

Ticker: SGNL CN	4Q22 Cash: C\$9.2m	Project: Goldboro / Point Rousse
Market cap: C\$58m	Price: C\$0.30/sh	Country: Canada
<i>REC. (unc): BUY</i>	<i>TARGET (unc): C\$1.60/sh</i>	<i>RISK RATING (unc): SPECULATIVE</i>

On our estimates, today's US\$21m unsecured credit facility preserves the balance sheet at a lower cost of capital than equity at current levels while removing the financing overhang associated with winding down Point Rousse. We calculate a 15% IRR, assuming only the first US\$16m tranche is drawn at 5% issue discount, and pricing the warrants at 30% volatility. This compares to SCPe implied discount rate 31% for the equity which is trading at 0.1x SCPe NAV_{5%-1850} (i.e. our modelled fully diluted NAVPS at US\$1850/oz equals the current share price at a 31% DR). Ideally, the goal is to preserve the balance sheet to focus 100% on Goldboro (exploration / engineering / permitting) towards full project financing later this year, which now looks achievable on today's credit + Point Rousse recent transition to care & maintenance. As such, **we maintain our BUY rating and C\$1.60/sh price target on 0.6x fully diluted and fully funded NAV_{5%-1850}**. At this point the opportunity here is to buy low on a Canadian developer with a FS completed >100kozpa Canadian project that could achieve permitted status 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.

US\$21m bridge financing preserves balance sheet ahead of Goldboro project financing in 2H23

Signal Gold enters into a credit agreement with Nebari for a credit facility of up to US\$21m (initial draw US\$16m and a second tranche US\$5m) with a 2-year maturity with option to extend up to another 12 months. The credit facility bears an annual coupon of a minimum of the greater of (i) SOFR and (ii) 3% plus a margin of 6.7%. Signal will grant to Nebari 15.4m warrants for the initial drawdown at a strike price of C\$0.44/sh and an additional US\$1.56m divided by the strike price in additional warrants upon tranche 2, at a strike price equal of 33.3% premium to the 10 day VWAP. Proceeds will be used to progress critical pre-development activities (industrial permits, updated FS, updated MRE and geotech) at Goldboro Project and repay the existing US\$8m senior facility to Auramet.

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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Ticker: SGNL CN	Price / mkt cap: C\$0.30/sh, C\$58m	Market P/NAV: 0.07x	Assets: Goldboro/P Rousse
Author: B Gaspar / E Magdzinski	Rec / 0.6xNAV PT: BUY / C\$1.60	1xNAV_{4Q22} FD: C\$4.45/sh	Country: Canada

Group-level SOTP valuation	4Q22	4Q22E		
	C\$m	O/ship	NAVx	C\$/sh
Goldboro (NS) NPV 4Q22E	989	100%	1.00x	4.52
Point Rousse @ US\$2.00/oz - net liabilities	24	100%	1.00x	0.11
Central SG&A & fin costs 4Q22E	(91)	-	1.00x	(0.41)
Goldboro oz outside mine plan (US\$25/oz)	38	-	1.00x	0.17
Exploration (\$25/oz)	25	100%	1.00x	0.11
Cash and restr. cash 4Q22	9.2	-	1.00x	0.04
Nebari Credit Facility (Drawn)	(20.3)	-	1.00x	(0.09)
1xNAV5% US\$1850/oz	974			4.45

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

Cash raised	120	-	1.00x	0.29
1xNAV5% US\$1850/oz - Fully Funded	1,094			2.61

Price Target	0.60x	Target (C\$/sh)	1.60
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1xNAV sensitivity to gold price and discount / NAV multiple					
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1xNAV asset (US\$m)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
8% discount	516	610	703	796	888
7% discount	580	681	783	883	984
6% discount	651	762	872	982	1,092
5% discount	732	853	974	1,094	1,214
4% discount	823	956	1,088	1,220	1,352
Valuation (C\$/sh)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
0.40xNAV	0.80	0.90	1.00	1.20	1.30
0.50xNAV	1.00	1.20	1.30	1.40	1.60
0.60xNAV	1.20	1.40	1.60	1.70	1.90
0.70xNAV	1.40	1.60	1.80	2.00	2.20

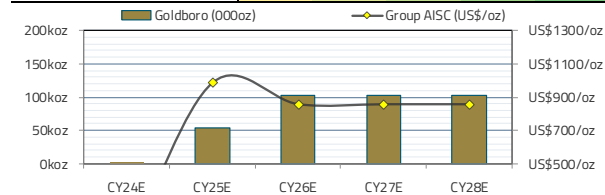
Valuation over time	4Q21E	4Q22E	4Q23E	4Q24E	4Q25E
Mines NPV (US\$m)	861	923	971	1,090	1,330
Cntrl G&A & fin costs (US\$m)	(136)	(94)	(91)	(86)	(86)
Net cash at 1Q (US\$m)	9	3	46	(137)	(126)
1xNAV (US\$m)	734	831	925	866	1,118
1xNAV share px FD (C\$/sh)	5.02	4.84	4.94	2.95	2.84
P/NAV (x):	0.06x	0.06x	0.06x	0.10x	0.11x
ROI to equity holder (% pa)	1573%	302%	154%	77%	57%
1.2xNAV share px FD (C\$/sh)	6.02	5.81	5.93	3.54	3.41
ROI to equity holder (% pa)	1907%	340%	170%	85%	63%

Goldboro 1xNAV sensitivity					
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Goldboro NPV5% (C\$m)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
8.0% discount	520	611	703	795	887
7.0% discount	588	687	787	887	987
6.0% discount	664	773	882	991	1,100
5.0% discount	751	870	989	1,108	1,227

Goldboro NPV5% (C\$m)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
Cost per tonne + 20.0%	688	807	926	1,045	1,165
Cost per tonne + 10.0%	719	839	958	1,077	1,196
No change	751	870	989	1,108	1,227

Goldboro NPV5% (C\$m)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
10.0% grade reconciliation	784	905	1,026	1,147	1,268
0.0% grade reconciliation	751	870	989	1,108	1,227
-10.0% grade reconciliation	710	827	944	1,061	1,178



Production (100%)	CY24E	CY25E	CY26E	CY27E	CY28E
Goldboro (000oz)	-	55	102	102	102
Goldboro cash cost (US\$/oz)	-	821	754	754	754
Goldboro AISC (US\$/oz)	-	961	858	858	858
Group (000oz)	-	55	102	102	102
Group cash cost (US\$/oz)	-	839	772	772	772
Group AISC (US\$/oz)	-	988	858	858	858

Source: SCP estimates

Resource / Reserve	Mt	000oz	EV/oz
Measured, ind. & inf.	24.23	3328	6
Proven & probable	17.48	1244	17

Share data	Basic	FD	FD+FF
Shares out (m)	194.7	218.7	418.7

Funding: uses	Funding: sources		
DFS capex	C\$271m	Net Cash + options pre 1st Au	-C\$11m
SCPe contingency	C\$7m	Debt @ 60% gearing	C\$180m
SCPe G&A + fin. cost to first Au	C\$9m	SCPe Equity Raised	C\$120m
SCPe working capital	C\$9m	Undrawn Nebari Credit	C\$7m
		Point Rousse FCF	C\$0m
Total uses	C\$296m	Total proceeds	C\$296m

*Cash from options expiring pre first pour

Commodity price	CY21E	CY22E	CY23E	CY24E	CY25E
Gold price (US\$/oz)	1,809	1,829	1,823	1,850	1,850

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)	(0.023)	(0.012)	(0.018)	0.098
CFPS before w/c (C\$/sh)	0.03	0.02	(0.02)	(0.02)	0.16
FCFPS pre growth (C\$/sh)	(0.04)	0.02	(0.03)	(0.02)	0.12
FCFPS (C\$m)	(0.12)	(0.03)	(0.25)	(0.46)	0.01
FCF yield pre growth (%)	(39%)	(11%)	(84%)	(155%)	2%
FCF yield (%)	(39%)	(11%)	(84%)	(155%)	2%
EBITDA margin (%)	(11%)	17%	(23%)	-	49%
FCF margin (%)	(73%)	(14%)	(605%)	--	2%
ROE (%)	(10%)	(5%)	(3%)	(4%)	18%
ROA (%)	(7%)	(4%)	(2%)	(2%)	8%
ROCE (%)	(8%)	(1%)	(2%)	(4%)	23%
PER (x)	(5.0)	(12.8)	(22.3)	(16.9)	3.0x
P/C/F (x)	(877.4)	6.5x	(25.8)	(16.9)	2.2x
EV/EBITDA (x)	(13.8x)	7.2x	(17.4x)	(36.5x)	3.6x

Income statement	CY21E	CY22E	CY23E	CY24E	CY25E
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Revenue (C\$m)	28	45	12	--	135
COGS (C\$m)	(26)	(31)	(8)	--	(61)
Gross profit (C\$m)	1	14	4	--	74
Expenses (C\$m)	--	(13)	(9)	(7)	(9)
Impairment & other (C\$m)	1	0	--	--	--
Net finance costs (C\$m)	(0)	(1)	--	--	--
Tax (C\$m)	(0)	(1)	(1)	--	(14)
Minority interest (C\$m)	--	--	--	--	--
Net income attr. (C\$m)	2	(1)	(6)	(7)	51

Cash flow	CY21E	CY22E	CY23E	CY24E	CY25E
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Profit/(loss) after tax (C\$m)	(7)	(4)	(5)	(7)	39
Add non-cash items (C\$m)	7	13	1	--	14
Less wkg cap / other (C\$m)	5	(4)	(3)	--	9
Cash flow ops (C\$m)	4	4	(7)	(7)	62
PP&E (C\$m)	(7)	(4)	(69)	(176)	(50)
Other (C\$m)	0	(0)	--	--	--
Cash flow inv. (C\$m)	(20)	(15)	(70)	(176)	(50)
Debt draw (repayment) (C\$m)	(2)	6	62	103	33
Equity issuance (C\$m)	13	6	120	--	--
Other (C\$m)	--	(1)	--	--	--
Cash flow fin. (C\$m)	11	12	182	103	33
Net change post forex (C\$m)	(5)	1	105	(80)	45

Balance sheet	CY21E	CY22E	CY22E	CY22E	CY22E
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Cash (C\$m)	10	12	117	37	82
Accounts receivable (C\$m)	1	0	--	--	2
Inventories (C\$m)	6	7	--	--	21
PPE & exploration (C\$m)	74	79	148	324	360
Other (C\$m)	5	5	5	5	5
Total assets (C\$m)	96	103	270	366	470
Debt (C\$m)	2	9	72	175	208
Other liabilities (C\$m)	23	21	10	10	42
Shareholders equity (C\$m)	84	90	210	210	210
Retained earnings (C\$m)	(13)	(16)	(21)	(28)	10
Minority int. & other (C\$m)	--	--	--	--	--
Liabilities+equity (C\$m)	96	103	270	366	470
Net cash (C\$m)	9	3	46	(137)	(126)
Net debt to NTM EBITDA (x)	(1.1x)	nmf	nmf	2.1x	0.9x

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NEUTRAL: The stock's total returns are expected to be in line with the overall market

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NOT RATED ((N/R): The stock is not currently rated

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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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