

Ticker: SGNL CN

4Q22 Cash: C\$9.2m

Project: Goldboro / Point Rousse

Market cap: C\$55m

Price: C\$0.29/sh

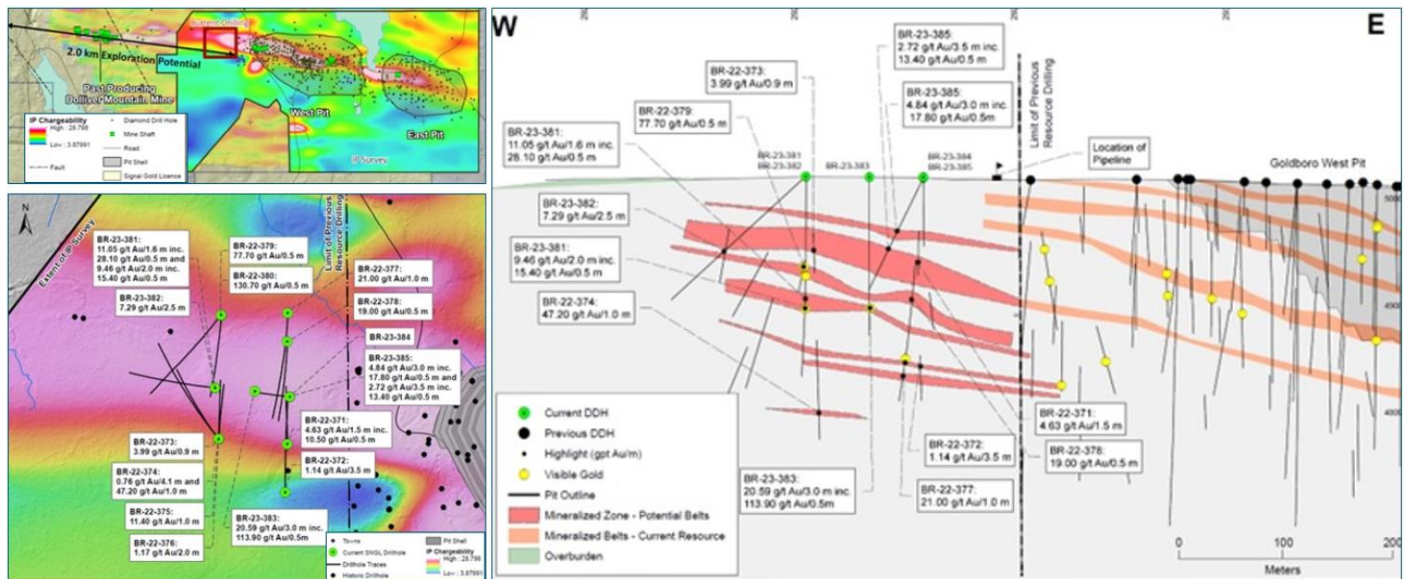
Country: Canada

REC. (unc): BUY

TARGET (unc): C\$1.60/sh

RISK RATING (unc): SPECULATIVE

At face value, today's high-grade hits along strike of the Goldboro global resource (3.1Moz @ 3.9g/t) are positive and talks to the shallow-ounce growth opportunity. Moreover, the hit rate is impressive. Of all 15 holes, the average of 62 pierce points is 1.5m @ 5g/t from <130m downhole. Key here, this first pass drilling validates the model 'works' via geophysics and Goldboro applied 'learnings'. Whilst only the first 325m out from existing resources, the runway here is big (>2km) and supports the thesis for a potential 'third pit discovery' in our view. An opportunity that is complete upside to our modelled ~C\$990m NPV_{5%-1,850} for Goldboro at build start. Whilst speculative, this simply equates to a +10% NPV increase for each 100koz 'pittable' ounce addition or +45c/sh, a figure that lifts if grade >2.3g/t, and falls if under. For now, **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 (i) an FS completed >100kozpa project that (ii) could achieve permitted status in the next twelve months plus (iii) an added flyer on western strike drilling. Beyond that, given that Goldboro is ~2x the grade and larger than existing satellites / mines in the area, they are well positioned to attract M&A in our view.

Figure 1. Goldboro West drilling (A/B) plan views showing geophysics and (C) v-section looking N


Source: Signal Gold

Goldboro strike extensions with shallow 3m @ 21g/t ~325m west of resource limit

Signal Gold reported results from 15 holes / 2,870m drilled ~325m west of the Goldboro resource limit, with highlights of **3m @ 20.6g/t** (inc. 0.5m @ 113.9g/t) from 122m, **2m @ 9.5g/t** (inc. 0.5m @ 15.4g/t) from 123.5m, and **2.5m @ 7.3g/t** from 103m. Notable high-grade intersections include 0.5m @ 130.7g/t from 80m, 0.5m @ 47.2g/t from 230m, 0.5m @ 77.7g/t from 123m, 1m @ 21g/t from 210m and 0.5m @ 28.1g/t from 112m downhole. Eight occurrences of visible gold were observed in 102 separate intersections of gold mineralization. Mineralization remains open along strike to the west. The results show gold mineralization and alteration coincide with the targeted Induced Polarization (IP) chargeability and Very Low Frequency (VLF) trends, where the target extends ~2km west of existing mineralization towards the past producing Dolliver Mountain Mine. Additional IP surveying will cover this area of strike potential and will be initiated following the receipt of required permits for further drilling and land access.

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\$0.29/sh, C\$55m	Market P/NAV: 0.06x	Assets: Goldboro/P Rouse
Author: B Gaspar / E Magdzinski	Rec / 0.6xNAV PT: BUY / C\$1.60	1xNAV_{4Q22} FD: C\$4.46/sh	Country: Canada

Group-level SOTP valuation	4Q22	4Q22E			
	C\$m	O/ship	NAVx	C\$/sh	
Goldboro (N5) NPV 4Q22E	991	100%	1.00x	4.53	
Point Rouse @ 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	976			4.46	

*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	1,096			2.62	

P/NAV multiple	Target (C\$/sh)
0.60x	1.60

Price Target

1xNAV sensitivity to gold price and discount / NAV multiple

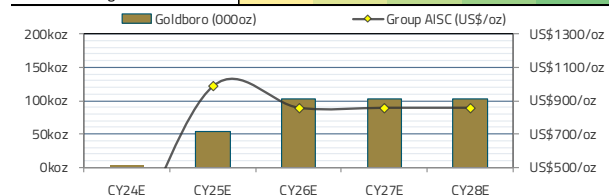
1xNAV asset (US\$m)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
8% discount	516	610	703	796	888
7% discount	580	681	783	883	984
6% discount	651	762	872	982	1,092
5% discount	732	853	974	1,094	1,214
4% discount	823	956	1,088	1,220	1,352
Valuation (C\$/sh)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
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	0.10x
ROI to equity holder (% pa)	1661%	312%	159%	79%	58%
1.2xNAV share px FD (C\$/sh)	6.02	5.81	5.93	3.54	3.41
ROI to equity holder (% pa)	2013%	351%	175%	88%	64%

Goldboro 1xNAV sensitivity

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	15

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 Rouse 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 (%)	(4.1%)	(12%)	(89%)	(163%)	3%
EV/EBITDA (x)	(4.1x)	(12x)	(89x)	(163x)	3x
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)	(4.8)	(12.2)	(21.2)	(16.0)	2.9x
P/CF (x)	(833.5)	6.1x	(24.5)	(16.0)	2.1x
EV/EBITDA (x)	(13.0x)	6.8x	(15.8x)	(35.7x)	3.6x

Income statement	CY21E	CY22E	CY23E	CY24E	CY25E
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
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	CY23E	CY24E	CY25E
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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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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