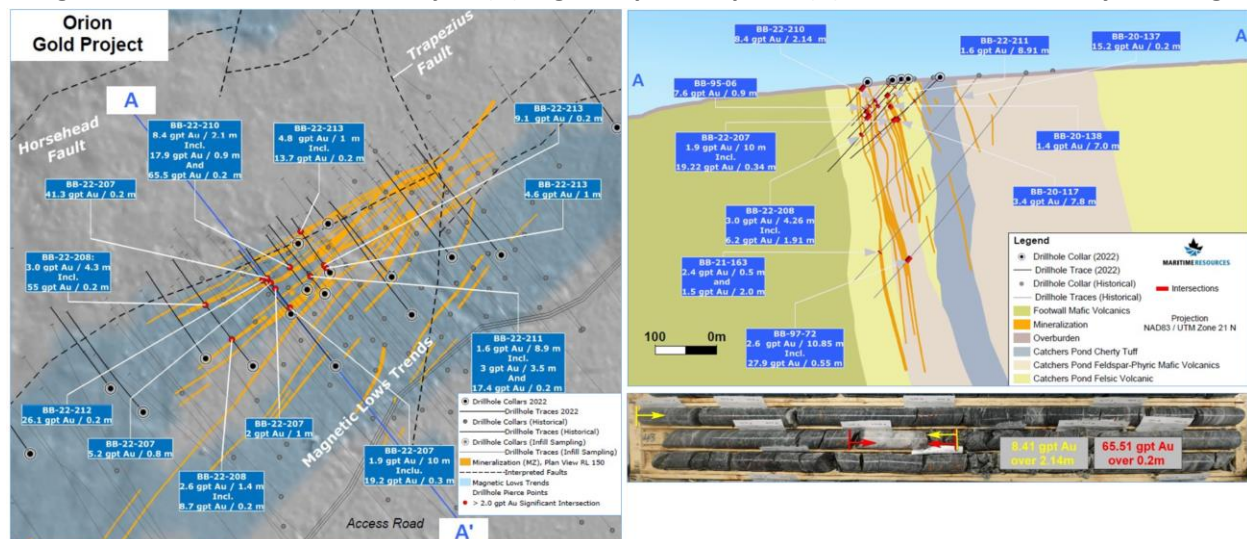


**Ticker:** MAE CN      **Cash:** ~C\$4m      **Project:** Hammerdown  
**Market cap:** C\$26m      **Price:** C\$0.06/sh      **Country:** Newfoundland, Canada  
**REC. (unc):** BUY      **PT (unc):** C\$0.16/sh      **RISK RATING (unc):** HIGH

Today's results from last year's satellite drilling near the Hammerdown DFS pit is not step change, but does talk to the potential to extend mine life beyond 5 years in the 3Q22 DFS pit (50koz pa @ US\$912/oz AISC). Digging in, the average of 8 holes (34 pierce points) is 2.3m @ 2.2g/t, above our 0.7g/t cut-off, all very shallow <60m downhole for low-cost ounce additions, albeit lower grade than 4.5g/t DFS reserves so likely falls on the tail end of mine plan depending on strip/schedule. Also at Area 22 today, we see useful 'smoke' with headline 2.9m @ 4.5g/t, albeit average today of 21 pierce points is 1.6m @ 1.2g/t <171m downhole— all outside existing resource for useful near pit additions.

Big picture, Hammerdown is within trucking distance of two operating mills, providing deep value while avoiding build challenges other operators have recently faced given its simple open-pit, low capex (less susceptible to inflation), and minimal EA process. Hence we see plenty of satellite opportunities in the camp to support a hub & spoke consolidation, with Maritime well positioned here ahead of final permits (key catalyst) while neighboring operations begin to wind down. As such, **we maintain our BUY rating and C\$0.16/sh PT based on 0.6NAV<sub>5%-1850</sub>**. The benefit here is a short lead time, and short payback project that can start generating cash quickly against current very low market cap. Stepping back, Maritime is trading critically low at <0.1xNAV. Key price drivers remain (i) final permitting approvals, (ii) Orion MRE update, and (iii) ongoing low-cost exploration drilling.

**Figure 1: Hammerdown Gold Project (A) regional plan map and (B) cross section of today's drilling**



Source: Maritime Resources

## Shallow infill: 10m @ 1.9g/t at Orion satellite talks to potential mine life extensions

Maritime Resources reports results from last year's 4,000m drill program from Orion, with composite highlights of **10m @ 1.9g/t Au** from 95m (inc. 0.3m @ 19.2g/t), **2.1m @ 8.4g/t** from 42m (inc. 0.9m @ 17.9g/t), **8.9m @ 1.6g/t** (inc. 0.2m @ 17.4g/t), and **4.3m @ 3.0g/t** from 116m. An updated resource estimate for Orion is expected by mid-2023. Drilling at the Area 22 target near Hammerdown saw highlights of **2.9m @ 4.5g/t** from 82m downhole (inc. 0.3m @ 37.2g/t), 0.2m @ 28.6g/t and 9m @ 0.6g/t. A 5,000m definition and infill drill program is on-going near Hammerdown, looking for near-mine exploration targets along the 3km trend between Orion and the Golden Anchor zone. Permitting for Hammerdown continues to advance with the submission of both the (i) Development Plan and the (ii) Rehabilitation and Closure Plan, marking the final phase of major provincial permitting approvals for the Project.

## Why we like Maritime Resources

1. Nearly permitted quick payback 60kozpa Hammerdown generates >50% IRR
2. Trading at just 0.13x NAV for Hammerdown, cheap on all metrics
3. 358km<sup>2</sup> contiguous licences within trucking distance of mill

## Catalysts

1. 1H23: final permits
2. Mid-23: Orion MRE update
3. 2H23: Construction finance and construction decision
4. CY24: SCPe first production

## Research

**Brandon Gaspar** (Toronto) M: +1 437 533 3142 [bgaspar@sprott.com](mailto:bgaspar@sprott.com)

**Eleanor Magdzinski** (Toronto) M: +1 705 669 7456 [emagdzinski@sprott.com](mailto:emagdzinski@sprott.com)

**Konstantinos Kormpis** (Toronto) M: +1 778-957-3623 [kkormpis@sprott.com](mailto:kkormpis@sprott.com)

Ticker: MAE CN	Price / mkt cap: 0.06/sh, C\$26m	Market P/NAV: 0.13x	Assets: Hammerdown
Author: B Gaspar / E Magdzinski	Rec / 0.6xNAV PT: BUY / C\$0.16	1xNAV3Q22 FD: C\$0.42/sh	Country: Canada

Group-level SOTP valuation	3Q22	3Q22			
	C\$m	O/ship	NAVx	C\$/sh	
Hammerdown (NFLD) NPV 3Q22	209	100%	1.00x	0.41	
Central SG&A & fin costs 3Q22	(42)	-	1.00x	(0.08)	
Ounces outside mine plan (US\$/25/oz)	18	-	1.00x	0.03	
Exploration (\$25m)	25	100%	1.00x	0.05	
Cash and restr. cash 3Q22	4	-	1.00x	0.01	
Debt 3Q22	(0)	-	1.00x	(0.00)	
<b>1xNAV5% US\$1850/oz</b>	<b>213</b>			<b>0.42</b>	

\*above diluted for options but not fundraises, fellow diluted for build raise

Cash raised	40	-	1.00x	0.04
<b>1xNAV5% US\$1850/oz - Fully Funded</b>	<b>253</b>			<b>0.28</b>

P/NAV multiple	Target (C\$/sh)
Price Target	0.60x
	0.16

Resource / Reserve	Mt	000oz	EV/oz
Measured, ind. & inf.	2.87	987	18
SCPe ROM Inventory inc. Orion	2.30	440	39

Share data	Basic	FD	FD+FF
Shares out (m)	474.3	507.3	907.3

Funding: uses	Funding: sources		
DFS capex	C\$75m	2Q22 cash + options	C\$5m
SCPe contingency	C\$9m	Debt @ 60% gearing	C\$60m
SCPe G&A + fin. cost to first Au	C\$18m	SCPe Equity Raised	C\$40m
SCPe working capital	C\$2m		
Total uses	C\$105m	Total proceeds	C\$105m

\*Cash from options expiring pre first pour

1xNAV sensitivity to gold price and discount / NAV multiple					
1xNAV asset (US\$m)	\$1750oz	\$1800oz	\$1850oz	\$1900oz	\$1950oz
8% discount	162	174	187	199	212
7% discount	169	182	195	208	221
6% discount	177	190	204	217	231
5% discount	185	199	213	227	241
4% discount	194	209	223	238	252

Valuation (C\$/sh)	\$1750oz	\$1800oz	\$1850oz	\$1900oz	\$1950oz
0.50xNAV	0.12	0.14	0.14	0.14	0.16
0.60xNAV	0.14	0.16	0.16	0.18	0.18
0.70xNAV	0.18	0.18	0.20	0.20	0.22
0.80xNAV	0.20	0.22	0.22	0.24	0.24

Valuation over time	4Q21E	4Q22E	4Q23E	4Q24E	4Q25E
Mines NPV (C\$m)	181	190	200	288	257
Cntrl G&A & fin costs (C\$m)	(52)	(42)	(42)	(39)	(27)
Net cash at 1Q (C\$m)	7	42	(39)	(11)	29
1xNAV (C\$m)	136	191	119	239	260
1xNAVPS FD (C\$/sh)	0.36	0.44	0.15	0.30	0.32
P/NAV (x):	0.15x	0.13x	0.37x	0.19x	0.17x
ROI to equity holder (% pa)	559%	182%	39%	52%	42%
1.2xNAV share px FD (C\$/sh)	0.43	0.52	0.18	0.36	0.39
ROI to equity holder (% pa)	690%	209%	48%	60%	48%

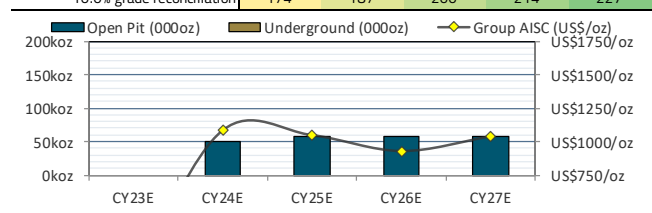
Commodity price	CY21E	CY22E	CY23E	CY24E	CY25E
Gold price (US\$/oz)	1,820	1,797	1,884	1,850	1,850

Ratio analysis	CY21E	CY22E	CY23E	CY24E	CY25E
FD shares out (m)	376.7	437.1	802.9	804.4	804.4
EPS (C\$/sh)	(0.006)	(0.008)	(0.009)	0.019	0.025
CFPS before w/c (C\$/sh)	(0.01)	(0.01)	(0.01)	0.04	0.05
FCFPS pre growth (C\$/sh)	(0.01)	(0.01)	(0.01)	0.04	0.05
FCFPS (C\$m)	(0.03)	(0.01)	(0.10)	0.04	0.05
FCF yield pre growth (%)	(57%)	(17%)	(186%)	74%	91%
FCF yield (%)	(57%)	(17%)	(186%)	74%	91%
EBITDA margin (%)	nmf	nmf	-	42%	44%
FCF margin (%)	--	--	--	27%	29%
ROE (%)	(7%)	(6%)	(11%)	19%	20%
ROA (%)	(7%)	(5%)	(7%)	11%	14%
ROCE (%)	(9%)	(6%)	(7%)	41%	41%
PER (x)	(6.7)	(6.5)	(6.3)	2.9x	2.2x
P/CF (x)	(8.4)	(6.7)	(6.2)	1.3x	1.1x
EV/EBITDA (x)	(4.1x)	3.9x	(18.4x)	1.1x	0.2x

Hammerdown 1xNAV sensitivity					
Hammerdown NPV5% (C\$m)	\$1750oz	\$1800oz	\$1850oz	\$1900oz	\$1950oz
8.0% discount	156	168	180	192	204
7.0% discount	164	176	189	201	214
6.0% discount	173	186	199	211	224
5.0% discount	182	195	209	222	236

Hammerdown NPV5% (C\$m)	\$1750oz	\$1800oz	\$1850oz	\$1900oz	\$1950oz
Cost per tonne + 20.0%	128	142	155	169	182
Cost per tonne + 10.0%	155	169	182	196	209
No change	182	195	209	222	236

Hammerdown NPV5% (C\$m)	\$1750oz	\$1800oz	\$1850oz	\$1900oz	\$1950oz
10.0% grade reconciliation	187	201	215	228	242
0.0% grade reconciliation	182	195	209	222	236
-10.0% grade reconciliation	174	187	200	214	227



Production (100%)	CY23E	CY24E	CY25E	CY26E	CY27E
Hammerdown (000oz)	-	49	57	57	57
Open Pit (000oz)	-	49	57	57	57
Underground (000oz)	-	-	-	-	-
Hammerdown cash cost (US\$/oz)	-	926	948	838	965
Hammerdown AISC (US\$/oz)	-	1,007	981	899	998
Group (000oz)	-	49	57	57	57
Group cash cost (US\$/oz)	-	992	966	857	983
Group AISC (US\$/oz)	-	1,083	1,047	929	1,038

Income statement	CY21E	CY22E	CY23E	CY24E	CY25E
Revenue (C\$m)	--	--	--	122	141
COGS (C\$m)	--	--	--	(65)	(74)
<b>Gross profit (C\$m)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>56</b>	<b>67</b>
Expenses (C\$m)	--	--	(3)	(2)	(3)
Impairment & other (C\$m)	--	--	--	--	--
Net finance costs (C\$m)	1	--	(3)	(6)	(6)
Tax (C\$m)	--	--	--	(12)	(15)
Minority interest (C\$m)	--	--	--	--	--
<b>Net income attr. (C\$m)</b>	<b>1</b>	<b>--</b>	<b>(5)</b>	<b>37</b>	<b>43</b>

Cash flow	CY21E	CY22E	CY23E	CY24E	CY25E
Profit/(loss) after tax (C\$m)	(2)	(4)	(7)	16	20
Add non-cash items (C\$m)	(0)	--	--	18	21
Less wkg cap / other (C\$m)	(1)	--	--	(5)	(0)
<b>Cash flow ops (C\$m)</b>	<b>(3)</b>	<b>(4)</b>	<b>(7)</b>	<b>29</b>	<b>41</b>
PP&E (C\$m)	(3)	--	(75)	(1)	(1)
Other (C\$m)	1	--	--	--	--
<b>Cash flow inv. (C\$m)</b>	<b>(8)</b>	<b>--</b>	<b>(75)</b>	<b>(1)</b>	<b>(1)</b>
Debt draw (repayment) (C\$m)	--	9	34	9	(21)
Equity issuance (C\$m)	13	40	1	--	--
Other (C\$m)	(1)	--	--	--	--
<b>Cash flow fin. (C\$m)</b>	<b>12</b>	<b>49</b>	<b>35</b>	<b>9</b>	<b>(21)</b>
Net change post forex (C\$m)	1	45	(47)	37	19

Balance sheet	CY21E	CY22E	CY23E	CY24E	CY25E
Cash (C\$m)	7	51	4	41	60
Accounts receivable (C\$m)	--	--	--	1	1
Inventories (C\$m)	--	--	--	14	15
PPE & exploration (C\$m)	29	29	104	87	67
Other (C\$m)	0	0	0	0	0
<b>Total assets (C\$m)</b>	<b>36</b>	<b>81</b>	<b>108</b>	<b>143</b>	<b>144</b>
Debt (C\$m)	--	9	43	51	31
Other liabilities (C\$m)	1	1	1	12	13
Shareholders equity (C\$m)	45	86	86	86	86
Retained earnings (C\$m)	(10)	(14)	(21)	(6)	15
Minority int. & other (C\$m)	--	--	--	--	--
<b>Liabilities+equity (C\$m)</b>	<b>36</b>	<b>81</b>	<b>109</b>	<b>144</b>	<b>145</b>
Net cash (C\$m)	7	43	(39)	(11)	29
Net debt to NTM EBITDA (x)	nmf	nmf	0.8x	0.2x	(0.4x)

Source: SCP estimates

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9	The analyst has been reimbursed for travel expenses for a site visit by the issuer	NO

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Summary of Recommendations as of February 2023	
BUY:	53
HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	0
NOT RATED:	0
TOTAL	55

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