

LUMINA GOLD CORP. (LUM-TSXV)

Precious Metals - Gold

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PFS on Cangrejos Highlights Long Life Au/Cu Project

RECOMMENDATION

Lumina released a PFS on the Cangrejos project, located in Ecuador, building on a PEA published in 2020. Key updates in the PFS include a maiden 2P reserve of 11.6 Moz, a three-phase expansion plan from 30ktpd to 80 ktpd by year 7, as compared to a two phase expansion plan in the PEA starting at 40ktpd, allowing for initial capex to remain near previous levels and mitigating inflation impacts and higher metals price assumptions (gold price assumption increased by 18% and copper by 36%). Operationally, the PFS shows a slightly longer mine life with similar annual gold and copper production and higher production costs when factoring in cost inflation. Overall, the similar initial capex, phased expansion, lower tax assumptions and higher metals price assumptions drive a higher project NPV and slightly higher project IRR.

DETAILS

- PFS Highlights Large, Long-life Au/Cu Project:** The updated PFS highlights average annual production of 371 koz Au and ~19 kt Cu (~469 kGEO) over a 26-year mine life, at cash operating costs of \$602/oz (AISC of \$671/oz). Production will begin at 30 ktpd to year-3, with an expansion to 60 ktpd in year-4 and a second expansion to 80 ktpd in year-7. Capex costs are estimated at \$925 mln for initial development, \$454 mln for expansion capex and \$598 mln for sustaining capex. The PFS returns an after-tax NPV of ~\$2.2 bln and a 17% IRR, assuming \$1,650/oz Au and \$3.75/lb Cu (RJL Nav of ~\$1.8 bln on lower gold price assumption and discounted to current period). Overall, the project represents a significant NPV and profitability index over 1x. Two areas to monitor with the full technical report to be filed in the next 45 days will be capex and opex assumptions. On a LOM basis, the PFS suggests a capital intensity of ~\$14.6k/t of copper equivalent production which is towards the lower end of capital intensity for projects of this size. Also, operating costs suggest a LOM mining cost of \$2.16/t which would also be towards the lower end of mining costs for large, open-pit operations.
- Comparing PFS to 2020 PEA Results:** In comparison to the 2020 PEA, the updated PFS represents a slightly longer mine life (26 vs 25 years), higher annual gold production (371koz vs 366koz), lower annual copper production (41mlbs vs 46mlbs), higher average AISC (\$671/oz vs \$604/oz both net of Cu by-product) and initial capex of \$925mln for a 30ktpd operation versus \$915mln for a 40ktpd operation previously. The PEA returned an after-tax NPV(5%) of ~\$1.6 bln and a ~16% IRR at \$1,400/oz Au and \$2.75/lb Cu (see Ex.1 for detailed comparison of PFS and PEA metrics).
- Next Steps:** The company plans to begin negotiations for its Investment Protection Agreement, and to start the permitting process for construction of the Cangrejos project.

VALUATION

We have updated our model with the PFS. We maintain our Outperform rating, and our target price at C\$1.50/share. Our target is based on a 0.5x multiple of our NAVPS estimate (with net corporate adjustments at 1.0x) (See Ex. 1).

APRIL 21, 2023 | 6:47 AM EDT
COMPANY COMMENT

Outperform 2
Target Price C\$1.50

Suitability A/ACC

MARKET DATA

Current Price (Apr-20-23)	C\$0.62
Market Cap (mln)	C\$233
Current Net Debt (mln)	C\$7
Enterprise Value (mln)	C\$240
Shares Outstanding (mln)	376.4
30-Day Avg. Daily Value (mln)	C\$0.0
Dividend	C\$0.00
Dividend Yield	0.0%
52-Week Range	C\$0.23 - C\$0.66
NAV	2.33

KEY FINANCIAL METRICS

	1Q	2Q	3Q	4Q
CFPS (\$, Dec FY)				
2021A	(0.00)	(0.00)	(0.00)	(0.01)
2022E	(0.02) A	(0.02) A	(0.01) A	(0.01)
2023E	(0.01)	(0.01)	(0.01)	(0.01)
	2021A	2022E	2023E	
CFPS (\$, Dec FY)	(0.02)	(0.06)	(0.04)	
Au Price (US\$/oz) (\$, Dec FY)				
old	1,799	1,803	1,800	
new	1,799	1,803	1,810	
Cu Price (US\$/lb) (\$, Dec FY)				
old	4.22	4.01	4.24	
new	4.22	4.01	4.25	
Ag Price (US\$/oz) (\$, Dec FY)				
old	25.15	21.81	22.25	
new	25.15	21.81	22.14	

Source: Thomson One, Raymond James Ltd.
Quarterly figures may not add to full year due to rounding.

- Reserves and Resources – New 2P and Resource Growth:** Importantly, the PFS is based on 2P Reserves of 659 Mt grading 0.55 g/t Au and 0.10% Cu containing 11.6 Moz Au and 645 Kt Cu whereas the PEA was based on a blend of Indicated and Inferred resources. The project has an Indicated Resource (inclusive of Reserves) of ~1,080 Mt grading 0.48 g/t Au and 0.09% Cu containing 16.8 Moz Au and 983 kt Cu representing 62% growth in contained gold ounces and 54% increase in contained copper from the estimates in the 2020 PEA. Inferred Resource of 296 Mt grading 0.39 g/t Au and 0.07% Cu containing 3.7 Moz Au and 219 kt Cu representing a 45% and 42% decrease respectively as LUM focused on upgrading the resource base. Mineral Reserves were calculated assuming \$1,500/oz Au and \$3.00/lb Cu. Mineral resources were calculated assuming \$1,600/oz Au and \$3.50/lb Cu.

Exhibit 1: Cangrejos and Gran Bestia PFS (2023) vs PEA (2020)

Cangrejos/Gran Bestia	PFS (2023)	PEA (2020)	Change (%)
Mineral Resource (contained Au and Cu)			
2P Reserves	11.6 Moz Au, 646 kt Cu	-	-
M&I Resources (inc. 2P)	16.8 Moz Au, 984 kt Cu	10.4 Moz Au, 640 kt cu	+62%, +54%
Inferred Resources	3.7 Moz Au, 220 kt Cu	6.7 Moz Au, 380 kt Cu	-45%, -42%
Mine Plan			
Production			
Mine Life	26	25	4%
Processed Tonnes	659 Mt	640 Mt	2%
Strip Ratio	1.26	1.14	11%
Gold Grade LOM	0.55 g/t Au	0.56 g/t Au	-2%
Copper Grade LOM	0.10% Cu	0.10% Cu	0%
Gold Prod (Avg LOM)	371 koz Au	366 koz	1%
Copper Prod (Avg LOM)	19 kt Cu	21 kt Cu	-11%
Opex			
Cash operating costs (Avg LOM)	\$602/oz	\$545/oz	10%
AISC (Avg LOM)	\$671/oz	\$604/oz	11%
Capex			
Initial Capex	\$925 mln	\$915 mln	1%
Expansion Capex	\$454 mln	\$405 mln	12%
Sustaining Capex	\$598 mln	\$445 mln	34%
Total Capex	\$1,977 mln	\$1,765 mln	12%
Economics			
Gold Price (\$/oz)	\$1,650/oz	\$1,400/oz	18%
Copper Price (\$/lb)	\$3.75/lb	\$2.75/lb	36%
Post-Tax NPV (5%)	\$2,238 mln	\$1,571 mln	42%
Post-Tax IRR	17.2%	16.2%	6%

Source: Lumina Gold Corp., Raymond James Ltd.

Lumina Gold Corp					RAYMOND JAMES LTD. RESEARCH																																																																																								
Rating: #12 MIT Target Projected Return: Investment Thesis	CF2			(LUM vs)	Analyst: Farooq Hameed 416-777-7317																																																																																								
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	142%		YR END:	Dec. 31	farooq.hameed@raymondjames.ca judith.elllett@raymondjames.ca																																																																																								
We view Luma's Cangrejos project in Ecuador as a development option with a long time line with significant annual gold and copper production at low operating costs with expansion opportunity via further exploration.					<div> <div>Management</div> <div> <div>Marshall Koval</div> <div>President & CEO</div> </div> <div> <div>Martin Rip</div> <div>CFI</div> </div> </div> <div> <div>Reporting Currency: US\$</div> <div>20-Apr-23</div> </div>																																																																																								
Key Attributes: <ul style="list-style-type: none"> The wholly-owned Cangrejos project hosts a total resource of over 20 mZ oz of gold and over 2.5 bn lbs of copper Strongly preferred of shareholders as part of the Lumina Group Valuation at a discount to peers on P/NAPVS and EV/Resource basis 					<div> <div>Market Statistics</div> <div> <div>Share Price</div> <div>CS0.62</div> <div>Shares Basic (mZ)</div> <div>376</div> </div> <div> <div>52 Week High/Low</div> <div>CS\$6.6/2.23</div> <div>Shares Fully Diluted (mZ)</div> <div>376</div> </div> <div> <div>Market Cap. (mZ)</div> <div>CS 233</div> <div>Free Float (%)</div> <div>40%</div> </div> <div> <div>Enterprise Value (mZ)</div> <div>CS 240</div> <div>Avg. Daily Vol. (1000)</div> <div>55</div> </div> <div> <div>Dividend</div> <div>\$0.00</div> <div>Div Yield (%)</div> <div>0.0%</div> </div> </div>																																																																																								
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Source: Lumina Gold Corp., Raymond James Ltd.

COMPANY DESCRIPTION

Lumina Gold is focused on exploration and development of its wholly owned Cangrejos project in Ecuador which includes the Cangrejos and Gran Bestia deposits hosting a total resource of over 17 mln oz Au and 2 bln lbs Cu.



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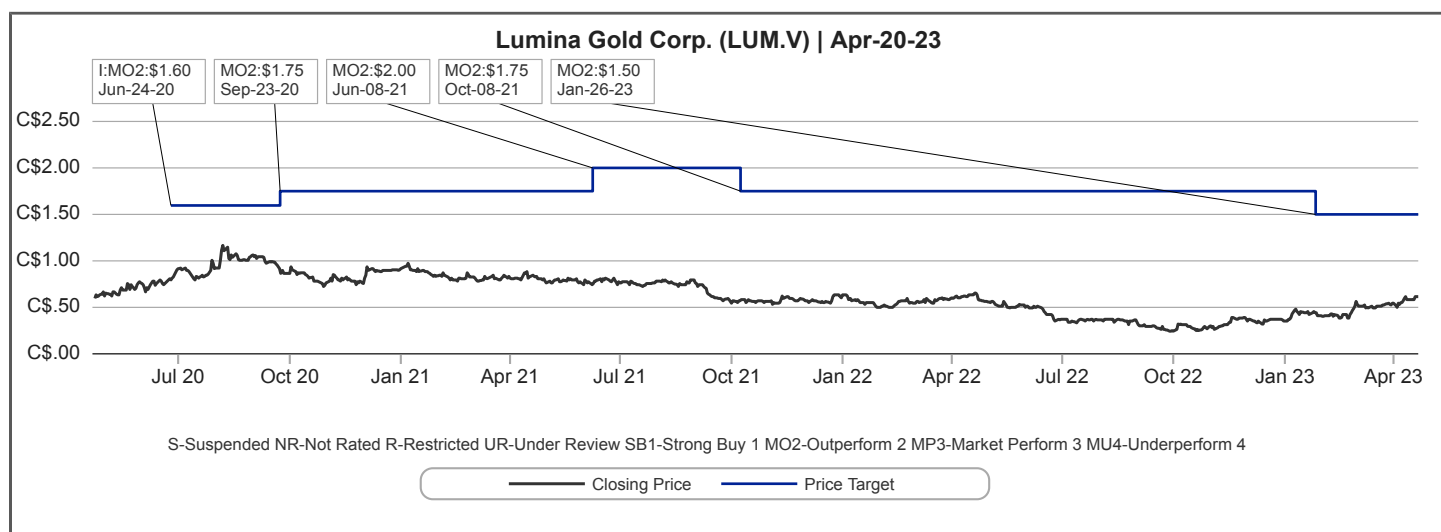
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Valuation Methodology

Lumina Gold Corp.

Our target is based on a multiple assigned to our fully funded NAVPS estimate.

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Company Specific Risk Factors

Lumina Gold Corp.

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Price for the commodities that the company produces or the company plans to produce may fluctuate and may have a large influence on the company's forecasted earnings, cash flow, asset values, and share price. Sustained low prices could also have a material adverse impact on the company's financial position and ability to raise capital.

Jurisdictional, Social, and Permitting Risk

We believe jurisdictional risk, social, and permit risk could prove to be substantial in some circumstances.

Reserve/Resource Risk

Although the company may have NI43-101 compliant resources, there exists a risk that further work leads to a deterioration of the grade and/or size of ore deposits. Also, our outlook may hinge on expansion and/or construction of current and future operations. Further work may show additional resources, expansions and upgrades are not possible.

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Our outlook assumes certain future capital and operating costs for the company's operations. Our estimates may prove to be optimistic and we may have underestimated costs, in which case the economic potential of the project and our valuation may be lower than we currently forecast. There also remains the risk that costs may increase in the future.

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