

Matador Mining Ltd

(MZZ \$0.36) Speculative Buy

EUROZ HARTLEYS

Analyst	Date	Price Target
Jon Bishop	9 th February 2021	\$0.65/sh

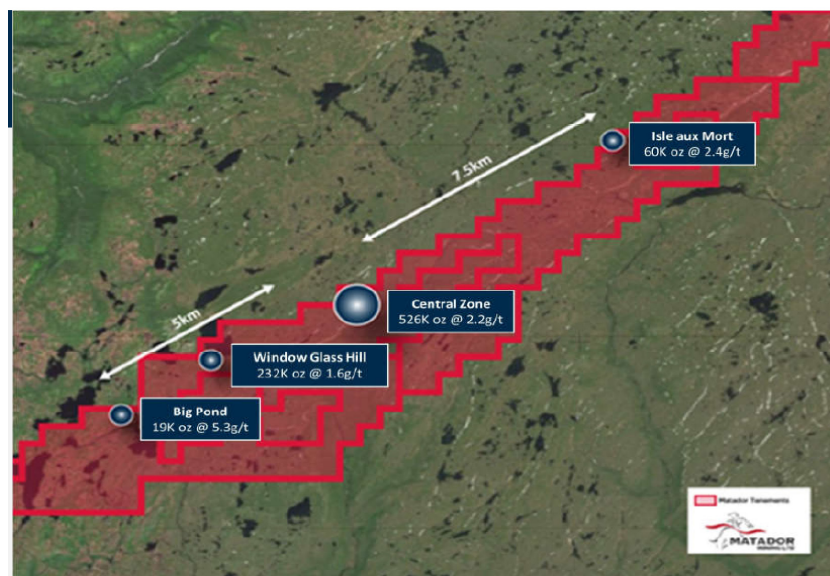
Further High Grades Discovered at Cape Ray; Change of Analyst

Investment case

On-going drilling at the Cape Ray Gold Project in Newfoundland, continues to defined new zones of mineralisation potentially extending current Resources. Today's results from the Window Glass Hill deposit, are encouraging as the deeper zones represent potential extensions to the Resource envelope noting existing inventories have been established via drilling that (to this point) had not extended below 120m vertically. Exploration activity along the Company's Cape Ray Project land holding, remains elevated, recently building out the footprint of the Angus discovery and delivering some spectacular grades from the Isle Aux Morts deposit. We have transferred coverage of MZZ, presenting a revised SOTP valuation that draws upon the May 2020 Scoping Study. Our Valuation increases to \$0.67/sh whilst the Price Target of \$0.65/sh is unchanged. As is our Speculative Buy recommendation.

Key points

- MZZ exploration and Resource infill drilling remains elevated into the new CY, announcing material new results at each of its key Resource areas:



- Window Glass Hill returned 4 material zones of mineralisation within and beneath the existing 232koz Resource envelope from single zone:
 - 10.5m @ 2.38g/t from 58.5m;
 - 1.1m @ 5.0g/t from 77.3m;
 - 7.1m @ 6.93g/t from 118.5m; and
 - 2.0m @ 6.91g/t from 154.1m (beneath Resource);

Matador Mining Ltd	Year End 30 June	
Share Price	0.36	A\$/sh
Issued Capital		
Fully Paid Ord	208.0	m
Options (var. prices)	25.9	m
Total Dil. FPOrd	208.0	m
Market Capitalisation (dil)	\$75	m
Enterprise Value	\$67	m
Cash	\$8	m
Debt	\$-	m

Directors

I Murray	Chairman
J Osborne	NE Dir
M Wilkes	NE Dir
N Adsead-Bell	NE Dir

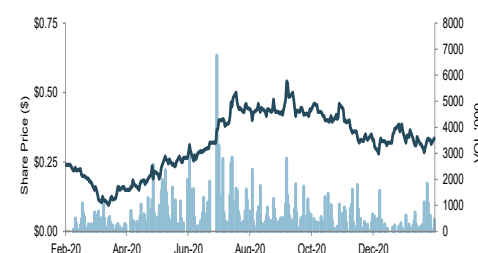
Shareholders

Grant Davey	10.2%
Terra	4.3%
Nero	2.5%

Company details

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+61 8 6117 0478
info@matadormining.com.au

Share Price Chart



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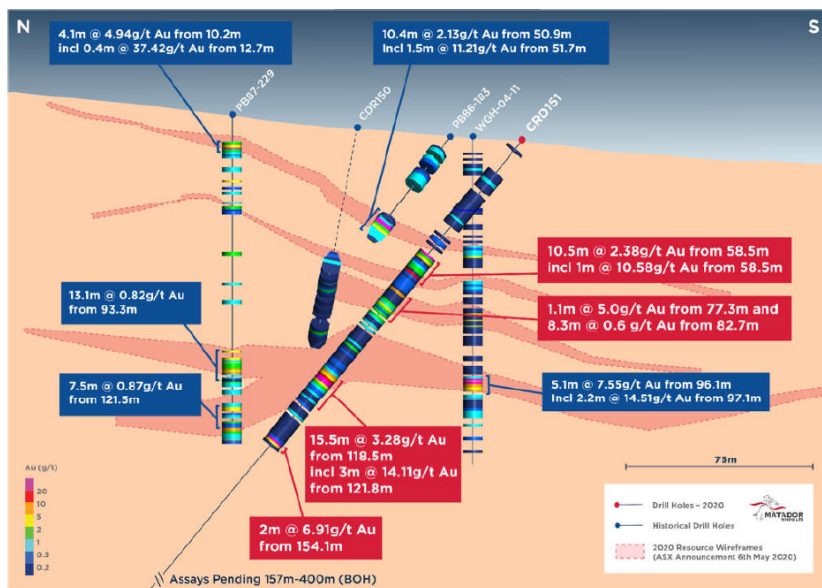
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- This follows the results from the Resource infill drilling at Isle aux Morts that encountered very high grade, wide and shallow gold grades, including the highest intercept to date:
 - 18m @ 10.96 g/t from 7m (inc. 1.0m @ 79.93 g/t Au);
 - 19m @ 4.60 g/t (within 29.5m @ 3.06 g/t Au) from 5.5m;
- Encouragingly the results infill the broad spaced historical Mineral Resource, boosting geological and economic confidence ahead of updated Resource estimates later this CY;
- They also point to the potential for additional structural controls driving higher grade zones along the broader NE-SE regional strike to the 120km Cape Ray Shear;
- We have reviewed our working model for MZZ, updating our NPV10 risked DCF Valuation for the conceptual 7yr development of Cape Ray per the May 2020, Scoping Study parameters as the basis;
- Our risked Valuation has increased to \$0.67/sh (vs \$0.60/sh in July 2020) with key sensitivities summarised in the section below;
- Our 50% risk weighting reflects the lead time to possible development; funding requirements; and the likelihood of a change to project parameters;
- MZZ is catalyst rich on account of an active exploration campaign. Our \$0.65/sh Price Target and Speculative Buy recommendation remain.

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Analysis

MZZ continues to flesh out the Cape Ray Gold Project in Newfoundland.

We were drawn to MZZ following the May 2020 Scoping Study that outlined an initial development concept of 7yrs @ c.70kozpa with av. AISC of sub. US\$800/oz.

Key operating parameters utilised by MZZ in the study are summarised below and provide the basis for our SOTP Valuation:

General	LOM total / Avg.
Mine Life (Yrs.)	7
Processing Facility Throughput (Mt)	1.2
Total Ore Mined (Mt)	7.8
Strip Ratio (Operational)	9.6
Production	LOM total / Avg.
Mill Head Grade (Au g/t)	2.0
Au Mill Recovery (%)	96%
Mill Head Grade (Ag g/t)	6.13
Ag Mill Recovery (%)	56%
Operating costs	LOM total / Avg.
Mining Costs - OP (\$CAD / t mined)	2.80
Mining Costs - UG (\$CAD / t mined)	90
Processing Costs (\$CAD / t processed)	21.35
G&A Costs (\$CAD / t processed)	4.94
Capital costs	LOM total / Avg.
Initial Capital (exc. Mine Development) (\$CAD m)	136.7
Mine Development (Initial) (\$CAD m)	8.7
Mine Development – OP (Sustaining) (\$CAD m)	28.2
Mine Development – UG (\$CAD m)	12.2
Other Sustaining Capital (\$CAD m)	6.9

Resulting Project economics are outlined below:

Cash costs - LOM		CAD	USD	AUD	
Revenue (gold only)	per oz	\$2,214	\$1,550	\$2,545	
Revenue	per oz	\$2,214	\$1,550	\$2,545	
C1 Costs					
Mining	per oz	\$588	\$412	\$676	
Processing	per oz	\$345	\$242	\$397	
Site Administration	per oz	\$80	\$56	\$92	
C1 Cash Cost	per oz	\$1,013	\$709	\$1,165	
Other Operating Expenses					
Royalty	per oz	\$43	\$30	\$49	
Sustaining Capital	per oz	\$98	\$68	\$112	
Total Other Operating Expenses	per oz	\$141	\$98	\$162	
Total Operating Costs	per oz	\$1,154	\$808	\$1,326	
Less by-product credits (silver)	per oz	\$46	\$32	\$53	
AISC	per oz	\$1,108	\$776	\$1,273	
Operating Margin	per oz	\$1,106	\$774	\$1,272	
Financials		LOM (CAD M)	Av. (CAD M)*	Av. (USD M)*	Av. (AUD M)*
Revenue	M	\$1,093.7	\$168.3	\$117.8	\$193.4
-Gold	M	\$1,071.5	\$164.8	\$115.4	\$189.5
-Silver	M	\$22.2	\$3.4	\$2.4	\$3.9
Less Cost of Sales	M	\$511.0	\$78.6	\$55.0	\$90.4
EBITDA	M	\$582.7	\$89.6	\$62.8	\$103.0

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VALUATION UPDATE

Valuation - \$0.67/sh (prev. \$0.60/sh)

Price Target - \$0.65/sh (unchanged)

We have changed analyst for MZZ. We have revisited our DCF model for the conceptual 7yr development of the Cape Ray Gold Project, per the Scoping Study estimates outlined above.

Our SOTP Valuation is outlined below:

ASSET VALUATION	A\$m	A\$/sh
(+)vCape Ray (risk adj 50%)	104	0.50
(-) Corporate	(28)	(0.14)
(+/-) Hedging	-	-
(+) Exploration	50	0.24
(+) Unpaid Capital	6	0.03
(+) Cash	8	0.04
(-) Debt	-	-
Total	139	0.67

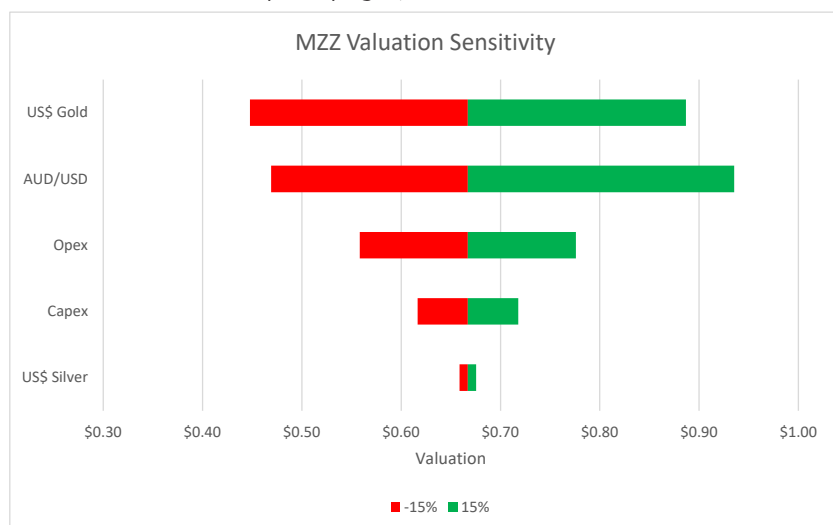
Key departures (vs last published) being:

- Reverting to a simple risked (50%) NPV10 of future after tax (34%) cashflows at the asset level on a 100% and fully funded basis (previously risk weighted approach, anticipating funding structures, scale and time to first pour);
- An increased nominal exploration valuation (\$50m or 24cps vs 15cps last pub.) following inc. land holding and recent Angus and other Resource extensional discoveries.

We acknowledge that the Scoping Study is an early (but highly instructive in terms of asset potential) examination of the potential economics of the current Cape Ray Gold Project Resource.

Cost structures, on account of the silver credits, are attractive and render the Project very robust on our analysis, with (unsurprisingly) gold prices & forex being the key economic risk.

We summarise this in the tornado plot below (with further sensitivities outlined on the subsequent pages):



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We apply a 50% risk weighting to reflect:

- The lead time to possible development;
- Funding requirements and mix; and
- The likelihood of a change to project parameters.

It is the last point that encourages the most in terms of potential upside: We note that of the contiguous land holding overlaying around 120km of implied strike to the controlling Cape Ray Shear, the majority of drilling has been concentrated to 15km with only 21holes drilled outside of this area.

And that the existing c850koz Resource occurs within a 5km wide section of the overall shear system, 90% of which occurs within 150m of surface.

The focus for this year remains fleshing out the existing Resource inventories and demonstrating further extension to known Resources as well as prosecuting the material exploration upside (as demonstrated by the Angus discovery).

The Company had c.\$8m in Cash as at Dec 31, leaving it well placed to continue apace with the drill bit this CY.

We maintain our Speculative Buy Recommendation.

Matador Mining Ltd

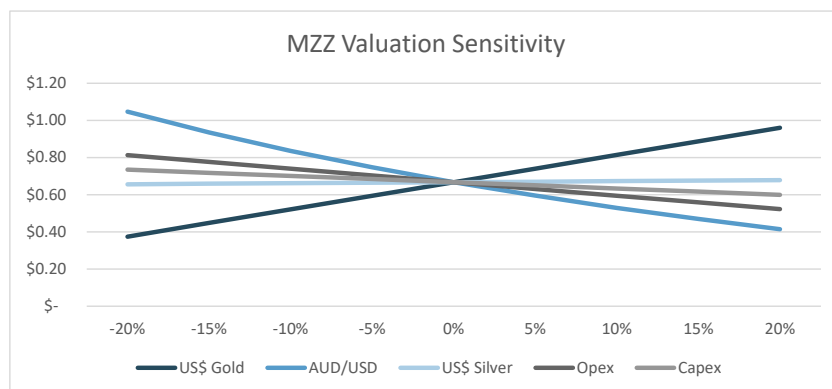
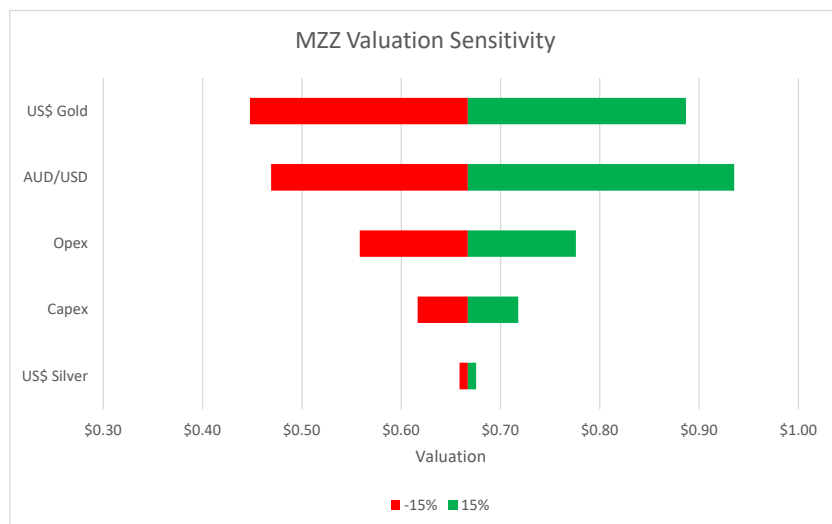
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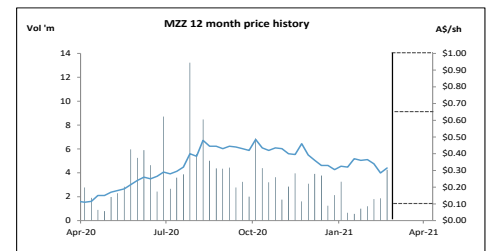
Key Variables

Val/ Sh		Gold \$								
AUDUSD	\$0.67	-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%
	15%	\$0.21	\$0.28	\$0.34	\$0.41	\$0.47	\$0.53	\$0.60	\$0.66	\$0.72
	10%	\$0.26	\$0.33	\$0.40	\$0.46	\$0.53	\$0.60	\$0.66	\$0.73	\$0.80
	5%	\$0.32	\$0.39	\$0.46	\$0.53	\$0.59	\$0.66	\$0.73	\$0.80	\$0.87
	0%	\$0.37	\$0.45	\$0.52	\$0.59	\$0.67	\$0.74	\$0.81	\$0.89	\$0.96
	-5%	\$0.44	\$0.52	\$0.59	\$0.67	\$0.75	\$0.82	\$0.90	\$0.98	\$1.06
	-10%	\$0.51	\$0.59	\$0.67	\$0.75	\$0.84	\$0.92	\$1.00	\$1.08	\$1.16
	-15%	\$0.59	\$0.68	\$0.76	\$0.85	\$0.94	\$1.02	\$1.11	\$1.19	\$1.28

Euroz Forecast	FY'2021	FY'2022	FY'2023	FY'2024
Gold (US\$/lb)	\$1,896.85	\$1,900.00	\$1,800.00	\$1,700.00
AUDUSD	\$0.75	\$0.75	\$0.74	\$0.74



Our Share Price Sensitivity



Our Market Sensitivity

Price Target \$0.65/sh

Valuation \$0.67/sh

Bull Scenario \$1.00/sh

Recent drilling success continues to substantiate increased scale to any future development of the Cape Ray Gold Project and gold prices remain at or above current levels.

Base Scenario \$0.65/sh

On-going drilling substantiates the current Scoping Study economics. The Company successful permits and funds the project to first gold within the next 3-4yrs.

Bear Scenario \$0.10/sh

Gold price falls and project stalls.

Company Summary

Matador Mining Limited engages in the mining and mineral exploration activities. The company primarily explores for gold deposits. It holds a 100% interest in the Cape Ray gold project located in Newfoundland, Canada. In May 2020, a Scoping Study regarding its 850koz Resource highlighted the option to pursue a 7yr operation delivering an av of 70kozp @ less than US\$800/oz AISC. Recent and ongoing drilling points to material upside the scope of possible future developments.

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