



Canadian **Mining Report**



Newfoundland Gold

June 2021

Newfoundland Gold

New found gold in Newfoundland

Interest in
Newfoundland gold
exploration has risen
in recent years

The mineral focus of
the province has
mainly been iron,
copper and nickel

Anaconda's Point
Rousse producing,
Marathon, Maritime
have advanced
projects

New Found Gold,
Sokoman and
Labrador are earlier-
stage and drilling

Huge share price
gains for earlier-stage
drilling companies

Gains for the
producers/developers
strong in absolute
terms, but relatively
low vs. the drillers

Newfoundland a new gold hotspot

Newfoundland has become a gold exploration hotspot over the past few years, with the sector seeing some of its strongest activity ever. While the province remains a small contributor to Canadian gold production, it has a substantial mineral industry well supported by the government, focused on iron ore, copper and nickel, and the surge in exploration suggests that gold output from the province could pick-up.

One producer, several developers/explorers

There is only one gold producer in Newfoundland, Anaconda, with its Point Rousse mine seeing 18,268 oz Au in output in 2020. There are two advanced developers, Marathon Gold, with a Feasibility Study released for its Valentine project, and Maritime Resources, with the Hammerdown project at the PEA stage. There are also three explorers with major ongoing drill programs, New Found Gold, Sokoman Minerals and Labrador Gold.

Sector seeing strong price gains overall

The earlier-stage companies have seen the strongest share price gains, with New Found Gold up 763% since its August 2020 listing, Sokoman up 396% and Labrador up 193% over the past twelve months, although this is off relatively low bases. While the other companies have seen strong absolute gains, they have been low relative to the drilling explorers, with producer Anaconda up 135% and developers Maritime and Marathon rising 90% and 60%, respectively.

The Canadian Mining Report

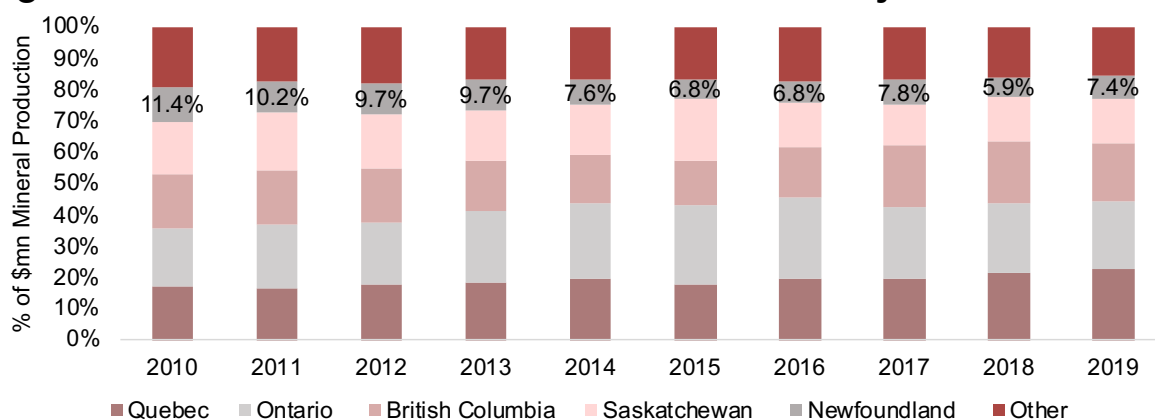
Newfoundland Gold

1) Newfoundland Mineral Industry

Newfoundland so far a tiny contributor to Canadian gold

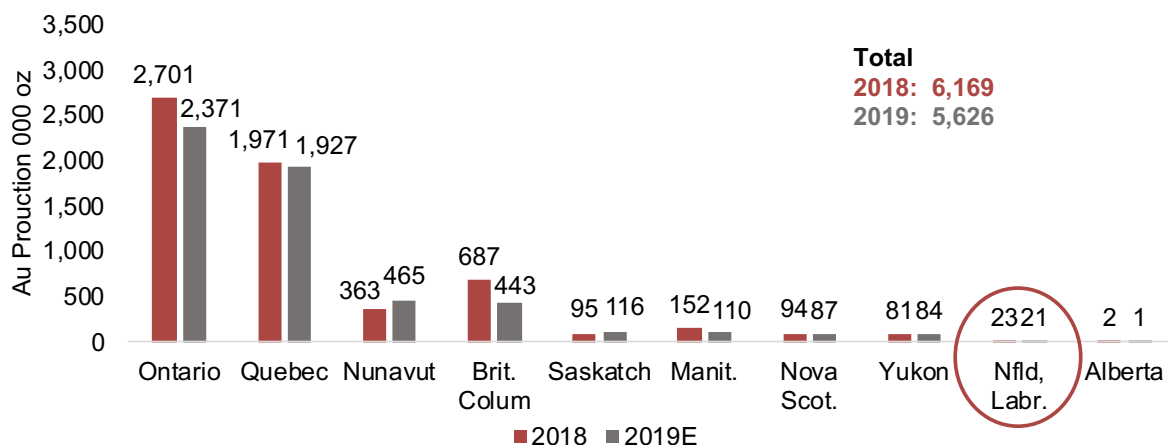
While prospects for Newfoundland gold mining have increased rapidly in recent years, overall the province is a minor contributor to mineral production in Canada, and most of that production has historically not been gold. Newfoundland contributed 7.4% of the total value of Canadian mineral production in 2019, and its shares of the total has generally declined over the past decade from 11.4% in 2010, averaging 8.3% from 2010-2019 (Figure 1). The province's contribution to total Canadian gold production is much smaller, with a single mine producing 21k ozs in 2019, or 0.38% of a total 6,169k oz produced in Canada for the year, declining from 23k oz in 2018 (Figure 2).

Figure 1: Canadian Mineral Production Revenue by Province



Source: Natural Resources Canada

Figure 2: Canadian Gold Production by Province



Source: Natural Resources Canada

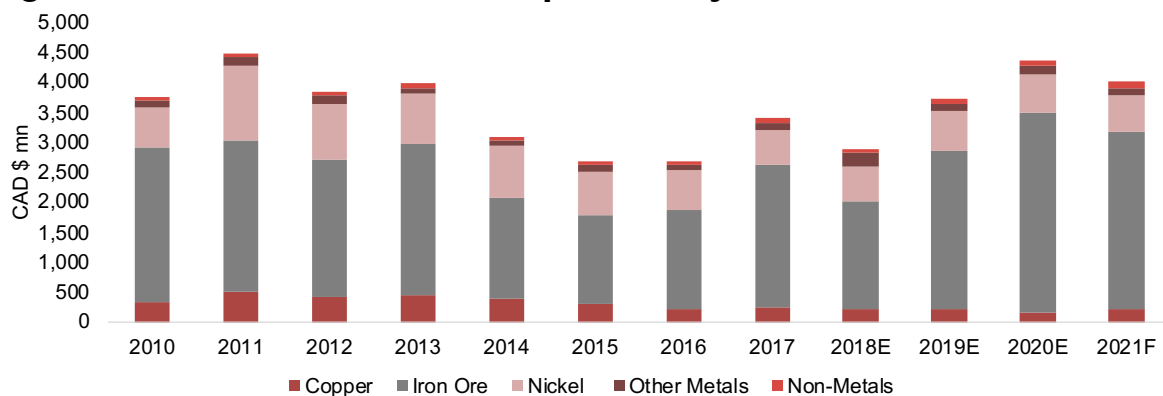
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Newfoundland Gold

Mineral production mainly iron ore, copper and nickel

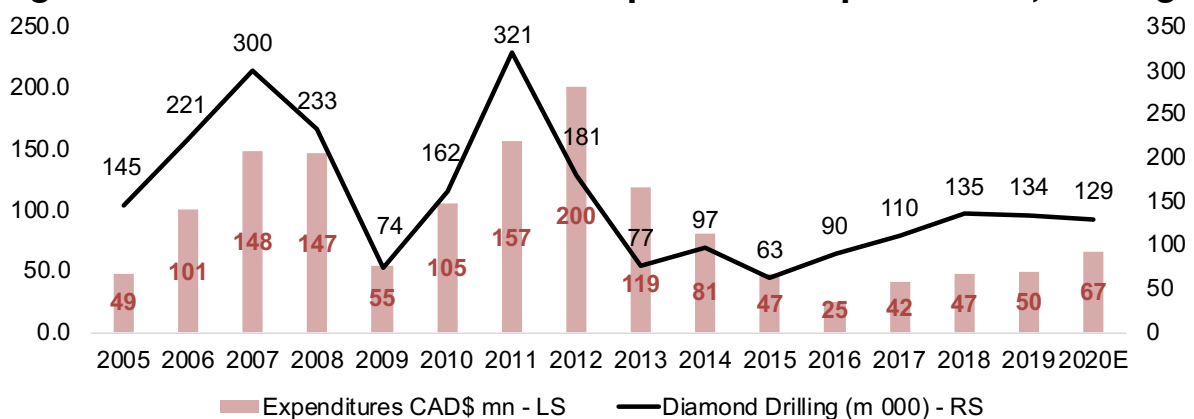
While historically not a major gold producer, the province does have substantial production of iron ore, nickel and copper, comprising 73.1%, 15.3% and 5.4%, respectively, of total 2020 Newfoundland and Labrador mineral production (Figure 3). Overall expenditures in the mineral industry for the province most recently peaked in 2007 at \$148mn and then in 2012 at \$200mn, with drilling peaking also in 2007 at 300k m and in 2011 at 321k m (Figure 4). Mineral claims in good standing staked peaked in 2007 at 190k and new claims staked in the same year at 80k (Figure 5). Activity in the industry slowed from 2012 to 2015, along with the broader decline in the minerals industry, but began to pick up from around 2016.

Figure 3: Newfound Mineral Shipments by Metal



Source: Newfoundland & Labrador Government

Figure 4: Newfoundland Mineral Exploration Expenditures, Drilling

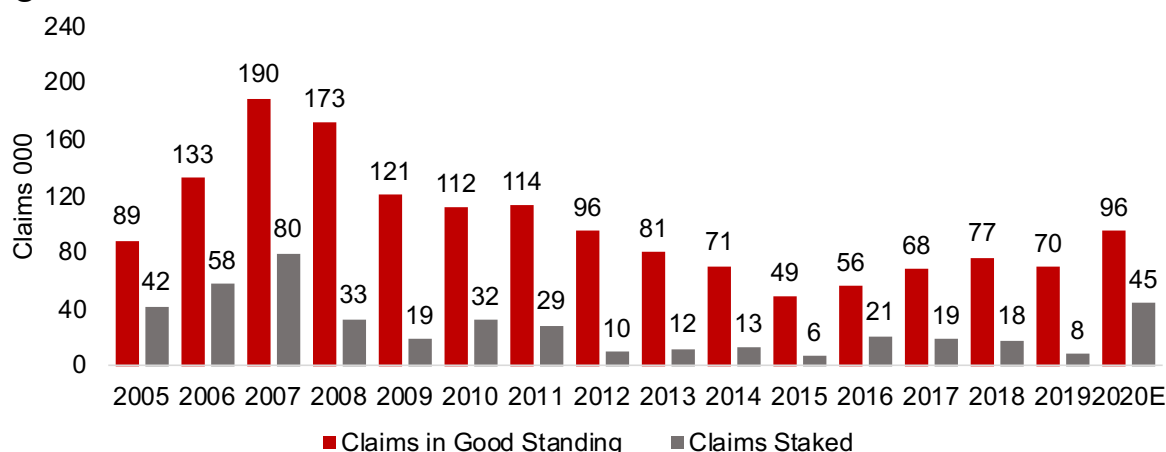


Source: Newfoundland & Labrador Government

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Newfoundland Gold

Figure 5: Newfoundland Mineral Claims



Source: Newfoundland & Labrador Government

Industry expenditures in the province have risen from \$25mn in 2016 to \$67mn in 2019, and metres drilled rose from 63k in 2015 to 129k in 2019, and mineral claims in good standing have risen from a trough of 49k in 2015 to an estimated 96k for the 2020. We expect that given the major pickup in activity across the minerals space, and soaring prices for iron ore, copper and nickel, that expenditure, drilling and claims should remain relatively high this year.

One of the most active periods ever for gold exploration in Newfoundland

Activity in Newfoundland and Labrador's gold sector has increased substantially over the past year as the high gold price has led to exploration of more peripheral gold projects, that slipped off the radar in the bear market from 2012 to 2019. While the overall mineral industry has a long history in the province, gold exploration is relatively recent, really only dating back to 1976, with the first major gold producing mine Hope Brook, discovered in 1983, producing 752k oz Au from 1986-1997. It is still being developed, with 954k oz Au in Resources, with 844k Indicated and 110k Inferred.

The province has geology conducive to the discovery of significant potential gold deposits, but has historically been overshadowed by the larger gold industries in Ontario, Quebec and British Columbia. Historic drill holes in Newfoundland tend to be relatively shallow, usually maxing out at 200 m, so there are opportunities for exploration to extend existing holes. With the government supportive of mining exploration companies in the province and its Fraser Survey Ranking rising, the current expansion is likely to continue.

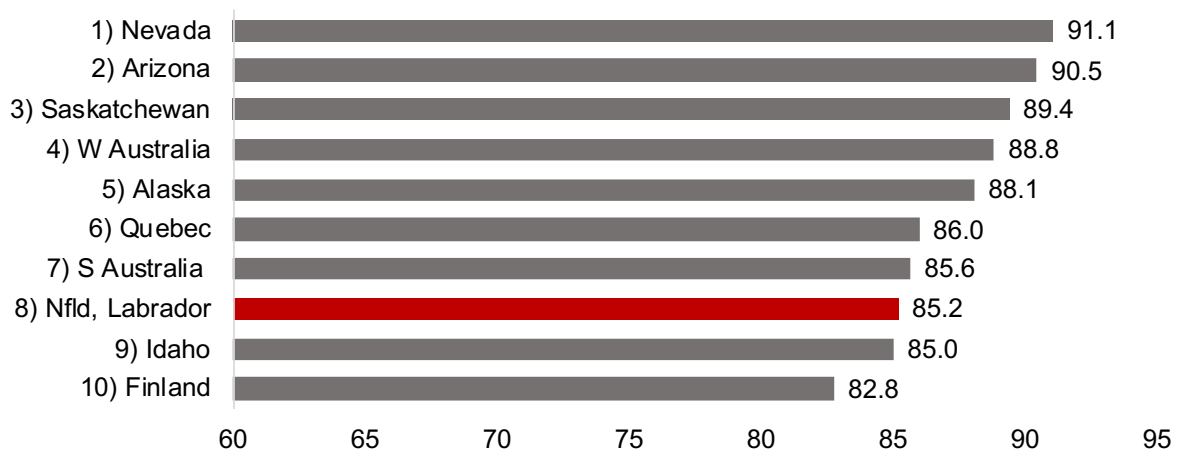
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Newfoundland moves into Fraser Institute top ten

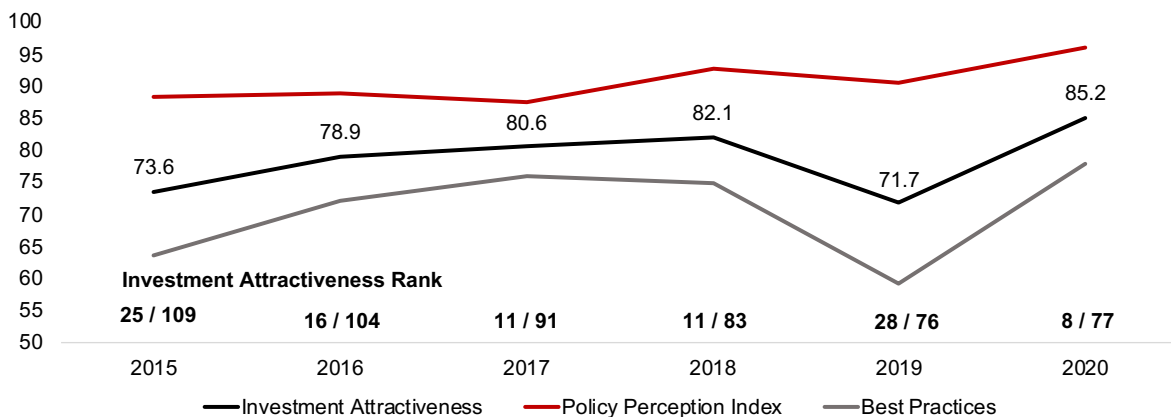
Newfoundland jumped into the top ten in the 2020 Fraser Institute Survey, ranked eight out of 77, compared to 25 out of 109 in 2015 (Figure 6). The province's rank has generally been trending up over the past five years, apart from a decline in 2019 (Figure 7). The move into the top ten for Newfoundland and Labrador was especially driven by an improvement in investors' perception of the province's mineral potential, jumping from 50 out of 76 in 2019 to 11 out of 77 in 2020. Investors have pointed to the clear and efficient permitting system and decreased concerns over taxes, relationships with local communities and trade barriers, but have moderately increased concerns over administration and the enforcement of existing regulations.

Figure 6: Fraser Institute Ranking



Source: Fraser Institute

Figure 7: Fraser Institute Ranking for Newfoundland



Source: Fraser Institute

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Newfoundland Gold

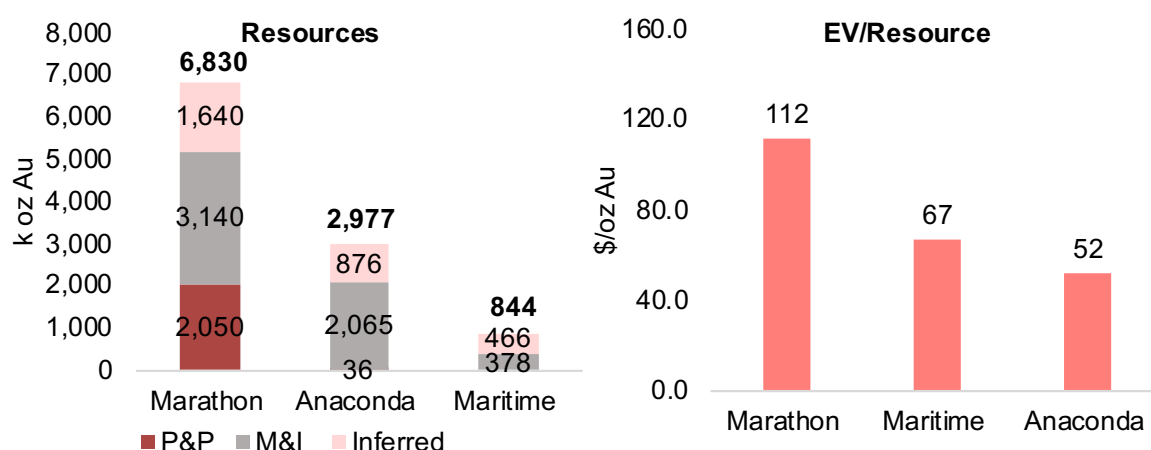
2) Newfoundland Gold Producers and Explorers

Three companies with material Resource levels

Currently, there is a single producing mine in Newfoundland, Point Rousee, with total Resources of 2,977k oz Au, comprising 36k oz Proved and Probable Reserves, 2,065k oz Au M&I Resources oz and 876k oz Au Inferred Resources (Figure 8). However, there are also two developers with relatively advanced projects and substantial levels of Resources. Marathon has Resources of 4,050k oz Au, with 1,870 oz Au Proved and Probable Reserves, 1,220k oz Au M&I, and 960k oz Au Inferred Resources. Maritime has 844k oz Au of Resources with 378k oz Au M&I and 466k oz Au Inferred.

We can compare the market's valuation of these companies using EV/Resource, with the market paying the most for Marathon at US\$112/oz Au (Figure 9). This is supported by the company's high level of total Resources and Proved and Probable Reserves, and its Valentine project being at an advanced stage, with a Feasibility Study released in March 2021. Maritime's EV/Resource is US\$67/oz Au, with its Hammerdown project also advanced, with a 400,000 m ongoing drilling program, a PEA released in 2020, an FS targeted for Q3/21, mine construction targeted by 2022, although it has a relatively low level of reserves versus the other companies.

Figures 8, 9: Newfoundland Gold Resources, EV/Resource



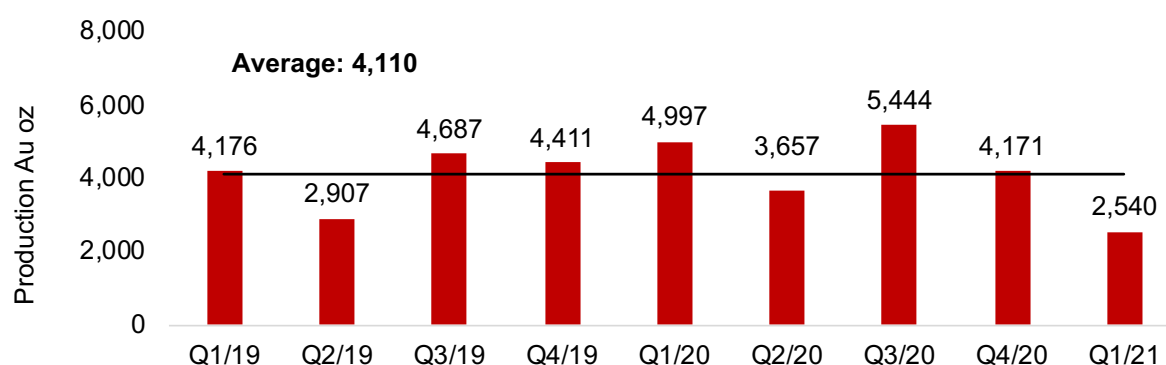
Source: Companies

Newfoundland Gold

Anaconda's Point Rousse the only producing mine

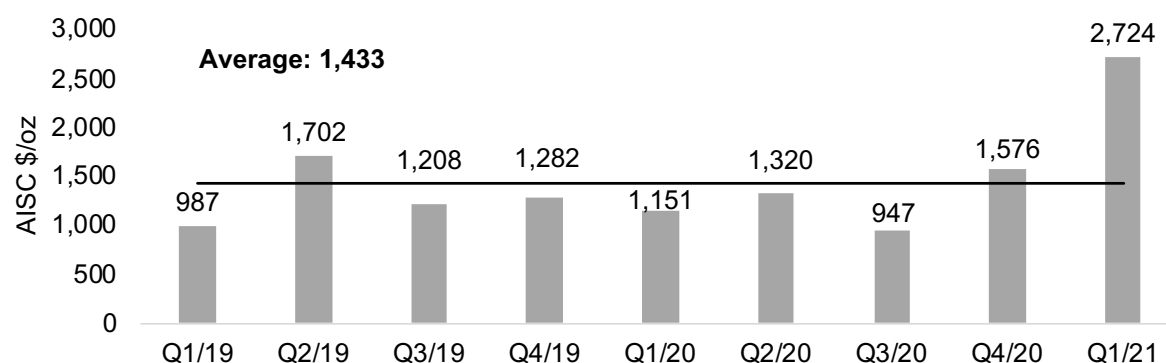
Anaconda, operating Newfoundland's only producing mine, Point Rousse, trades at the lowest EV/Resource of the three, at US\$52/oz Au, partly driven by weak Q1/21 results and reduced company guidance to gold sales of 17.0k oz Au in 2021 down from 17.9k oz Au in 2020. With production estimates for Point Rousse well known to the market, the most likely drivers for Anaconda's EV/Resource this year will be an FS targeted for Q4/21 for its Goldboro project or results from an ongoing 10,000 m drilling program at Tilt Cove. Point Rousse gold production averaged 4,110 oz Au/quarter since 2019 (Figure 10), but dropped to 2,540 oz in Q1/21, down 49% year on year on a lower mined grade and mill throughput, with gold sales of just 3,119 oz, down 39%. However, given the 17k oz guidance for 2021 the company, it expects a substantial rebound for the rest of the year. AISC costs also jumped in Q1/21 to \$2,724/oz Au, far above \$1,433/quarter average since 2019, on higher cash costs per oz on the 35% decrease in mine grade.

Figure 10: Point Rousse production oz Au



Source: Company

Figure 11: Point Rousse AISC \$/oz Au



Source: Company

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Newfoundland Gold

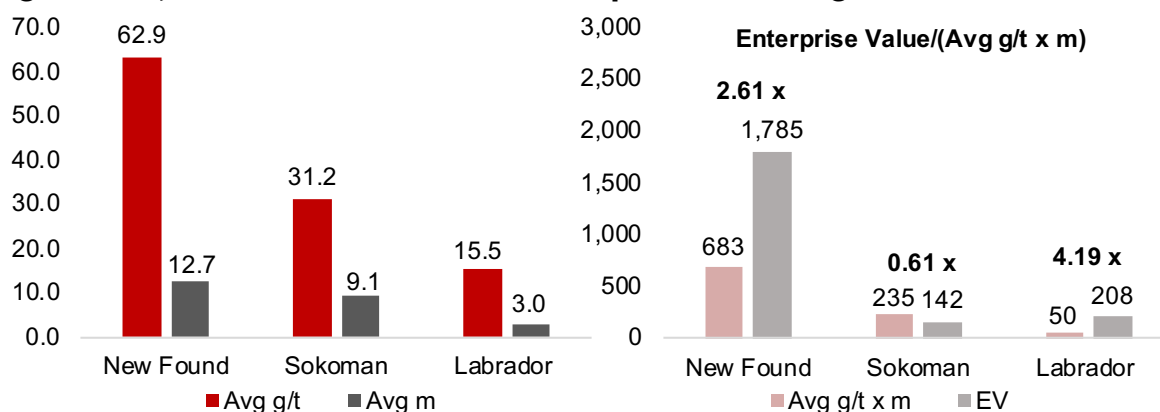
Three companies seeing high grade drilling results

The other three larger TSXV-listed Newfoundland focused gold companies are all at earlier stages with ongoing drilling programs. While all three have seen strong drilling results and share price gains over the past year, New Found Gold, listed in August 2020, has certainly been the stand out. It has been reporting high grade gold from the Keats and Lotto zones of its Queensway project consistently this year, with an average 62.9 g/t Au over 12.7 m from its highlighted results, for a grams-thickness of 683 (Figure 12).

Sokoman, drilling at its main Moosehead project since 2018, has reported an average 31.2 g/t Au over 9.1 m, for a grams-thickness of 235. Labrador only began reporting drilling highlights in the last month, averaging 15.5 g/t Au over 3.0 m, for a grams-thickness of 50, but this metric could not be considered as robust as that for New Found Gold or Sokoman, given the limited number of results so far. The market is certainly impressed by the progress for both Sokoman and Labrador, with their share prices surging this year by several hundred percent, although still coming in under New Found Gold's gains.

With no mineral Resource estimates for the three, there is no basic metric like EV/Resource to compare the market valuations of the companies. However, we can use a more crude measure of EV to average grams-thickness. This puts New Found Gold in the middle of group, at 2.61x (Figure 13), Sokoman low at 0.61x, and Labrador high at 4.19x. This suggests that New Found Gold's gains may be supported by its outstanding drilling results, and the market appears to be more bullish on Labrador versus Sokoman on this measure.

Figures 12, 13: Newfoundland Gold explorers drilling results



Source: Companies

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Newfoundland Gold

Figure 14: Larger Newfoundland-focussed gold companies

Larger explorers	Mkt Cap \$C mn	Price performance		Stage	Quantitative
		3 mth	12 mth		
New Found Gold	1,832.0	249.1%	n/a	Drill Program	146 g/t Au over 26 m
<i>The company has an ongoing 200,000 m drill program at Queensway, which has seen very strong drilling results from the Keats and Lotto Zone of the project in recent months, and is well funded to continue exploration through 2021</i>					
Marathon Gold	806.6	35.4%	114.8%	Feasibility Study	Valentine NPV \$600
<i>Operates the Valentine project, with a Feasibility Study released in March 2021, permitting ongoing and mine construction expected by 2022 and the new Bery zone, the focus of 2021 exploration, with a maiden resource released in April 2021</i>					
Sokoman Minerals	219.3	276.9%	1236.4%	Drill Program	21.1 g/t Au over 11.6 m
<i>The company operates the Moosehead project, that has seen drilling ongoing since 2018, and is the focus of 2021 exploration, Fleur de Lys, being explored for potential drilling targets, and five other projects, two optioned, and three 50/50 joint ventures</i>					
Anaconda Mining	166.6	21.5%	225.4%	Production	2020: 17,918 oz Au
<i>Operates the only producing gold mine in Newfoundland, Point Rousse, the Goldboro Gold project, with a PEA completed and an FS targeted for Q4/21 and the Tilt Cove project, with a 10,000 m drilling program begun in Q4/20</i>					
Labrador Gold	147.5	68.2%	221.7%	Drill Program	20.6 g/t Au over 3.56 m
<i>The company operates the Kingsway project, which has seen its first major drill program this year, with 20,000 m currently ongoing with the first drilling results from the project released in June 2021, and two earlier stage projects in Labrador</i>					
Maritime Resources	66.7	37.0%	94.7%	PEA	Hammerdown NPV \$111
<i>The company operates the Hammerdown project, with a 40,000 m ongoing drilling program, a PEA released in 2020, an FS expected by Q3/21 and mine construction targeted by 2022 and recently acquired the Lac Pelletier gold project in Quebec</i>					

Source: Companies

Explorers' share price gains outpace producer/developers

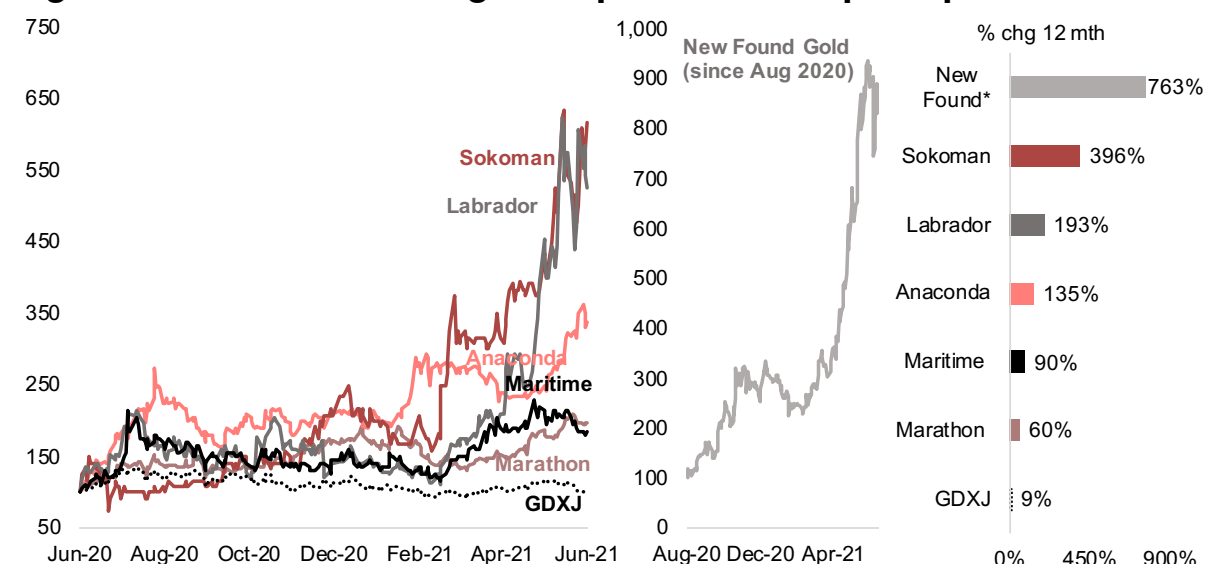
Figure 14 shows a summary of the six larger cap TSXV-listed Newfoundland and Labrador gold explorers, and Figure 15 their share price performances. The last year has been a big one for the explorers, with New Found Gold shooting up 763% since its August 2020 listing, and Sokoman up 396% and Labrador up 193% over the past twelve months. While the share prices have also been strong for producer Anaconda, up 135%, and developers Maritime, up 90%, and Marathon, up 60%, over the past year, the gains look muted compared to the explorers, which is common, as early-stage companies are usually coming off a much lower market cap compared to more advanced ones.

There are only consensus target prices for four out of the six companies. The market is expecting a similar reasonably strong upside for both Maritime, with 62.2% upside to its target and Anaconda, with 61.1% upside, and moderate gains of 21.6% for Marathon (Figure 16). However, for New Found Gold, there is a substantial -64.8% downside to its target price. This is partly because there is only one analyst covering the stock, so there is not so much a consensus, with only a single take on the company. However, the analyst has relatively recently reiterated his target even as New Found Gold's strong drilling results continue, suggesting that he believes that the share price has gotten far ahead of its fundamental value.

Newfoundland Gold

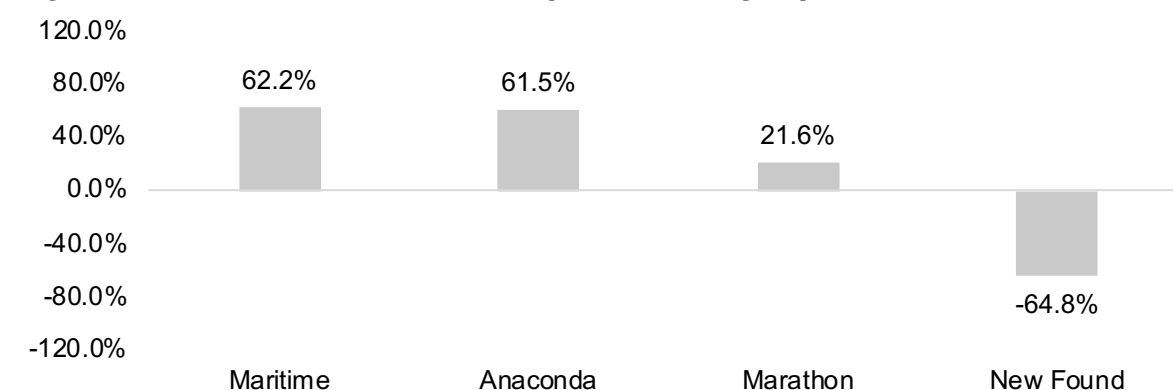
There was considerable dip in the shares recently, when there was a brief sell off across stocks markets on June 18, 2021, as the US Federal Reserve hinted at an earlier-than-expected taper and rates hikes. However, the markets, and New Found Gold, rebounded from this quickly. The market also sold off Labrador and Sokoman during this same period, yet there was no equivalent substantial dip for Marathon, Anaconda or Maritime. This suggests that the market is pricing in quite a risk premium into these early-stage exploration highfliers, which could be reversed quite severely in a downturn compared to the advanced stage Newfoundland and Labrador gold developers/producers.

Figure 15: Newfoundland gold explorers share price performance



Source: Companies

Figure 16: Newfoundland Gold Upside to target price



Source: Companies

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Newfoundland Gold

New Found Gold

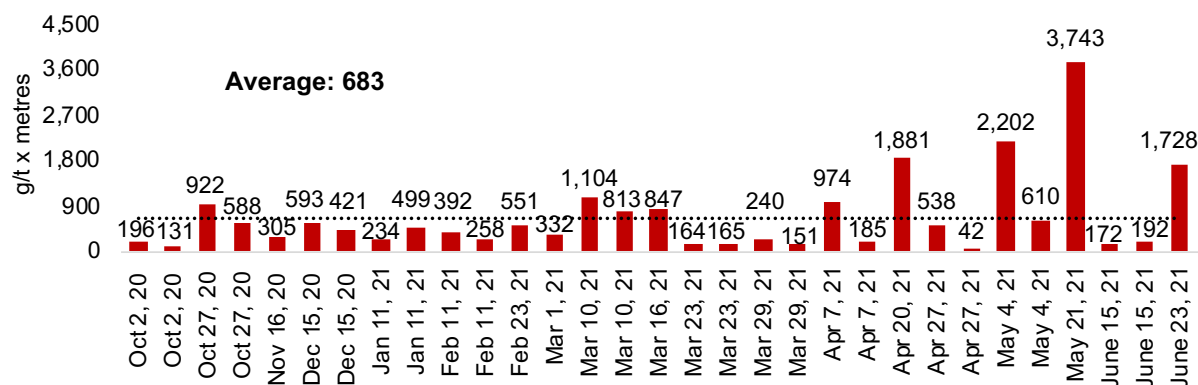
Strong drill results from Queensway

Major drill program ongoing at Queensway project New Found Gold operates the Queensway project, near Gander Newfoundland, where a 200,000 m program with 10 drills is currently ongoing, at a 7.8 km corridor of the Appleton fault focusing on the Keats and Lotto Zones, and a 12.4 km corridor at the JBP fault.

Very strong recent drill results The Keats and the Lotto zones at Queensway have generated some of the strongest recent drill results of the large TSXV gold explorers in 2021, including 124 g/t Au over 18m, or a grams-thickness of 2,202, on May 4, 2021, and 146 g/t Au over 26 m, or a 3,743 grams-thickness on May 21 (Figure 17).

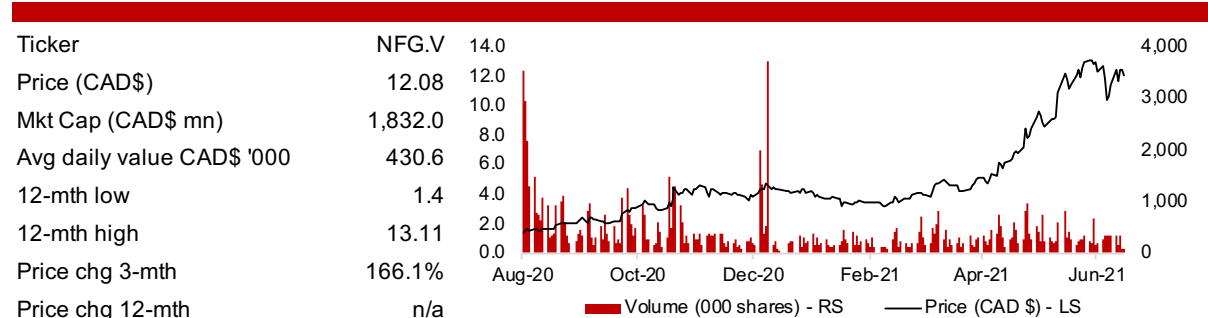
Shares surging but EV/grams-thickness not excessive New Found Gold's shares have surged 718% since its listing in August 2020, and while its EV/grams-thickness is not out of line with of its peers, the one analyst covering the stock expects -64.8% downside. The company is well funded with \$79m to continue exploration in 2021.

Figure 17: New Found Gold drill results grade grams-thickness



Source: Company

Figure 18: New Found Gold



Source: Company, Yahoo Finance

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Newfoundland Gold

Marathon Gold

Valentine at FS stage, maiden resource for Berry

Valentine FS and Berry maiden resource released this year The company operates the Valentine Gold Project, for which a Feasibility Study was released in March 2021 (Figure 19), while a new zone of the project, Berry, had a maiden resource released in April 2021.

Valentine permitting ongoing, mine construction targeted for 2022 Marathon has Resources of 6.8mn (Figure 20), with 0.638mn from Berry, the focus of exploration for 2021. The Valentine project FS indicates an NPV of \$600mn and initial capital cost of \$305mn, with a 2021 focus on permitting and mine construction expected by 2022.

Decent gains as operational progress continues While the share price gains of 60% over the past year look moderate versus the group, it made major gains in Q1/20, and is up over 300% since March 2020, as gold juniors at more advanced stages can have more muted potential for share price gains than earlier stage explorers.

Figures 19, 20: Valentine Gold Project FS, Marathon Resources

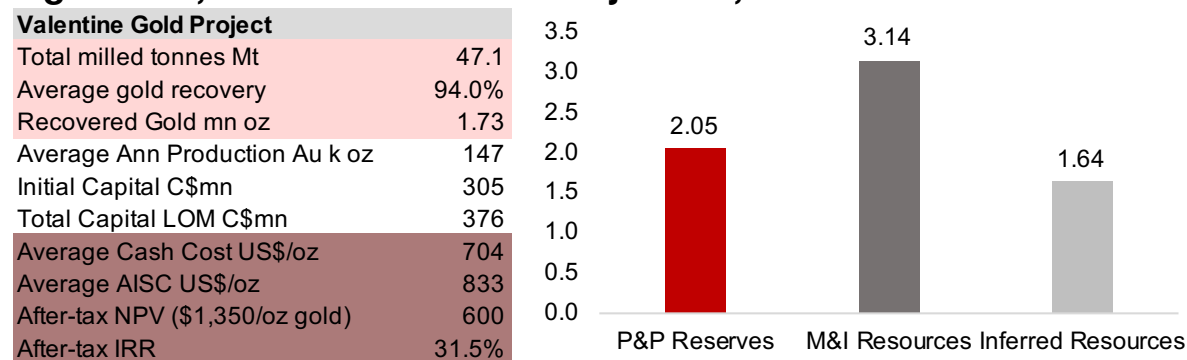
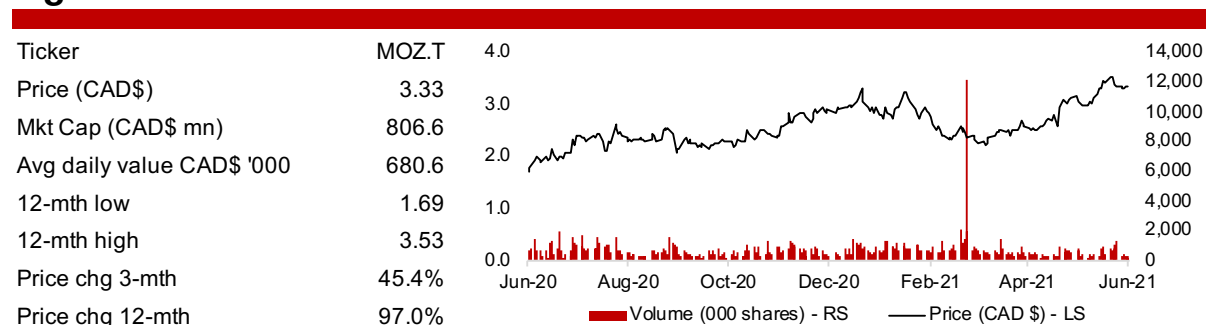


Figure 21: Marathon Gold share detail



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Newfoundland Gold

Anaconda Mining

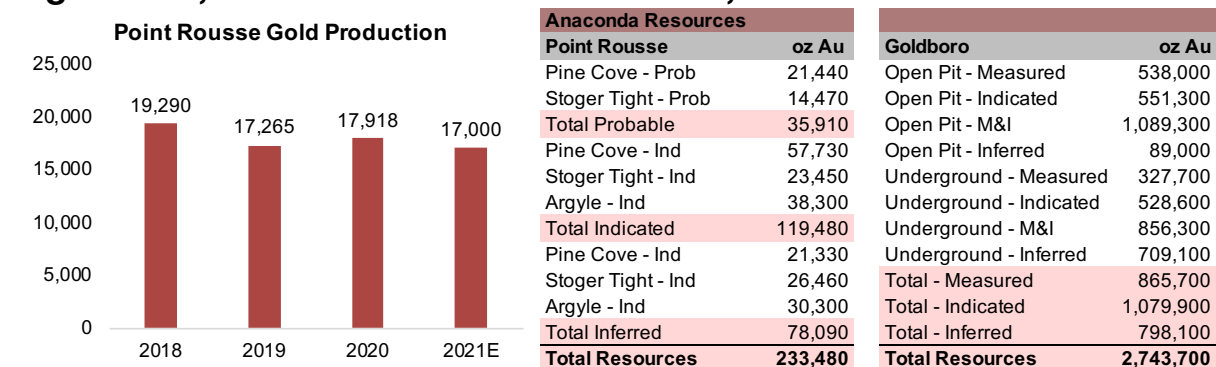
The only gold producer in Newfoundland

Operates two projects in Newfoundland and one in Nova Scotia Anaconda Mining operates two projects in the Newfoundland, the Point Rousse mine, the only gold producer in province, and the drilling-stage Tilt Cove project, and the Goldboro Gold project in Nova Scotia, with a recently expanded mineral resource, and nearing a PEA.

Ten years of operations at Point Rousse Point Rousse has operated for ten years, and production was 17.9k oz in 2020, with 2021 guidance at 17.0k oz (Figure 22) and is one of the largest Atlantic Canada gold deposits, with 233.5k oz Au (Figure 23). Goldboro has 2,743.7k oz Au resources, with a PEA completed in Q2/21 and an FS expected by Q4/21, and a 10,000 m drill program at Tilt Cover was initiated in Q4/20.

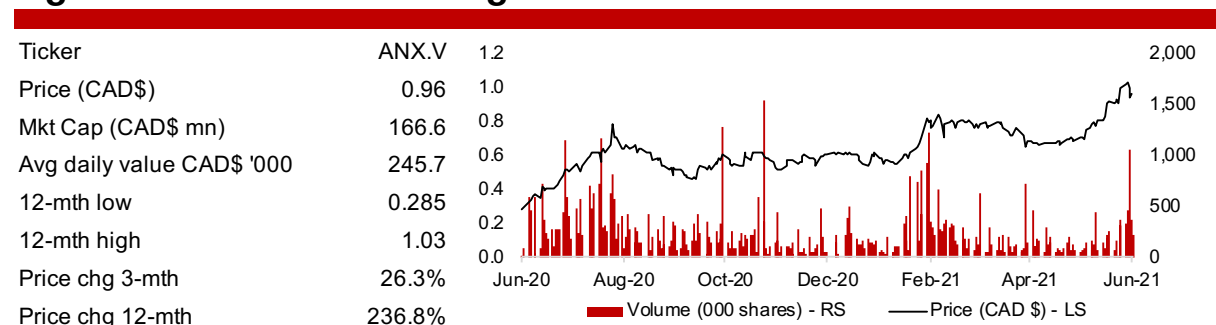
Strong gains over past year Anaconda has seen strong 135% gains over the past year on operational progress across all of its projects, and Point Rousse will provide cash flow to fund the exploration and progress of Goldboro and Tilt Cove.

Figures 22, 23: Point Rousse Production, Anaconda Resources



Source: Company

Figure 24: Anaconda Mining share detail



Source: Company, Yahoo Finance

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Newfoundland Gold

Sokoman Minerals

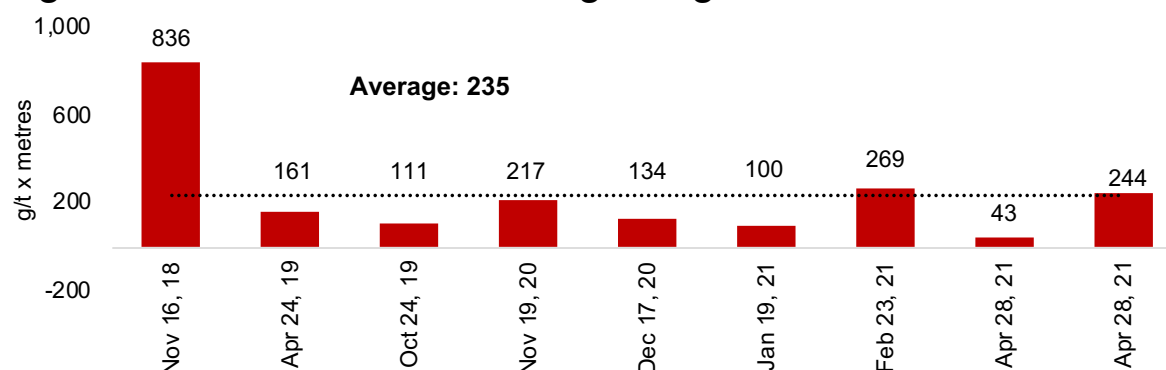
Drilling ongoing at flagship Moosehead project

Seven projects, with Moosehead seeing ongoing drilling campaign Sokoman has a total of seven gold projects, with Moosehead the flagship, which has seen an ongoing drilling program since 2018, and remains the main focus of exploration in 2021, with a series of strong results reported over the past two years.

Fleur de Lys 100%-owned, other projects optioned or JVs The company also owns 100% of the Fleur de Lys, which is being explored for potential drilling targets, and has seen substantial investment activity, with two of its projects having been optioned, and three 50/50 joint ventures established with Benton Resources.

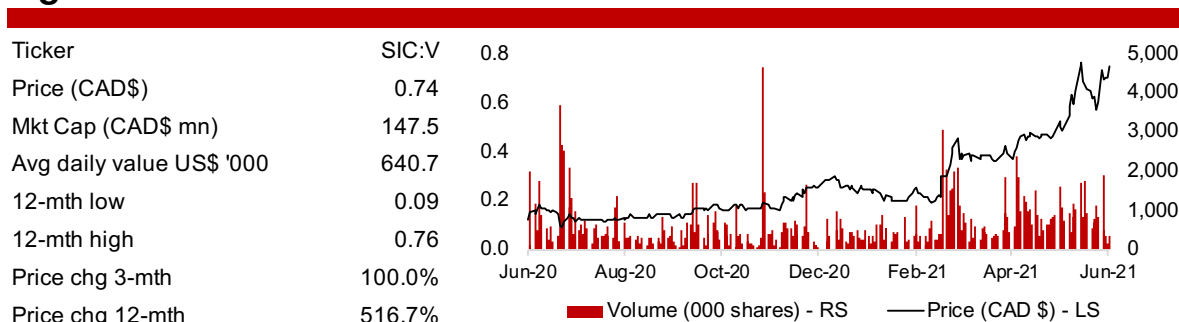
Sokoman surging mainly on Moosehead results Sokoman's share price gained 396% over the past year, mainly on strong drilling results from Moosehead. It closed \$6.5mn in equity financing lead by Eric Sprott in April 2021, funding continued drilling at Moosehead and earlier stage exploration of other properties this year.

Figure 25: Sokoman drill results grade grams-thickness



Source: Company

Figure 26: Sokoman Minerals share detail



Source: Company, Yahoo Finance

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Labrador Gold

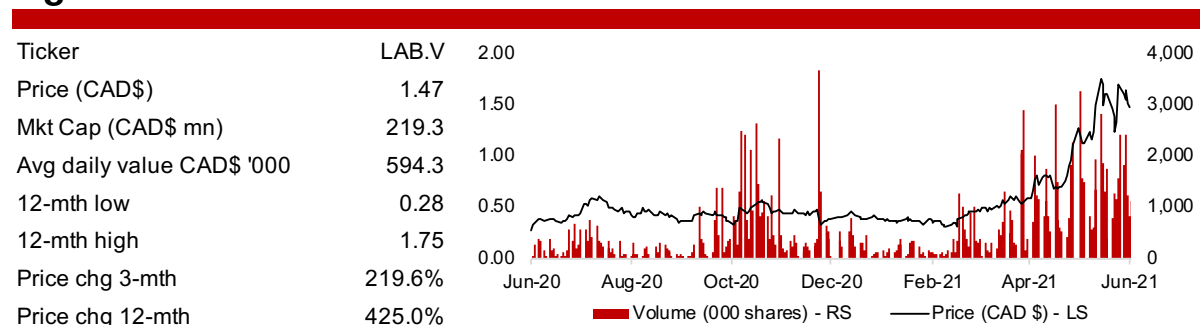
First major drill program at flagship Kingsway

Operates Kingsway in Newfoundland and two projects in Labrador The company operates three projects, Kingsway in Newfoundland, its flagship project, which is seeing its first major drill program this year, and two earlier stage exploration projects in Labrador, Ashuanipi and Hopedale. The Kingsway project consists of three licenses covering 77 sq. k.m., and has good infrastructure, being 18 km from Gander, with road access, electricity close by and an abundant water supply.

Kingsway seeing first results from 20,000 m program in May 2021 The company has an ongoing 20,000 m drill program ongoing at its Kingsway project, with an increase from the 10,000 m originally planned announced in February 2021, with a second drill added in April 2020. The first drilling results were reported in May and June 2021, with highlights of the program so far from the Big Vein zone of the project of 20.6 g/t Au over 3.56 m, or 73.3 grams-thickness, and 10.48 g/t Au over 2.5 m, or 26.2 grams-thickness.

Labrador shares up on drilling results and major financing rounds The company's shares are up 193% over the past year, on the drilling results and two major financing rounds this year, leaving it fully funded to continue the Kingsway drilling program in 2021. The first was \$9.8mn in a private placement of 14.0mn flow-through units at \$0.70/unit to Eric Sprott (with 7.0mn units) and New Found Gold (with 7.0mn units), completed on April 19, 2021. The second was a \$15mn private placement of 16.66mn working capital units at \$0.90/unit, again to Eric Sprott (with 11.1mn units) and New Found Gold (with 5.6mn units), completed on June 3, 2021. This has brought the total institutional holding of the company to 25.2% of the total, with high net-worth investors holding 20.3% and insiders holding 15.0%

Figure 27: Labrador Gold share detail



Source: Company, Yahoo Finance

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Newfoundland Gold

Maritime Resources

Hammerdown at PEA stage, FS now underway

Operates advanced stage Hammerdown project The company operates Hammerdown, a brownfield project in Newfoundland with access to the existing Nugget Gold process plant, with a PEA released in 2020, and a Feasibility Study being prepared, and recently acquired the Lac Pelletier gold project in Quebec.

Hammerdown exploration program and FS for 2021 A 40,000 m drilling program is ongoing at Hammerdown, an FS is expected by Q3/21, project permitting by the end of 2021, and mine construction by 2022. The project has 844k oz Au in Resources, 501k oz at Hammerdown and 343k oz at Orion, with an NPV of \$111mn in the PEA.

Recent financing, share price seeing decent gains The company is well funded through 2021 after a \$6.9mn private placement and \$1.94mn warrant exercise. Its shares have seen strong absolute gains of 90%, but this is relatively weak versus the huge gains of some of the earlier stage Newfoundland explorers.

Figures 28, 29: Hammerdown PEA, Maritime Resources

Hammerdown Gold Project

Total milled tonnes Mt	2.1
Average gold recovery	97.0%
Gold production k oz Au	521.5
Average Ann Production Au k oz	57.9
Initial Capital C\$mn	57.2
Sustaining Capital LOM C\$mn	84.8
Average AISC US\$/oz	938.8
After-tax NPV (\$1,375/oz gold)	111
After-tax IRR	50.5%
After-tax payback (years)	1.5

Source: Company

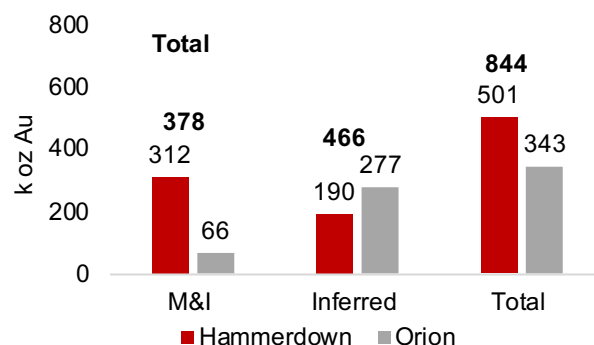
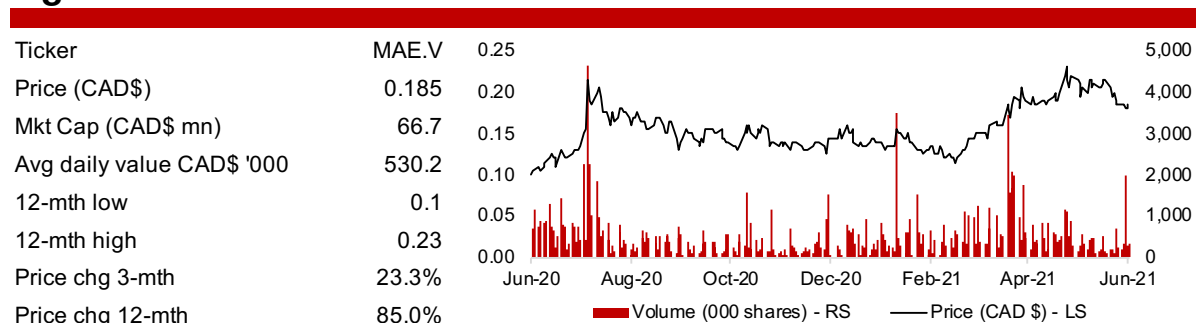


Figure 30: Maritime Resources share detail



Source: Company, Yahoo Finance

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Newfoundland Gold

Newfoundland gold on the way to growth

Newfoundland gold development and exploration activity rising

Province could become growing, although small, contributor to Canadian gold production

One producing mine with new projects and two larger developers

Provincial output could expand substantially if these projects enter production

Three explorers have seen major share price gains, with recent dip suggesting some risk

Producer and developers held up well in recent dip, suggesting lower risk given advanced stage

Newfoundland gold activity small, but expanding

While Newfoundland and Labrador gold production, development and exploration have historically been limited, all of these are picking up substantially over the past several years, as has its mineral industry overall, with the province seeing the most contribution from iron ore, copper and nickel. With the province supportive of the mining industry and several gold projects in the later stages of development, there appears to be a good probability of a substantial increase in gold production coming out of the province over the new few years.

One company producing, two larger developers

While Newfoundland has only one producing mine, Anaconda's Point Rousse, other developers have advanced stage projects moving toward production. Marathon, the developer of Valentine, has progressed this project to an FS this year, and continues to expand the Resource through the new Berry zone of the project. Maritime is developing the Hammerdown project, with a PEA released in 2020 and an FS being prepared. If these projects were to enter production, it would be the first time the province has had multiple gold producers at once.

Markets seeing explorers as more risky after big gains

There are also a new potential projects currently being explored by three exploration companies all with substantial ongoing drill programs, New Found Gold, Sokoman and Labrador Gold. The share prices of all three have gained several hundred percent each, although the only one of them covered actively by analyst, New Found Gold, is showing a substantial downside to its share price target. Also the share prices of these three took a big hit in the market dip in mid-June, and while they recovered quite quickly, this exposed that the market views these early stage explorers as high risk especially after the big price run ups. The three producers/developers above, in contrast, did not see a big drop during the sell-off, suggesting that the market sees less risk in these companies with more advanced stage projects.

