

Ticker: OIIL CN

Cash: C\$26m

Project: Marban + Alpha

Market cap: C\$103m

Price: C\$1.37/sh

Country: Canada, QC

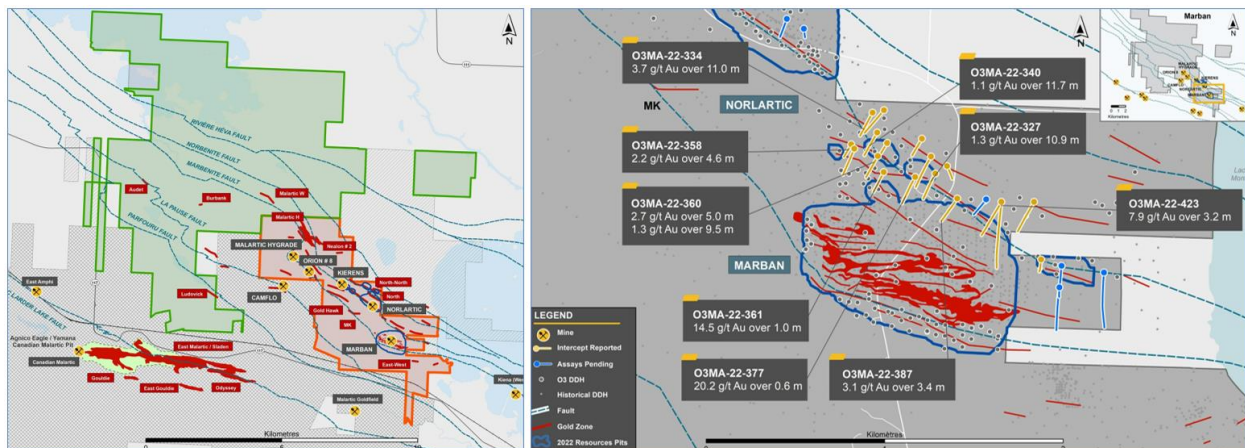
REC. (unc): BUY

TARGET (unc): C\$3.75/sh

RISK RATING (unc): SPECULATIVE

Recall the Marban / Norlartic / Kierens pits have an existing 2.4Moz @ 1.1g/t resource base, with only 1.6Moz @ 0.9g/t sitting in the PFS pit inventory. Today's drilling focused on 'filling in the gaps' on satellite pits north of Marban saw averages of 5.7m @ 1.8g/t for all hits (6m @ 1.7g/t Norlartic, 3.2m @ 2.6g/t Marban dyke) from shallow 121m down-hole (all <320m) with potential for in-pit inventory lifting toward or above 2Moz from the merging/expansion of satellites. Stepping back, satellite ounce growth outlined today (and previously) is important not only to the standalone economics of Marban beyond the ~10yr PFS reserve life (or earlier on higher grades), but also for the camp's longevity. Beyond that, neighbour Agnico's Malartic mine is guiding ~40ktpd of spare mill capacity in the next 5-6 years, with publicly stated goals to offset this with surrounding satellite feed, including its own ounces which look earlier stage / higher cost compared to Marban in our view. This leaves O3 well positioned here as twinned tracked exploration / engineering advances towards feasibility this year. For now, **we maintain our BUY rating and C\$3.75/sh PT** based on $0.2 \times \text{NAV}_{5\%-1850}$ for Marban, plus US\$30/oz for resources outside of reserves and investments. While O3's EV of ~C\$40m net of ~C\$42m Moneta shares and C\$17m cash implies Marban is 'in for little', we think they have the best-torque-in-town and M&A chance in our view, with engineering and permitting as key value drivers to close that gap.

Figure 1. Marban project (A) regional & (B) project plan maps highlighting today's drilling



Source: O3 Mining

Satellite ounce growth with 11.0m @ 3.7g/t north of Marban PFS pit

O3 reports results from 27 holes as part of a broader 56 hole (13,692m) 2022 drill program targeting extensions of the Norlartic trend currently defined by three small resource pit shells north of the main Marban MRE pit and highlighted by **11.0m @ 3.7g/t Au** from 166m north-west of an existing PFS satellite pit-shell, **3.2m @ 7.9g/t Au** from 39m east-south-east of an existing PFS pit-shell, and **10.9m @ 1.3g/t Au** from 86m between the main PFS pit and smaller satellite pit to the north. The Norlartic Extension has now been drilled over 2km on 80m centres. Assays pending for two holes.

Why we like O3

- Large holding on global top-three Archean belt straddling the Cadillac Break around Val d'Or
- Existing 'base load' 2.6Moz resource / 1.7Moz inventory / 160koz pa Y1-10 scenario at Marban
- 24% ownership of 12Moz Moneta where Garrison provides base-load while Highway lifts grade
- 'Get it done, fast' including +150km drill program underway speeds equity ROI

Catalysts

- 2023: Feasibility work and permitting
- 2023: 26,000m drill program at Marban + 9,300m regionally and 4,000m at Alpha
- 2Q23: Marban UG maiden resource
- 1Q24: Feasibility Study
- CY24/26: Build start / First production

Research

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Ticker: OIII CN	Price / mkt cap: C\$1.37/sh, C\$103m	Project PNAV today: 0.13x	Asset: Marban + Val d'Or
Author: Brandon Gaspar	Rec / xNAV PT: BUY, C\$3.75/sh	1xNAV build start, FD: C\$10.15/sh	Country: Canada, QC / ON

Commodity price	CY20A	CY21A	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 @ 2Q24 build start	653	100%	0.2x	1.60	
3Q22 Cash + equivalents	26	100%	1.0x	0.32	
Cash from options	14	100%	1.0x	0.17	
Resource ex reserve @ US\$30/oz	92	100%	1.0x	1.13	
O3 interest in Moneta Gold	42	100%	1.0x	0.52	
Asset NAV5% US\$1850/oz	827				PT: 3.74

*Diluted for options but not mine build Market P/NAV5% (today) 0.13x

Asset value: 1xNPV project @ build start (C\$m, ungeared)*					
Project NPV (C\$m)*	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
10.0% discount	255	328	400	471	542
7.5% discount	351	433	514	594	674
5.0% discount	468	561	653	744	835
Ungeared project IRR:	19%	22%	24%	26%	29%
Company NAV (C\$/sh)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
Discount rate: 9%	2.85	3.04	3.22	3.41	3.59
Discount rate: 7%	3.05	3.26	3.46	3.66	3.87
Discount rate: 5%	3.29	3.51	3.74	3.96	4.19

*Project NPV, ex fin. costs and cent G&A, discounted to build start

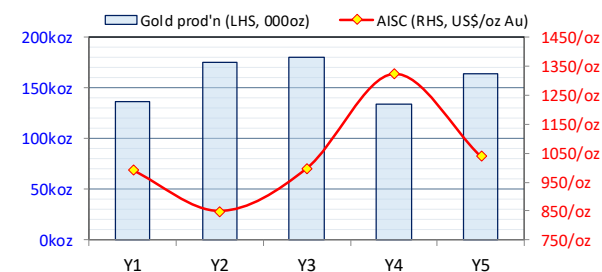
Group valuation over time^					
	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26
Marban NPV (C\$m)	609.9	643.2	740.0	1,010.1	1,185.7
G&A and finance costs (C\$m)	(107.6)	(109.1)	(108.4)	(95.1)	(73.0)
Net cash prior qtr (C\$m)	26.0	35.8	140.6	(92.5)	(240.1)
Cash from options (C\$m)	13.9	13.9	13.9	13.9	13.9
Resource ex reserve (C\$m)	92.0	92.0	92.0	92.0	92.0
O3 interest in Moneta Gold	42.1	42.1	42.1	42.1	42.1
NAV FF FD (C\$m)	676	718	920	970	1,021
Shares in issue (m)	75.0	75.0	75.0	75.0	75.0
1xNAV5%/sh FF FD (C\$/sh)	9.01	9.57	12.27	12.94	13.60
Equity ROI from spot (% pa)			199%	111%	78%

Geared company NAV diluted for mine build, net G&A and finance costs					
3Q26 1xNAV FF FD (C\$m)^	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
10.0% discount	662	753	843	932	1,021
7.5% discount	731	829	925	1,020	1,115
5.0% discount	813	917	1,021	1,123	1,225
Geared project IRR:	0%	0%	0%	0%	0%
3Q26 1xNAV FF FD (C\$/sh)^	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
10.0% discount	8.82	10.04	11.24	12.42	13.61
7.5% discount	9.75	11.05	12.33	13.60	14.86
5.0% discount	10.83	12.23	13.60	14.97	16.33

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

Production					
	Y1	Y2	Y3	Y4	Y5
Marban gold production (000oz)	137	175	180	134	164
C1 cost (US\$/oz)	812	686	831	1,119	865
AISC cost (US\$/oz)	990	849	996	1,324	1,038

AISC = C1 + ug sustaining capex, Y1 = 1Q26



Source: SCP estimates

Resource / Reserve	Au (koz)	Au (g/t)	Deposit	Au (koz)
M&I	2862koz	1.18g/t	Marban	2597koz
Inferred	1087koz	3.09g/t	Akasaba	543koz
Total	3949koz	1.42g/t	Orenada	321koz
Marban PFS pit inventory	1650koz	0.91g/t	Bullfrog / Kappa	318koz
			Sleepy, Simkar	170koz

Share data			
Basic in issue (m)	75.0	DFS / Mine build equity (C\$m)	189
FD with options (m)	81.4	Mine build debt (C\$m)	261
FD for mine build @ 0.4xNAV (m)	128.0	Build shares issued @ 0.4xNAV (m)	46.5

Ratio analysis					
Average shares out (m)	CY20A	CY21A	CY22E	CY23E	CY24E
EPS (C\$/sh)	-	-	-	-	-
CFPS (C\$/sh)	-	-	-	-	-
EV (C\$m)	40.4	62.9	72.7	(104.8)	32.7
FCF yield (%)	-	-	-	-	-
PER (x)	-	-	-	-	-
P/CF (x)	-	-	-	-	-
EV/EBITDA (x)	-	-	-	-	-

Income statement					
	CY20A	CY21A	CY22E	CY23E	CY24E
Net revenue (C\$m)	-	-	-	-	-
COGS (C\$m)	-	-	-	-	-
Gross profit (C\$m)	-	-	-	-	-
D&A, attrib (C\$m)	0.0	(0.0)	0.0	0.0	-
Group G&A (C\$m)	4.7	5.3	6.4	5.8	4.0
Finance cost (C\$m)	0.1	0.1	0.3	-	3.5
Taxes (C\$m)	-	0.2	(0.8)	-	-
Net income (C\$m)	(4.8)	(5.6)	(5.9)	(5.8)	(7.5)
EBITDA (C\$m)	3.3	24.9	(6.3)	(5.8)	(4.0)

Cash flow, attrib.					
	CY20A	CY21A	CY22E	CY23E	CY24E
EBIT (C\$m)	(4.8)	(5.3)	(6.4)	(5.8)	(4.0)
Add back D&A (C\$m)	0.0	(0.0)	0.0	0.0	-
Less tax (C\$m)	0.1	0.3	(0.5)	-	3.5
Net change in wkg cap (C\$m)	0.8	0.1	0.8	0.1	-
Add back other non-cash (C\$m)	(0.7)	0.1	0.2	(0.1)	(7.0)
Cash flow ops (C\$m)	(4.6)	(4.9)	(5.9)	(5.8)	(7.5)
PP&E - build + sust. (C\$m)	1.4	(0.5)	(0.8)	-	(130.0)
PP&E - expl'n (C\$m)	(15.9)	(36.2)	(25.0)	-	-
Cash flow inv. (C\$m)	(14.6)	(36.7)	(25.7)	-	(130.0)
Share issue (C\$m)	37.9	32.9	16.2	189.0	-
Debt draw (repay) (C\$m)	-	-	-	-	174.0
Cash flow fin. (C\$m)	37.9	32.9	16.2	189.0	174.0
Net change in cash (C\$m)	18.7	(8.6)	(15.5)	183.2	36.5

Balance sheet					
	CY20A	CY21A	CY22E	CY23E	CY24E
Cash (C\$m)	34.3	27.2	24.4	207.6	244.1
Acc rec., inv, prepaid (C\$m)	2.5	2.2	3.3	3.3	3.3
PP&E + other (C\$m)	174.3	236.8	243.7	243.7	373.7
Total assets (C\$m)	211.1	266.2	271.4	454.6	621.1
Debt (C\$m)	-	-	-	-	174.0
Accounts payable (C\$m)	3.3	8.0	4.3	4.2	4.2
Others (C\$m)	13.1	19.2	24.6	24.6	24.6
Total liabilities (C\$m)	16.3	27.2	28.9	28.8	202.8
Sh'hlds equity + wrmts (C\$m)	184.2	202.3	214.6	403.6	403.6
Retained earn'gs + rsvs (C\$m)	10.6	36.7	27.9	22.1	14.7
Liabilities + equity (C\$m)	211.1	266.2	271.4	454.6	621.1

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Summary of Recommendations as of February 2023	
BUY:	52
HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	1
NOT RATED:	0
TOTAL	55

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