

## The Denver Gold Group Gold Forum – Virtual Event 12. – 14. April 2022

### Key takeaways

- Due to little investors interest, this years conference was poorly frequented and many companies pulled out – anyhow, we were able to meet some of our portfolio companies either over the official or unofficial platform
- One of the main topics was cost inflation as costs are up more than gold prices. Many companies cite wage/labour and electricity/fuel cost pressure, but also issues with chemicals and explosives. Some companies said they are hedged on some of the main input factors like diesel, but only until year end
- Many companies are trying to flatten the per-unit costs with higher production
- Most worrisome for some companies is the inflation in food prices, as this factor tends to spur social unrest especially in more risky jurisdictions. One company stated that this already started in Peru, where people are blocking the roads and striking in protest of higher costs
- While the mining industry already baked in some of the higher costs in their guidance, the royalty and streaming companies are little affected by this factor due to their business model
- ESG is also a big topic for the industry, as institutional investors are weighting green criteria more rather than valuation and profitability. Also, it is increasingly crucial to get funding or loans from banks
- M&A is still on everyone's mind as the "cheap ounces" have already been discovered. While most companies highlighted their potential to organically grow too, no one is averse for acquisitions or mergers – even if only on an asset-basis. What was clear that an acquisition has to come at the right price, the companies don't want to pay high premiums anymore how it used to (and lead to bad reputation of the industry) as many recent zero-premium acquisitions and mergers showed
- In contrast, some companies are growing their exploration budgets moderately
- As the industry struggled with investors' attention in recent years due to bad management, overspending on acquisitions and projects and in general weak communication to the public, we asked companies why an investor should own gold miners in their portfolio, here are some points we wanted to highlight:
  - The industry is still heavily undervalued, debt free and is rewarding its shareholders for their loyalty either with dividends, share buy-backs or a combination of both – shareholder returns are growing
  - The value proposition of large-caps is starting to fade. Investors will start looking for great mid-tier companies which should drive share prices – this speaks for diversification
  - The industry is extremely disciplined keeping their budgets under control and not overspending on acquisitions and exploration anymore – cash preservation and healthy balance sheets are key
  - Real rates and inflation will drive gold prices as the FED is not able to respond enough to bring inflation down - gold is a good inflation hedge
    - CEO of Alamos: "Gold is in the front-end of a super-cycle"
    - CEO of Agnico: "We are very bullish on gold prices as gold is a hard asset, a legitimate currency and still a good inflation hedge"
    - The CEO of Franco-Nevada on the other hand cites "Even-though we expect another run in gold prices due to inflation fears, we think that we are in the back-half of a gold bull market"

### Company specific highlights

#### ► **Pan American Silver (PAAS CN) – *The world's premier silver mining company***

PAAS offers one of the highest exposure to silver among the miners, with revenue mix of currently 25% silver, 60% gold (rest base metals) to grow up to 50% silver in the near term resulting from restart of Escobal mine in Guatemala which is currently pending. The low-cost production (AISC \$14-16/oz silver-*eq.*) enables a new dividend policy linked to the company's net cash position and allow shareholders to participate in a strengthening balance sheet. The company will publish a resource update this year for its La Colorada project which has the potential of being a multi-decade mine.

#### ► **Yamana Gold (YRI CN) – *On the road to 1.5 million ounces per year***

Yamana recently published a sound 10-year strategy with the goal of reaching 1.5moz of gold p.a. The company can grow its production organically without the need of any acquisition or any additional funding. Even though Yamana is in growth-mode, the company generates high free cash flows and rewards its shareholder with dividends – CAPEX peak is 2022 and will go down in coming years, while production goes up. While the cost inflation is not fully reflected in the companies guidance yet, management say most of their operations are shielded to a certain extend as 80% of energy needs comes from renewable sources.

#### ► **Alamos Gold (AGI CN) – *Leading growth profile***

The company expects substantially lower costs going forward as production is growing. Managements goal is to produce around 750koz of gold at AISC \$800 which leads to an attractive free cash flow profile of \$50m in 2022, \$150m in 2023 and >\$200m after that. The company can keep its low-cost profile even in inflationary times due to the superior mine designs and higher through-put. A key to the company's investment proposition is the focus on long-life mines in safe jurisdictions while always having a counter-cyclical M&A-approach to get most value for shareholders.

## Conference Distillate - Watchlist - Participating Companies



Name	Bloomi	Market Cap \$bn	Last Price	52 Week		Performance in USD				% Change EPS			P/E			P/CF	Div yield	P/B	EBITDA Margin		FCF Yield			EV/EBITDA		NetDebt/ Equity	Analyst Rating
				High	Low	-W1	-1M	YTD	-1Y	21/22	22/23	23/24	2022	2023	2024				22Y	23Y	22Y	23Y	24Y	23Y	24Y		
FRANCO-NEVADA CORP	FNV CN	31.70	208.3	216.4	158.3	-0.8%	6.9%	19.3%	18.7%	2%	2%	-5%	44.0	44.4	46.4	33.1	0.8	5.3	53%	85%	3%	3%	3%	27.1	28.3	-9%	4.0
AGNICO EAGLE MINES LTD	AEM CN	29.26	80.9	90.0	58.0	-2.2%	6.3%	20.7%	-3.6%	-5%	11%	-18%	26.8	26.9	32.1	11.9	2.5	2.6	72%	54%	4%	4%	5%	9.4	10.6	25%	4.7
POLYUS PJSC	PLZL RX	22.67	13'447.0	16'212.0	8'600.0	-2.4%	68.0%	-5.0%	-16.7%	29%	3%	3%	7.9	8.2	8.1	9.0	4.0	7.0	73%	70%	7%	7%	6%	8.1	7.6	55%	4.7
WHEATON PRECIOUS METALS CORP	WPM CN	22.95	64.0	65.5	45.8	-0.9%	6.4%	18.2%	18.9%	-17%	7%	-2%	35.2	34.3	37.7	27.1	1.2	3.7	80%	72%	2%	2%	4%	22.7	23.2	-4%	4.8
ROYAL GOLD INC	RGLD US	9.33	142.1	147.7	92.0	-1.7%	3.6%	35.1%	20.2%	-4%	12%	-13%	35.8	32.4	34.2	20.2	1.0	3.6	35%	79%	4%	5%	5%	16.6	18.0	-6%	3.7
PAN AMERICAN SILVER CORP	PAAS CN	6.05	36.2	44.0	26.5	-4.1%	3.6%	14.9%	-15.2%	90%	61%	18%	30.4	25.2	20.7	15.4	1.7	2.3	54%	43%	3%	6%	8%	7.9	6.2	-11%	4.6
YAMANA GOLD INC	YRI CN	6.01	7.9	8.1	4.8	2.2%	15.9%	48.4%	29.9%	99%	-10%	-11%	21.0	23.4	26.2	8.7	1.9	1.4	40%	53%	5%	7%	8%	7.5	8.1	6%	4.6
HECLA MINING CO	HL US	3.69	6.8	9.4	4.5	-5.3%	1.8%	31.1%	11.0%	59%	34%	13%	53.4	49.9	47.8	16.6	0.2	2.1	45%	44%	3%	3%	4%	11.6	13.7	18%	3.8
ALAMOS GOLD INC-CLASS A	AGI CN	3.43	11.0	11.6	8.3	-3.1%	5.4%	13.3%	-0.6%	295%	18%	4%	26.1	23.2	21.2	9.6	1.2	1.3	31%	51%	0%	2%	1%	7.2	7.1	-7%	3.9
EQUINOX GOLD CORP	EQX CN	2.60	10.8	11.5	7.0	-1.9%	6.9%	26.8%	-1.7%	-79%	33%	-20%	21.9	17.8	14.1	8.1	0.0	1.0	73%	36%	-13%	-5%	-3%	5.6	4.8	2%	4.5
OSISKO GOLD ROYALTIES LTD	OR CN	2.57	17.5	18.6	13.6	-0.3%	5.6%	13.2%	12.8%	405%	31%	12%	40.9	31.2	27.7	27.6	1.3	1.8	47%	83%	1%	6%	6%	17.9	16.5	21%	4.9
HUDBAY MINERALS INC	HBM CN	1.96	9.4	11.6	6.7	-2.9%	-5.5%	3.1%	2.8%	189%	29%	-11%	9.4	6.2	7.3	6.5	0.2	1.3	29%	54%	13%	12%	30%	3.2	3.1	67%	4.9
MAG SILVER CORP	MAG CN	1.70	21.8	29.3	16.7	-3.9%	7.0%	10.1%	-1.7%	687%	120%	-17%	27.2	14.8	13.9	--	0.0	4.6	58%	26%	3%	8%	8%	14.7	9.3	-15%	4.2
WESDOME GOLD MINES LTD	WDO CN	1.66	14.7	16.8	8.9	-4.6%	-4.2%	28.0%	45.2%	-1%	14%	11%	15.8	13.9	12.5	15.4	0.0	5.3	29%	63%	2%	8%	11%	7.2	6.1	-11%	4.0
IAMGOLD CORP	IMG CN	1.59	4.2	4.7	2.8	-9.9%	1.4%	6.8%	-0.5%	97%	606%	270%	--	31.8	10.9	5.6	0.0	0.7	43%	36%	-49%	-15%	10%	3.6	2.5	-1%	3.0
FORTUNA SILVER MINES INC	FVI CN	1.24	5.3	10.0	3.8	-3.9%	1.2%	8.1%	-44.4%				12.7	11.0	10.9	7.0	0.0	0.9	46%	45%	0%	16%	19%	4.2	4.5	5%	3.6
DUNDEE PRECIOUS METALS INC	DPM CN	1.20	7.8	9.7	7.0	-1.5%	-0.3%	0.3%	-16.2%				6.8	6.1	8.4	4.6	2.5	1.2	54%	48%	15%	17%	0%	2.7	3.8	-33%	4.8
TOREX GOLD RESOURCES INC	TXG CN	1.06	15.6	18.7	11.8	-4.7%	-4.1%	18.6%	-12.2%	-6%	-35%	-105%	7.5	11.5	--	3.2	0.0	1.0	43%	52%	-2%	-17%	0%	2.0	2.9	-23%	4.3
KARORA RESOURCES INC	KRR CN	0.91	7.4	7.6	3.0	1.0%	18.1%	74.5%	77.9%	172%	38%	-23%	15.2	11.5	11.0	10.4	0.0	4.5	44%	46%	3%	7%	9%	6.0	5.5	-21%	4.8
SILVERCORP METALS INC	SVM CN	0.66	4.7	8.1	4.0	-3.4%	-6.7%	-0.8%	-32.3%	-22%	38%	-30%	15.6	13.9	17.2	6.7	0.7	1.3	32%	47%	6%	3%	3%	5.3	6.8	-34%	4.4
ARGONAUT GOLD INC	AR CN	0.66	2.5	4.1	2.0	-2.6%	-1.7%	4.0%	-10.3%				24.1	8.7	6.9	4.9	0.0	0.7		45%	-48%	12%	20%	3.1	2.3	-2%	4.8
MARATHON GOLD CORP	MOZ CN	0.51	2.5	3.7	2.4	-10.8%	-13.7%	-21.7%	-2.2%				--	--	12.5	--	0.0	2.9	71%		-11%	-29%	9%	--	4.5	-38%	4.7
NOMAD ROYALTY CO LTD	NSR CN	0.50	10.2	12.0	7.3	-1.3%	10.2%	4.9%	2.3%	844%	-7%	31%	55.5	62.3	23.3	43.2	2.0	1.7	33%	71%	-23%	8%	12%	17.0	10.6	19%	4.8
AERIS RESOURCES LTD	AIS AU	0.24	0.1	0.2	0.1	-0.3%	7.5%	-10.4%	21.0%	-6%	47%	-5%	4.8	3.3	3.5	2.1	0.0	1.6		39%	-8%	29%	40%	1.6	1.3	-28%	5.0
EMX ROYALTY CORP	EMX CN	0.23	2.8	4.5	2.3	5.0%	-3.9%	-1.6%	-27.7%				15.4	--	--	--	0.0	2.1						--	--	-29%	5.0
CALEDONIA MINING CORP PLC	CMCL US	0.22	16.8	18.2	10.5	-2.7%	20.6%	44.3%	12.7%				5.1	5.6	--	6.6	3.3	1.3						--	--	-9%	5.0
LIBERTY GOLD CORP	LGD CN	0.21	0.8	1.8	0.8	-6.9%	-19.3%	-13.2%	-45.9%	0%	41%	69%	--	--	--	--	0.0	5.9			-16%	-8%	-40%	--	--	-41%	4.9
ABRASILVER RESOURCE CORP	ABRA CN	0.18	0.5	0.8	0.3	0.8%	16.1%	24.3%	-18.6%				--	--	--	--	0.0	5.5			-3%	-3%	-85%	--	--	-51%	5.0
FIRST MINING GOLD CORP	FF CN	0.16	0.3	0.5	0.3	-2.0%	-1.8%	-4.8%	-16.4%				--	--	--	--	0.0	0.9			-18%	-180%	-197%	--	--	-19%	4.7
GENERATION MINING LTD	GENM CN	0.15	1.0	1.2	0.6	-0.3%	5.0%	1.2%	22.1%				--	--	--	--	0.0	27.6	19%					--	--	-114%	4.5
SUPERIOR GOLD INC	SGI CN	0.10	1.1	1.2	0.5	-4.8%	13.9%	39.8%	37.3%				9.2	4.7	3.8	5.0	0.0	2.3	73%	26%	6%	24%	2%	2.0	1.6	-26%	4.7
ELEMENTAL ROYALTIES CORP	ELE CN	0.10	1.5	1.8	1.2	-3.4%	1.2%	-7.6%	8.3%				127.5	52.8	25.9	--	0.0	1.7		76%	1%	9%	8%	10.7	11.1	36%	5.0
INTEGRA RESOURCES CORP	ITR CN	0.08	1.6	4.2	1.6	-4.9%	-9.0%	-39.9%	-57.8%			12%	--	--	--	--	0.0	3.5				-83%	-115%	--	--	-46%	4.8
CONDOR GOLD PLC	CNR LN	0.06	33.5	52.5	28.0	-3.5%	8.3%	3.9%	-32.0%				--	0.0	0.0	--	0.0	1.3		64%	0%	0%	0%	2.2	0.3	-9%	5.0
Sector (arithmetic mean)		4.58				-2.7%	5.0%	12.0%	-0.4%	135%	52%	8%	26.7	21.3	18.6	12.9	0.7	3.3	49%	54%	-3.7%	-4.5%	-6.8%	8.7	8.2	-10%	4.5