



# Lumina Gold Corp.

(LUM-V)

SECTOR: Mining

STOCK PRICE \$0.53  
RATING BUY  
TARGET PRICE \$1.20

## CORPORATE UPDATE

### Material De-risking as Wheaton Stream Lowers Equity Dilution Factors and Paves Easier Pathway through Development and into Production

**Event** - Lumina entered into a US\$300 million precious metals purchase agreement with Wheaton Precious Metals International Ltd., a wholly owned subsidiary of Wheaton Precious Metals Corp. (WPM-T, not rated) related to its 100% owned Cangrejos Au-Cu project in Ecuador.

**OUR TAKE – Positive:** Metals stream validates project potential, materially de-risks execution of project financing potential, particularly on the equity dilution part of the equation, which represents a step earlier in the development pathway than we had anticipated.

#### KEY HIGHLIGHTS:

- Gold Stream transaction will take place wherein Wheaton International Ltd. will pay Lumina in two funding parts.

**Part I:** Upfront Early deposit of US\$48 million is comprised of four components:

- US\$12 million will be given at closing,
- US\$10 million 6 months after close,
- US\$15 million 12 months after close, and
- US\$11 million can be drawn upon committed acquisition of surface rights/capital items.

This early facet provides Lumina with capital to facilitate definition drilling, feasibility study and permitting work for the project, and loosens the equity market shackles to engage in project maturation in an efficient timeline commensurate with in country needs.

- Gold Stream Part II:** US\$252 million payment will be funded over the course of an anticipated two-and-a-half-year construction period and drawn in equal installments subject to various conditions. In return for these payments Lumina will compensate Wheaton for Gold Stream Early deposit and upfront payment by selling 6.6% of payable gold for the initial 700 koz gold for 18% of spot price, after which the stream reduced to 4.4% over the life of mine where that proportion of gold will be at 22% of spot price.
- We project average annual production of 489 koz AuEq at an AISC of US\$829/oz Au. On a valuation basis, our integration of the new stream increases our P/NAV<sub>8%</sub> to C\$3.26 per share (previously C\$2.57 per share) on lower share dilution projections, and employ a 0.35x multiple to maintain our C\$1.20/sh target price. We note that 1/3 of the stream is able to be repurchased by the earlier of 1<sup>st</sup> January 2030, or within one year of initial production. We believe such a project is worthy of attracting M&A focus from larger and intermediate-scale gold producers.

#### RECOMMENDED ACTION

**We recommend accumulating shares at existing levels**

- We see a number of outcomes of value accretion post the completion of the PFS: 1. Enhanced intrinsic value via mine plan sequencing and metallurgical analysis, 2. De-risking via negotiation of Investor Protection Agreement; and 3. Subsequent optimization moved forward into a BFS. While geological upside to the resource and other local targets are obvious, given the scale of the system to date we don't think that such work is warranted at this juncture.

#### CATALYSTS

- 2023** – Investor Protection Agreement negotiation, and project optimization.

#### PROJECTED RETURN

126%

#### RISK FACTOR

Very High

#### SCENARIO ANALYSIS

Downside Scenario	Current Price	Price Target
\$0.15	\$0.53	\$1.20
↓ 72%		↑ 126%

#### KEY STATISTICS AND METRICS

52-Week High/Low	\$0.71 / \$0.23
YTD Performance	49%
Dividend Yield	n/a
Shares O/S	376 M (basic)
Market Capitalization	\$199 M
Cash	-\$3
Debt (ST+LT)	(US\$0) M
Enterprise Value	\$213 M
Daily Volume (3 mos.)	77,925
Currency	C\$ unless noted

\*We note the C\$10 million debt facility engaged in July 2022.

#### HAYWOOD ESTIMATES (USD)

	2028E	2029E	2030E
Revenue (\$M)	481	461	857
Net Income (\$M)	191	169	516
EBITDA (\$M)	227	208	521
OCF (\$M)	286	258	619
OCF / sh (\$)	0.40	0.36	0.86
Prod (Koz Au)	221	216	404
Cash Cost*	950	983	762

\* Costs presented on a US\$/oz AuEq basis

#### VALUATION

Lumina Gold trades at a 0.16x multiple to our fully financed after-tax corporate NAV<sub>8%</sub> estimate of \$3.26 per share.

Comparatively, select development-stage peers trade between 0.15x and 0.75x corporate NAV estimates (average of 0.45x).

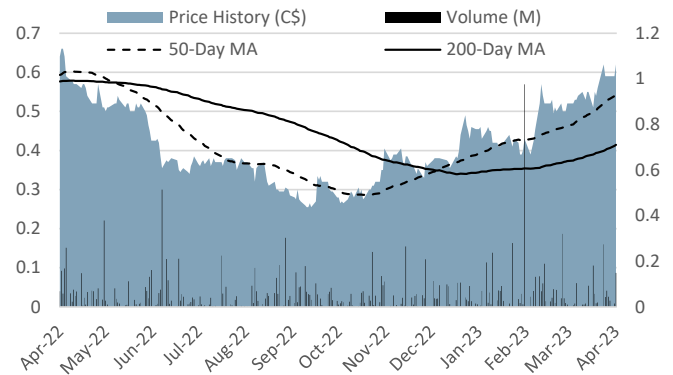
## INVESTMENT THESIS

Our investment thesis for Lumina Gold is predicated on the Company's asset portfolio in Ecuador.

- ◆ **Ecuadorian Asset Base Highlighted by Cangrejos.** The primary project is the Cangrejos-Gran Bestia gold-copper porphyry deposits in southwest Ecuador, which hosts 2P Reserves of 659 million tonnes grading 0.55 gram per tonne gold and 0.10% copper, containing 11.6 million ounces of gold and 1.42 billion pounds of copper. Resources include indicated resources comprising 1,080 Mt grading 0.48 g/t gold and 0.09% copper, and inferred resources of 296 Mt grading 0.39 g/t gold and 0.07% copper.
- ◆ **Appreciable 26+ Year Production Profile.** We are forecasting that copper-gold production for Lumina Gold will originate at the flagship Cangrejos asset from open-pit mining operations, concurrent with the start of processing in 2027 at 30 ktpd and ramping to 80 ktpd in 2034 to deliver average annual production of 489 koz AuEq. at an AISC of US\$829 per ounce Au (net-copper credits). We integrate an expansion phase of the operation (80 ktpd) with an additional capex development of US\$555 million to be outlaid starting in year 4 through to year 7 with initial capex of US\$1,008 million (including VAT).

## SCENARIO ANALYSIS

### Lumina Gold Corp. (LUM-V)



Source: Capital IQ, and Haywood Securities

### TARGET PRICE

**Our target price** of \$1.20 per share is based on a ~0.35x multiple to our fully financed corporate net asset value (NAV) 8% of C\$3.26 per share.

### DOWNSIDE CASE

**Our downside case** reflects our ~0.05x multiple (low-end of peer average) to our fully financed corporate net asset value (NAV) 8% of C\$3.26 per share.

*Our downside scenario price is a theoretical case based on notional valuation metrics and market assumptions. The downside price is solely intended for demonstrative purposes and is not to be regarded as a reflection of all market possibilities. It is not a guarantee that this company's share price will not drop below this price level and hence should not be taken as such.*

### KEY RISKS

- **Overall-Very High:** We assign an overall Very High-risk rating to Lumina Gold given the early stage of the economic parameterization of the Cangrejos gold-copper project, the Company's relatively small market capitalization, and its need for substantial future financing to deliver potential later cash flows. Notable risk considerations include the significant capital funding required to advance the Cangrejos gold-copper project to production (in the context of the Company's current capitalization).

Headquartered in Vancouver, Canada, **Lumina Gold Corp.** is involved in exploration and development of precious and base metals deposits located in Ecuador with a primary focus on gold and copper projects respectively. The Company's flagship project is the Cangrejos Gold-Copper project located in El Oro Province, Southwest Ecuador.

### Website

[www.luminagold.com](http://www.luminagold.com)

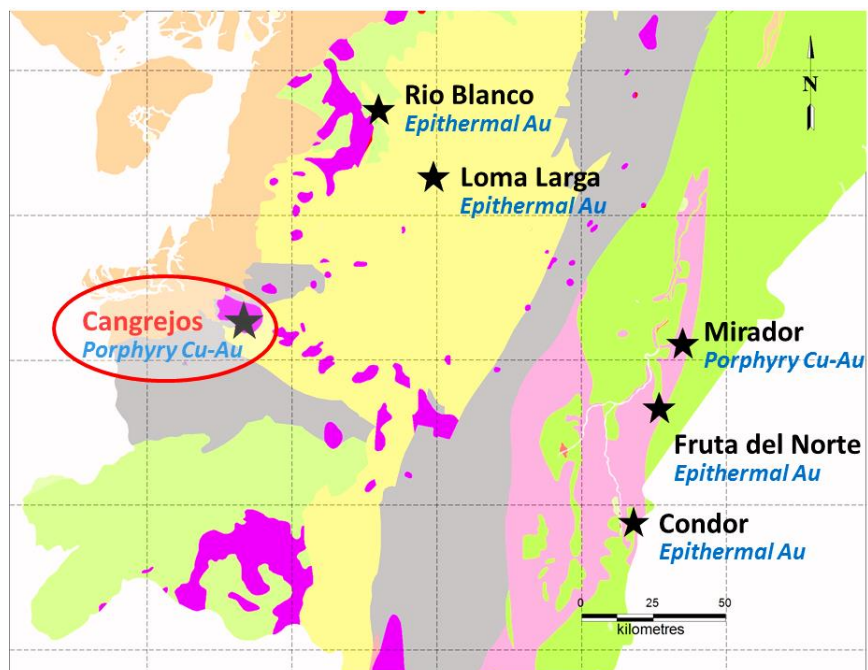
### Key Management

Marshall Koval (CEO)



Lumina Gold Corporation		TSXV:LUM		Price C\$0.53		Rating: BUY		Risk: Very-High	
16-May-23		Yield -		Shares O/S (M) 376		MCap (C\$) (M) C\$199		Target: C\$1.20 Return: 126%	
<div>Lumina Gold Corp. engages in the exploration and development of precious and base metals deposits located in Ecuador with a primary focus on gold and copper projects respectively. The Company's flagship project is the Cangrejos Gold-Copper project located in El Oro Province, Southwest Ecuador.</div>									
<div>Investment Highlights</div> <div><div><div><div><div><div></div><div></div></div><div><div></div><div></div></div></div><div><div><div></div><div></div></div><div><div></div><div></div></div></div><div><div><div></div><div></div></div><div><div></div><div></div></div></div><div><div><div></div><div></div></div><div><div></div><div></div></div></div></div><div><div><div></div><div></div></div><div><div></div><div></div></div></div><div><div><div></div><div></div></div><div><div></div><div></div></div></div><div><div><div></div><div></div></div><div><div></div><div></div></div></div></div><div><div><div></div><div></div></div><div><div></div><div></div></div></div><div><div><div></div><div></div></div><div><div></div><div></div></div></div></div> <div><div><div></div><div></div></div><div><div></div><div></div></div></div> <div><div><div></div><div></div></div><div><div></div><div></div></div></div> <div><div><div></div><div></div></div><div><div></div><div></div></div></div> 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Figure 1: Location Map of Cangrejos Project



Source: Company Reports





## Valuation

### Equity Trading Below Peers

Our target price of \$1.20 per share is based on a ~0.35x multiple to our fully financed after-tax corporate NAV8% of \$3.26 per share. In deriving this corporate NAV8%, we estimate the development of a ~14.6 million-tonne-per-annum gravity-flotation processing plant for Cangrejos for an initial capex of US\$1,008 million, and initial gold production commencing in 2027.

Lumina Gold trades at a 0.16x multiple to our fully financed after-tax corporate NAV8% estimate of \$3.26 per share. Comparatively, select development-stage peers trade between 0.15x and 0.75x corporate NAV estimates. Alternatively, Lumina trades at an Enterprise Value/AuEq. ounces of US\$6 per ounce vs peers that average US\$20 per ounce.

**Figure 2: NAV Comparables Table (Top) and EV per Ounce Gold (Bottom)**

Company	Ticker	Price 16-May-23	Market Capitalization \$CAD million	Enterprise Value \$CAD million	Cash \$CAD million	NAVPS \$CAD	P/NAV
<b>Lumina Gold Corp.</b>	<b>TSXV:LUM</b>	<b>\$0.53</b>	<b>\$199</b>	<b>\$213</b>	<b>-\$3.5</b>	<b>\$3.26</b>	<b>0.16x</b>
<b>Comparable Development Stage Companies: consensus data</b>							
Adventus Mining Corporation	TSXV:ADZN	\$0.36	\$64	\$67	\$12	\$1.37	0.26x
Bear Creek Mining Corporation	TSXV:BCM	\$0.63	\$97	\$127	\$3	\$2.57	0.25x
Filo Mining Corp.	TSX:FIL	\$22.65	\$2,803	\$2,744	\$59	\$36.48	0.62x
Liberty Gold Corp.	TSX:LGD	\$0.50	\$160	\$143	\$16	\$2.03	0.25x
Marathon Gold Corporation	TSX:MOZ	\$0.85	\$337	\$546	\$130	\$1.96	0.43x
Perpetua Resources Corp.	TSX:PPTA	\$6.73	\$425	\$400	\$19	\$9.03	0.75x
Orezone Gold Corporation	TSX:ORE	\$1.36	\$488	\$574	\$45	\$2.66	0.51x
Osisko Mining Inc.	TSX:OSK	\$3.39	\$1,302	\$1,245	\$150	\$4.93	0.69x
SolGold Plc	LSE:SOLG	\$0.18	\$538	\$615	\$48	\$1.20	0.15x
						<b>P/NAV Average</b>	<b>0.45x</b>

	Symbol	Market Capitalization (million)	Working Capital (million)	Enterprise Value (million)	Global Reserves & Resources					Global	
					Au (Moz)	Au (g/t)	AuEq (Moz)	AuEq (g/t)	% Au	EV/oz Au	EV/oz AuEq
Dolly Varden Silver Corporation	TSXV:DV	US \$159	US \$18	US \$141	1.0	2.78	1.8	5.04	55%	US \$143	US \$79
Fury Gold Mines Limited	TSX:FURY	US \$77	US \$10	US \$67	2.6	6.92	2.6	6.92	100%	US \$26	US \$26
Liberty Gold Corp.	TSX:LGD	US \$119	US \$13	US \$106	5.8	0.42	7.3	0.53	80%	US \$18	US \$15
Moneta Gold Inc.	TSX:ME	US \$84	US \$1	US \$83	15.4	1.02	15.5	1.03	100%	US \$5	US \$5
Orezone Gold Corporation	TSX:ORE	US \$363	US (\$3)	US \$451	5.5	0.68	5.5	0.68	100%	US \$81	US \$81
Perpetua Resources Corp.	TSX:PPTA	US \$316	US \$7	US \$309	7.9	1.23	8.1	1.25	98%	US \$39	US \$38
Sarama Resources Ltd	TSXV:SWA	US \$11	US (\$0)	US \$11	3.1	1.47	3.1	1.47	100%	US \$4	US \$4
Treasury Metals Inc.	TSX:TML	US \$32	US \$3	US \$36	2.9	0.91	3.0	0.92	99%	US \$12	US \$12
Vista Gold Corp.	US:VGZ	US \$76	US \$6	US \$70	9.5	0.81	9.5	0.81	100%	US \$7	US \$7
Xanadu Mines Limited	ASX:XAM	US \$59	US \$28	US \$31	3.0	0.22	8.4	0.61	36%	US \$10	US \$4
<b>Group Average - Total</b>										<b>US \$23</b>	<b>US \$20</b>
<b>Lumina Gold Corp.</b>	<b>TSXV:LUM</b>	<b>US \$149</b>	<b>US (\$10)</b>	<b>US \$167</b>	<b>20.5</b>	<b>0.46</b>	<b>26.9</b>	<b>0.61</b>	<b>76%</b>	<b>US \$8</b>	<b>US \$6</b>

Source: Haywood Securities, and S&P Capital IQ



## Recommended Action

### We recommend accumulating shares at current levels

**Reiterate our Buy Rating and revised \$1.20/sh Target.** Our target price of \$1.20 per share is based on a 0.35x multiple to our fully financed corporate net asset value (NAV)8% of \$3.26 per share. Lumina Gold trades at a 0.16x multiple to our fully financed after-tax corporate NAV8% estimate of \$3.26 per share. Comparatively, select development-stage peers trade between 0.15x and 0.75x corporate NAV estimates. We note the steep discount Lumina trades at in comparison to its development staged peers, which we attribute likely to a combination of perceived jurisdictional risk, and uncertainty surrounding the early-stage nature of project. Further, such steep discount in relative valuation is also observed where looking at defined resource inventories of selected peers where the Company trades at the lower end of the peers at an EV per ounce Au Eq. of US\$6 vs peers at US\$20 per ounce.

## Significant Investment Risks

The investment to which this report relates carries various risks which are reflected in our Overall Risk Rating. We consider the following to be the most significant of these investment risks:

- ◆ **Overall Risk - Very High:** We assign an overall Very High-risk rating to Lumina Gold given the early stage of the economic parameterization of the Cangrejos gold-copper project, the Company's relatively small market capitalization, and its need for substantial future financing to deliver potential later cash flows. Notable risk considerations include the significant capital funding required to advance the Cangrejos gold-copper project to production (in the context of the Company's current capitalization). We note that our model for future discounted cash-flow-generation potential is determined based on fully funded assumptions for project development and corporate general and administrative expenses over the life of mine. On the latter point, we believe the Company is expected to complete further debt financing arrangements to help start project development immediately post an investment decision. Not to be underestimated, valuation risk is implicit in geopolitical and fiscal uncertainty afforded by the in-country alterations to fiscal and tenure structures experienced recently, which can be quelled only through the cessation of such changes for the industry over time.
- ◆ **Valuation Risk – Very High:** Lumina Gold's current valuation trades around that enjoyed by a select range of broader development-stage peers. Lumina Gold is trading at a 0.16x multiple to corporate NAV8%, which compares with peers ranging between 0.15x and 0.75x. Our target of \$1.20 per share equates to a ~0.35x multiple to corporate NAV8%. Our valuation is based on a risk-adjusted fully financed corporate NAV8% of \$3.26 per share. Lumina Gold also trades at a notable discount to peers on an EV per ounce AuEq (US\$6 vs US\$20 per ounce).
- ◆ **Financial Risk – Very High:** Lumina Gold's near- and medium-term capital expenditures are not fully funded. As of March 31<sup>st</sup>, 2023, Lumina Gold had cash of (~US\$3 million), and had entered into a C\$10 million unsecured debt facility with Mr. Beatty on the 5<sup>th</sup> July, 2022. In our project development projections, we integrate a project debt facility to be initially drawn in 2024 to secure financing to meet the initial project capital development cost. For construction of the Cangrejos project, we assume total initial capex of US\$1,000 million to be funded via a 60% debt scenario with the remainder of the balance funded from the recently announced Stream with Wheaton Precious Metals, and equity. We project the start of production in 2027. Our near-term equity-financing assumption, while priced at the higher end of the trading range over the past year, represents proceeds that comprise only a small portion of the Company's market capitalization. However, subsequent financings (debt and equity) related to the potential development of the project are far more contingent on ultimate project economics and the nature of the commodities and capital markets at the time of concluding the potential financing, which can mean more dilutive conditions and/or timing delays compared with our assumptions.
- ◆ **Forecast Risk – High:** Lumina Gold's primary focus is the advancement of the Cangrejos gold-copper project in Ecuador. In our assessment of the project, we follow the Company PFS scale and cost projections with potential for project optimization thereafter. Highest risk factors related to our forecasts include: commodity price estimates, CAPEX estimates and development execution risk and operations risk on costs and metals recovery.
- ◆ **Political Risk – High:** Lumina Gold's assets are in Ecuador, a jurisdiction that historically has been perceived to contain heightened geopolitical risk. In addition to the many aspects of geopolitical risk that may arise, Lumina is exposed to risk uncertainty about the prevailing fiscal and tax regimes the Government of Ecuador may implement for mining operations, as witnessed historically. However, the Government of Ecuador has acknowledged the importance of the mining industry to the nation's development. Notably, the Government of Ecuador has looked to attract foreign investment through the progression of its mining laws and fiscal regimes. To encourage the inflow of foreign investment, the government has worked towards developing favorable incentives that improve the fiscal tax regime and that minimize VAT taxes, windfall taxes, and capital gains taxes. Ecuador ranked 45<sup>th</sup> of 84 jurisdictions in the Policy Perception Index, and 24<sup>th</sup> in the Investment Attractiveness Index in the Fraser Institute's Annual Survey of the Mining Industry (published in 2021).



## Important Information and Legal Disclosures

This report may be distributed in the following states: nil. Otherwise, this report may only be distributed into those states with an institutional buyer state securities registration exemption.

### Analyst Certification

I, Georgie Mark, hereby certify that the views expressed in this report (which includes the rating assigned to the issuer's shares as well as the analytical substance and tone of the report) accurately reflect my/our personal views about the subject securities and the issuer. No part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations.

### Important Disclosures

Of the companies included in the report the following Important Disclosures apply:

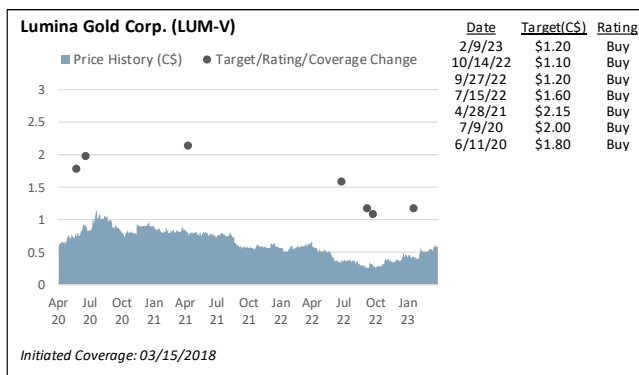
Ticker	Company	1	2	3	4	5	6	7	8
TSXV:ADZN	Adventus Mining Corp.			X	X	X			
TSXV:DV	Dolly Varden Silver Corp.			X	X		X		
TSX:FIL	Filo Mining Corp.			X					
TSX:FURY	Fury Gold Mines Ltd.		X	X	X		X		
TSXV:LUM	Lumina Gold Corp.		X	X			X		
TSX:LGD	Liberty Gold Corp.			X					
TSX:ME	Moneta Gold Inc.			X	X			X	
TSX:OSK	Osisko Mining Corp.			X	X				
TSX:TML	Treasury Metals Inc.		X	X			X		X
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### Distribution of Ratings (as of May 17, 2023)

	%	#	IB Clients (TTM)
Buy	74.5%	76	90.0%
Hold	6.9%	7	10.0%
Sell	0.0%	0	0.0%
Tender	1.0%	1	0.0%
UR (Buy)	0.0%	0	0.0%
UR (Hold)	0.0%	0	0.0%
UR (Sell)	0.0%	0	0.0%
Dropped (TTM)	17.6%	18	0.0%



Price Chart, Rating and Target Price History (as of May 17, 2023)



B: Buy; H: Hold; S: Sell; T: Tender; UR: Under Review

Source: Capital IQ and Haywood Securities

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