Conference Distillate

INDEPENDENT CAPITAL GROUP

The Denver Gold Group Gold Forum – Virtual Event
13. – 15. April 2021

Key takeaways

- Most of the participants stated a focus on shareholder return with capital allocation programs favouring dividends and share buybacks as first and second priority, while development expenditure came in as third overall. This is an important contrast to the history of the industry, which was notorious for bad deals, exorbitant capex/salaries and resulted in its bad reputation/performance in the past.
- Although often cited in analyst papers, most participants favouring organic growth through asset development and/or exploration over acquisitions as valuations of development stage companies with attractive assets are currently high – preserving cash for shareholder returns and create value internally.
- Some participants are still looking for acquisitions though, while the focus will be more asset based than on a company level. The companies also said, they don't want to acquire companies for the sake of growth and are in no rush, they would rather buy a matching company which is value accreditive and creates synergies.
- Interestingly, some companies are not averse in growing its base metals exposure, be it internally or through acquisitions.
- Streaming companies on the other hand are looking actively for attractive deals, as exploration/development activity for base metal assets with precious metals by-products is expected to hike in response to higher copper prices. Base metal mines usually need more capital to develop with streaming deals offer good ways to finance a project and offer attractive terms for both parties.
- Noticeably often mentioned during the event was the focus on ESG. All the companies we met presented a sound ESG-strategy and stressed how important these criteria are for the future of the company – a lot of the firms even hired "Corporate Sustainability Managers" to underline the importance.
- Looking at financials, companies stated slightly higher costs during FY20 due to COVID measures and input price pressure. Companies expect costs to normalize during FY21 and released conservative guidance.
- Looking at Q1 results, the companies we met said they were mostly in-line with previous guidance and expect stronger quarters to come this year. Margins are set to remain very strong this year.
- Balance sheets still looking extremely healthy, most participants stated that the industry is in its best shape ever, with very low to zero net debt. Our PMC portfolio has a net debt/equity of only 5%.
- Also, profitability is at record highs, with most companies generating more free cash flow than ever, which leaves plenty of room for further dividend hikes and other forms of shareholder returns – some companies even consider special dividends in the near term. Our PMC portfolio has a dividend-yield of 3.1%, twice the benchmark.

Company specific highlights

► **Sibanye-Stillwater** – ***Leading producer and recycler of green metals***
The company expects profitability to go up with higher production and lower AISC. Interestingly, the company already sees substitution of palladium and rhodium by OEMs due to high prices and expects platinum to outperform. Sibanye is focused on cash preservation, dividends, as well as debt management and is eager to gear up its gold exposure. Free cash flow generation is at record with over $3bn this year expected by analysts.

► **Torex Gold** – ***Strong capital allocation strategy***
After a strong FY20, the company started the year with its strongest 1st quarter on record. The net debt-free company is developing its world class asset Media Luna which is fully self-funded and is expected to deliver strong cash flow well beyond the life of its current key asset. Torex's key focus is to maximize free cash flow of its existing mine, managing its capital to fully fund Media Luna project internally which should still leave room for potential share buybacks or dividends and, looking for attractive M&A opportunities in the market.

► **SSR Mining** – ***A free cash flow focused gold producer***
SSR Mining acquired turkey-focused company Alacer Gold in FY20 and positioned itself as a key player with T1-assets in the country. With its high margin assets in Turkey, the US, Canada and Argentina, SSR generates peer leading annual free cash flow. The company is keen on investing in its existing business to grow internally but will keep its current base-dividend – excess FCF will eventually be used for share buybacks.

► **Kirkland Lake Silver** – ***Q1 beat, three outstanding quarters ahead***
Driven by high-quality assets in Fosterville, the company managed to beat consolidated production estimates in Q1 which was expected to be the weakest quarter of 2021. With superior financial strength and high profitability, Kirkland will allocate previous year's FCF of $733m into share buybacks and further dividend increases while targeting significant growth in reserves and production through extensive drilling. Following a selective approach, the management is keeping an eye out for value-accretive acquisitions. Regarding All-in sustaining costs, Kirkland's FY21 guidance of $790-810/oz appears to be the lowest amongst its peers.

Conference Distillate - Watchlist - Participating Companies

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Name	Market	Last	Performance in USD				% Change EPS			P/E			P/CF	Div	P/B	EBITDA Margin		FCF Yield			EV/EBITDA		NetDebt/	Analyst
	Cap $bn	Price	-W1	-1M	YTD	-1Y	20/21	21/22	22/23	2021	2022	2023		yield		20Y	21Y	20Y	21Y	22Y	21Y	22Y	Equity	Rating
NEWMONT CORP	51.90	64.8	5.3%	4.8%	8.2%	8.1%	6%	-6%	-11%	17.3	17.2	18.6	10.7	3.4	2.3	82%	54%	6%	7%	7%	7.4	7.4	4%	4.4
FRANCO-NEVADA CORP	26.14	171.1	1.0%	10.7%	9.2%	10.6%	87%	7%	-2%	42.0	40.0	40.7	32.4	0.8	4.8	70%	83%	2%	3%	4%	25.3	24.1	-10%	4.1
WHEATON PRECIOUS METALS CORP	18.95	52.7	0.0%	6.2%	0.9%	23.7%	35%	5%	-3%	27.2	25.7	26.8	24.7	1.2	3.3	47%	75%	4%	5%	5%	18.9	17.8	0%	4.7
AGNICO EAGLE MINES LTD	15.46	79.4	4.2%	6.8%	-9.8%	17.6%	45%	13%	-25%	20.1	18.1	22.4	12.9	2.2	2.7	38%	54%	3%	6%	7%	7.8	7.1	23%	4.3
SIBANYE STILLWATER LTD	15.16	7'317.0	13.0%	8.6%	25.5%	196.1%		-4%	43%	4.4	4.7	4.7	7.2	4.4	3.1	60%	49%	12%	22%	21%	2.7	3.0	-2%	4.7
POLYMETAL INTERNATIONAL PLC	10.20	1'564.5	7.9%	3.1%	-6.0%	12.3%	-10%	4%	-7%	9.3	9.1	8.4	8.5	6.1	5.1	67%	59%	7%	7%	10%	6.6	5.9	69%	4.6
KIRKLAND LAKE GOLD LTD	9.98	46.7	1.1%	8.2%	-9.6%	1.6%	21%	9%	-3%	10.2	9.5	10.1	7.7	2.0	2.0	51%	68%	8%	8%	9%	5.3	5.0	-16%	4.4
KINROSS GOLD CORP	9.42	9.3	0.7%	8.1%	1.8%	21.7%	-39%	47%	-6%	10.7	7.6	7.7	5.0	1.6	1.4	76%	49%	10%	10%	18%	4.6	3.6	12%	4.6
ROYAL GOLD INC	7.63	116.3	5.1%	9.6%	9.3%	4.1%	30%	-3%	0%	32.9	29.8	29.3	19.8	1.0	3.2	37%	80%	2%	5%	6%	15.1	14.2	-7%	3.8
PAN AMERICAN SILVER CORP	7.16	34.0	1.6%	2.4%	-1.4%	74.8%	310%	19%	15%	19.4	13.8	13.8	--	0.8	--	53%	43%	4%	4%	10%	8.5	6.3	-9%	4.4
ENDEAVOUR MINING CORP	5.74	28.5	2.7%	15.6%	-2.1%	25.0%	330%	29%	-38%	9.2	7.8	8.5	5.1	3.3	1.8	54%	57%	8%	15%	18%	4.1	3.8	4%	5.0
YAMANA GOLD INC	4.60	6.0	2.0%	5.1%	-16.7%	9.1%	73%	8%	-29%	13.1	12.2	17.1	8.0	2.2	1.0	31%	58%	7%	10%	10%	5.3	5.2	7%	4.3
FIRST MAJESTIC SILVER CORP	3.76	16.9	-2.7%	-0.2%	25.5%	129.5%	1505%	78%	46%	43.9	24.0	19.3	--	0.0	--	47%	48%	-1%	0%	5%	13.1	9.5	-12%	3.7
SSR MINING INC	3.53	16.1	2.6%	4.8%	-20.1%	2.8%	45%	5%	-18%	8.5	8.1	9.8	--	1.2	--	35%	57%	5%	12%	16%	4.4	4.5	-10%	5.0
HECLA MINING CO	3.49	6.5	7.6%	-1.1%	0.7%	174.4%	873%	39%	21%	31.5	23.2	21.5	19.1	0.2	2.0	51%	41%	3%	5%	6%	11.1	9.8	24%	3.6
ALAMOS GOLD INC-CLASS A	3.43	10.9	4.0%	9.9%	0.1%	29.4%	45%	29%	4%	14.5	13.1	12.4	9.3	1.1	1.2		58%	4%	4%	5%	5.9	5.2	-9%	4.1
NOVAGOLD RESOURCES INC	3.22	9.7	3.4%	7.9%	0.6%	-18.1%				30.4	33.6	--	--	0.0	--	49%	17%		-42%	50%	0.9	0.9	-2%	5.0
CENTERRA GOLD INC	2.79	11.8	1.5%	-10.1%	-18.6%	34.5%	31%	62%	-19%	5.1	3.5	3.6	3.0	1.7	1.1	22%	52%	21%	16%	30%	2.5	1.7	-21%	3.9
HARMONY GOLD MINING CO LTD	2.86	6'610.0	-3.1%	3.9%	-5.0%	58.8%	883%	-17%	-52%	5.3	6.0	7.6	4.9	1.7	1.3	41%	31%	3%	9%	6%	3.1	2.9	6%	3.7
EQUINOX GOLD CORP	2.66	11.2	2.0%	7.8%	-13.6%	14.8%	748%	63%	2%	11.4	6.8	6.0	10.2	0.0	1.5	28%	46%	2%	-1%	7%	4.8	3.3	15%	4.8
HUDBAY MINERALS INC	2.20	10.5	6.6%	15.4%	20.4%	316.2%	156%	151%	25%	35.1	12.4	10.9	13.8	0.2	1.3	52%	39%	-6%	4%	14%	5.2	4.1	45%	4.8
ELDORADO GOLD CORP	2.05	14.0	-1.4%	-2.9%	-15.4%	31.3%	38%	-4%	22%	13.8	12.1	10.7	4.5	0.0	0.5		50%	11%	3%	5%	4.5	4.1	0%	3.8
MAG SILVER CORP	1.64	17.3	-0.3%	7.6%	-15.6%	73.3%	170%	489%	22%	180.3	13.6	13.0	--	0.0	--	31%	10%	0%	-3%	4%	375.8	9.1	-30%	4.3
IAMGOLD CORP	1.61	4.2	2.9%	2.9%	-7.8%	8.6%	181%	58%	-43%	12.9	9.6	7.5	4.6	0.0	0.7	70%	40%	2%	-15%	-7%	2.4	2.0	-16%	3.5
SANDSTORM GOLD LTD	1.51	9.7	1.9%	9.8%	8.1%	16.9%	-100%			45.3	38.1	31.0	22.6	0.0	2.4	42%	72%	5%	5%	4%	16.8	15.0	-18%	4.3
FORTUNA SILVER MINES INC	1.42	9.7	5.5%	5.8%	-5.9%	205.9%	-100%			9.2	8.4	10.9	14.9	0.0	2.0	34%	53%	-3%	14%	14%	4.7	4.7	6%	3.6
PETROPAVLOVSK PLC	1.43	26.2	5.2%	-2.0%	-18.5%	26.9%	150%	47%	-38%	9.8	5.5	5.3	5.8	0.0	2.0	51%	40%	0%	12%	16%	5.1	3.6	89%	3.9
DUNDEE PRECIOUS METALS INC	1.35	9.0	5.6%	13.3%	0.3%	65.4%	-100%			5.8	7.2	6.2	6.7	1.7	1.6	40%	55%	12%	18%	17%	3.2	3.8	-18%	5.0
NEW GOLD INC	1.25	2.3	2.2%	3.3%	-16.7%	158.6%	244%	66%	-100%	9.3	6.0	5.3	6.5	0.0	1.5	22%	51%	-3%	10%	19%	3.5	2.5	32%	3.3
OCEANAGOLD CORP	1.21	2.2	1.4%	8.8%	-11.0%	31.2%	137%	186%	-28%	18.7	6.5	8.0	5.5	0.0	0.8	56%	44%	-3%	-11%	10%	4.6	2.7	9%	4.2
TOREX GOLD RESOURCES INC	1.21	17.6	0.1%	9.8%	-6.1%	21.9%	51%	-4%	-63%	7.4	7.7	21.0	3.6	0.0	1.3	50%	64%	13%	14%	15%	1.9	1.9	-17%	4.8
WESDOME GOLD MINES LTD	1.10	9.9	3.1%	21.3%	-5.6%	16.7%	59%	98%	6%	17.2	8.7	8.2	13.5	0.0	5.2	42%	60%	3%	1%	11%	8.3	4.4	-20%	5.0
SILVERCORP METALS INC	0.97	6.9	1.1%	4.0%	-17.2%	52.6%	-100%			20.0	16.4	15.8	10.7	0.5	2.1		53%	1%	4%	4%	8.3	7.9	-37%	4.6
ORLA MINING LTD	0.93	4.9	-0.9%	0.5%	-27.7%	130.1%	62%	540%	-100%	--	18.9	14.4	--	0.0	5.6	22%		-5%	-11%	4%	--	9.8	-1%	4.8
ENDEAVOUR SILVER CORP	0.89	5.6	2.7%	-9.4%	11.5%	255.7%	306%	88%	142%	43.9	23.4	9.7	--	0.0	--	1%	34%	1%	-1%	-1%	14.6	10.7	-35%	3.8
VICTORIA GOLD CORP	0.73	14.7	4.6%	13.4%	22.9%	103.3%	-100%			13.9	8.4	6.7	9.1	0.0	2.5		63%	3%	12%	27%	8.2	3.6	55%	4.8
OSISKO DEVELOPMENT CORP	0.69	7.3	-0.7%	-3.3%	-2.1%	-23.8%	90%	617%	258%	52.1	16.4	13.5	--	0.0		34%	58%		-7%	-20%	15.9	5.0		4.5
ARGONAUT GOLD INC	0.65	2.7	2.6%	24.4%	-0.8%	121.7%	358%	15%	-100%	7.2	5.3	5.0	4.2	0.0	0.8		44%	5%	-19%	-6%	2.8	2.4	-17%	5.0
NEW PACIFIC METALS CORP	0.65	5.3	7.0%	-8.7%	-32.9%	35.8%	-100%			--	--	--	--	0.0	5.1			-2%			--	--	-40%	4.5
SKEENA RESOURCES LTD	0.63	3.5	-0.6%	7.1%	4.2%	309.8%	100%			--	--	1.8	--	0.0	7.0	45%		0%	-19%	-20%	--	--	-34%	4.5
ROXGOLD INC	0.58	2.0	11.4%	17.3%	23.3%	98.4%	214%	10%	92%	9.5	7.6	3.8	8.4	0.0	3.0	24%	50%	4%	3%	0%	4.7	4.2	-5%	5.0
GOGOLD RESOURCES INC	0.57	2.7	5.0%	14.0%	18.0%	323.5%	63%	-69%	-43%	32.1	33.3	25.2	--	0.0	3.1	42%	42%	0%	1%	-6%	21.8	22.3	-30%	4.8
SIERRA METALS INC	0.48	3.7	-3.9%	-1.8%	-10.0%	296.3%	186%	-100%		7.7	7.2	5.9	7.7	0.0	2.4	39%	56%	15%	26%	26%	2.8	2.5	12%	4.5
KARORA RESOURCES INC	0.48	4.1	1.4%	22.1%	9.6%	161.2%	-16%	8%	-100%	8.0	7.2	6.3	6.2	0.0	2.9	44%	48%	8%	12%	12%	4.3	4.0	-21%	5.0
NOMAD ROYALTY CO LTD	0.46	1.0	0.9%	-1.7%	-1.1%	179.9%	-100%			31.6	19.1	19.1	27.9	2.0	1.6		62%	0%	5%	8%	16.3	10.1	-8%	4.8
MARATHON GOLD CORP	0.43	2.5	-0.5%	0.4%	-12.3%	92.6%	25%	-33%	275%	--	--	--	--	0.0	3.6			-4%	-2%	-25%	--	--	-35%	4.8
ALEXCO RESOURCE CORP	0.39	2.8	2.2%	9.6%	-13.2%	87.1%				22.9	9.5	--	--	0.0	--	44%		5%			--	--	-11%	4.5
GOLDEN STAR RESOURCES LTD	0.38	3.4	5.9%	8.0%	-8.6%	38.9%	216%	16%	-13%	7.2	6.0	5.2	6.2	0.0	64.4		48%	6%	18%	17%	3.1	2.8	174%	4.7
PERPETUA RESOURCES CORP	0.33	7.0	0.1%	-4.3%	-26.7%	70.9%				--	--	--	--	0.0	--	29%					--	--	2%	4.0
LIBERTY GOLD CORP	0.33	1.6	1.9%	-11.0%	-8.7%	54.5%	-100%			3.9	4.3	4.4	--	0.0	7.2		31%	-4%			2.2	1.2	-31%	4.8
I-80 GOLD CORP	0.31	2.3	-3.3%	-3.3%	-3.3%	-3.3%				--	--	--	--	0.0	--								--	0.0
FILO MINING CORP	0.30	3.4	-5.6%	30.8%	79.4%	212.2%	100%			--	--	--	--	0.0	8.6			-6%	-7%	-6%	--	--	-83%	4.9
EMX ROYALTY CORP	0.27	3.2	1.6%	4.2%	-3.6%	77.5%				--	--	--	--	0.0	--	21%					--	--	-71%	0.0
GALIANO GOLD INC	0.27	1.5	0.6%	-2.1%	5.4%	21.1%	-43%	-20%	-32%	8.0	10.0	14.8	--	0.0	1.3		13%	13%	18%	10%	5.0	4.9	-31%	4.1
Sector (arithmetic mean)	*4.40*		*2.3%*	*5.8%*	*-1.7%*	*83.3%*	*147%*	*65%*	*3%*	*21.7*	*13.7*	*12.6*	*10.6*	*0.7*	*4.1*	*43%*	*50%*	*3.7%*	*4.0%*	*8.2%*	*15.6*	*6.3*	*-2%*	*4.2*