.

## Why we like Signal Gold

1. Long life and low cost Goldboro project (110kozpa at US\$898/oz for 18 years)
2. More IP targets along strike at Goldboro suggest growth and life extension
3. Optionality on producing Point Rousse mine
4. Opportunity to consolidate Atlantic Canadian projects to become a mid-tier producer

## Catalysts

1. 2H23: Targeted Goldboro permitting completion
2. 2024: Construction commencement for Goldboro

## Research

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<b>Ticker:</b> SGNL CN	<b>Price / mkt cap:</b> C\$0.34/sh, C\$65m	<b>Market P/NAV:</b> 0.08x	<b>Assets:</b> Goldboro/P Rouse
<b>Author:</b> B Gaspar / E Magdzinski	<b>Rec / 0.6xNAV PT:</b> BUY / C\$1.40	<b>1xNAV<sub>4Q22</sub> FD:</b> C\$3.97/sh	<b>Country:</b> Canada

Group-level SOTP valuation					Resource / Reserve		
	4Q22	4Q22E			Mt	000oz	EV/oz
	C\$m	O/ship	NAVx	C\$/sh			
Goldboro (NS) NPV 4Q22E	819	100%	1.00x	4.01	Measured, ind. & inf.	24.23	3328
Point Rouse @ US\$2.00/oz - net liabilities	24	100%	1.00x	0.12	Proven & probable	17.48	1244
Central SG&A & fin costs 4Q22E	(94)	-	1.00x	(0.46)			
Goldboro oz outside mine plan (US\$25/oz)	38	-	1.00x	0.19			
Exploration (\$25/oz)	25	100%	1.00x	0.12			
Cash and restr. cash 4Q22	9.2	-	1.00x	0.05			
Debt 2Q22	(10.7)	-	1.00x	(0.05)			
<b>1xNAV5% US\$1700/oz</b>	<b>811</b>			<b>3.97</b>			
*above diluted for options but not fundraises, fellow diluted for build raise							
Cash raised	120	-	1.00x	0.30			
<b>1xNAV5% US\$1700/oz - Fully Funded</b>	<b>931</b>			<b>2.30</b>			

Funding: uses		Funding: sources	
DFS capex	C\$271m	1Q22 cash + options	C\$11m
SCPe contingency	C\$21m	Debt @ 60% gearing	C\$180m
SCPe G&A + fin. cost to first Au	C\$10m	SCPe Equity Raised	C\$120m
SCPe working capital	C\$9m	Point Rouse FCF	C\$0m
<b>Total uses</b>	<b>C\$311m</b>	<b>Total proceeds</b>	<b>C\$311m</b>

Commodity price					
	CY21E	CY22E	CY23E	CY24E	CY25E
Gold price (US\$/oz)	1,809	1,808	1,689	1,700	1,700

Ratio analysis					
	CY21E	CY22E	CY23E	CY24E	CY25E
FD shares out (m)	171.8	187.2	293.8	393.8	393.8
EPS (C\$/sh)	(0.047)	(0.032)	(0.028)	(0.018)	0.080
CFPS before w/c (C\$/sh)	0.03	0.01	(0.04)	(0.02)	0.14
FCFPS pre growth (C\$/sh)	(0.04)	0.01	(0.04)	(0.02)	0.11
FCFPS (C\$/m)	(0.12)	(0.04)	(0.26)	(0.46)	(0.01)
FCF yield pre growth (%)	(35%)	(13%)	(79%)	(139%)	(3%)
FCF yield (%)	(35%)	(13%)	(79%)	(139%)	(3%)
EBITDA margin (%)	(11%)	12%	(129%)	-	45%
FCF margin (%)	(73%)	(20%)	(1,337%)	--	(3%)
ROE (%)	(10%)	(8%)	(4%)	(4%)	15%
ROA (%)	(7%)	(6%)	(3%)	(2%)	7%
ROCE (%)	(8%)	(4%)	(4%)	(4%)	20%
PER (x)	(5.6)	(10.5)	(11.3)	(18.8)	4.2x
P/CF (x)	(979.8)	9.4x	(14.2)	(18.8)	2.9x
EV/EBITDA (x)	(15.8x)	13.1x	(9.0x)	(39.4x)	4.8x

1xNAV sensitivity to gold price and discount / NAV multiple					
1xNAV asset (US\$m)	\$1500oz	\$1600oz	\$1700oz	\$1800oz	\$1900oz
8% discount	392	488	582	675	769
7% discount	443	548	650	752	853
6% discount	502	616	727	838	949
5% discount	568	692	<b>814</b>	935	1,057
4% discount	643	779	913	1,046	1,179

Valuation (C\$/sh)					
	\$1500oz	\$1600oz	\$1700oz	\$1800oz	\$1900oz
0.40xNAV	0.70	0.80	0.90	1.00	1.20
0.50xNAV	0.90	1.00	1.20	1.30	1.50
0.60xNAV	1.00	1.20	<b>1.40</b>	1.60	1.70
0.70xNAV	1.20	1.40	1.60	1.80	2.00

Valuation over time					
	4Q21E	4Q22E	4Q23E	4Q24E	4Q25E
Mines NPV (US\$m)	708	762	804	918	1,149
Cntrl G&A & fin costs (US\$m)	(140)	(96)	(94)	(90)	(90)
Net cash at 1Q (US\$m)	9	(0)	39	(144)	(139)
1xNAV (US\$m)	577	665	749	684	920
1xNAV share px FD (C\$/sh)	3.94	3.87	4.00	2.33	2.34
P/NAV (x):	0.08x	0.09x	0.08x	0.14x	0.14x
ROI to equity holder (% pa)	1077%	240%	129%	62%	47%
1.2xNAV share px FD (C\$/sh)	4.73	4.65	4.80	2.80	2.80
ROI to equity holder (% pa)	1313%	272%	143%	70%	53%

Goldboro 1xNAV sensitivity					
Goldboro NPV5% (C\$m)	\$1500oz	\$1600oz	\$1700oz	\$1800oz	\$1900oz
8.0% discount	387	479	571	663	755
7.0% discount	443	544	644	744	844
6.0% discount	507	617	726	836	945
5.0% discount	580	699	<b>819</b>	939	1,058

Goldboro NPV5% (C\$m)					
	\$1500oz	\$1600oz	\$1700oz	\$1800oz	\$1900oz
Cost per tonne + 20.0%	517	637	757	877	996
Cost per tonne + 10.0%	548	668	788	908	1,027
No change	580	699	<b>819</b>	939	1,058

Goldboro NPV5% (C\$m)					
	\$1500oz	\$1600oz	\$1700oz	\$1800oz	\$1900oz
10.0% grade reconciliation	610	732	853	975	1,096
0.0% grade reconciliation	580	699	<b>819</b>	939	1,058
-10.0% grade reconciliation	543	660	778	895	1,012

Production (100%)					
	CY24E	CY25E	CY26E	CY27E	CY28E
Goldboro (000oz)	-	55	102	102	102
Goldboro cash cost (US\$/oz)	-	815	749	749	749
Goldboro AISC (US\$/oz)	-	953	851	851	851
Group (000oz)	-	55	102	102	102
Group cash cost (US\$/oz)	-	832	766	766	766
Group AISC (US\$/oz)	-	980	851	851	851

Source: SCP estimates

Balance sheet					
	CY21E	CY22E	CY23E	CY24E	CY25E
Cash (C\$m)	10	9	116	36	78
Accounts receivable (C\$m)	1	0	--	--	2
Inventories (C\$m)	6	7	--	--	21
PPE & exploration (C\$m)	74	79	149	325	360
Other (C\$m)	5	5	5	5	5
<b>Total assets (C\$m)</b>	<b>96</b>	<b>100</b>	<b>270</b>	<b>365</b>	<b>466</b>
Debt (C\$m)	2	9	77	180	217
Other liabilities (C\$m)	23	20	10	10	42
Shareholders equity (C\$m)	84	90	210	210	210
Retained earnings (C\$m)	(13)	(18)	(26)	(33)	(2)
Minority int. & other (C\$m)	--	--	--	--	--
<b>Liabilities+equity (C\$m)</b>	<b>96</b>	<b>101</b>	<b>270</b>	<b>366</b>	<b>467</b>
Net cash (C\$m)	9	0	39	(143)	(139)
Net debt to NTM EBITDA (x)	(1.8x)	nmf	nmf	2.5x	1.1x

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BUY:	53
HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	0
NOT RATED:	0
TOTAL	55

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