CONFERENCE DISTILLATE

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Independent Capital Group

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CONFERENCE HIGHLIGHTS

- Compared to last year, this year's Gold Forum Europe saw a significant increase in attendance, giving us the opportunity to connect with numerous portfolio companies. This surge isn't surprising given the continual rise in gold prices, reaching new all-time highs.

- While we're eager to stay updated on company-specific developments, we also prioritize understanding executives' perspectives on the current state of the gold industry and gaining insights into the latest trends and issues.

- Labor shortages were a significant concern in the recent past. However, many companies have noted that these issues have alleviated in terms of costs.

- It seems that training construction workers from other industries is relatively straightforward and efficient. This is likely because mining typically offers salaries above average, motivating workers to pursue opportunities within the sector.

- The approach taken by the mine is crucial, considering that open-pit mining requires different skillsets compared to underground mining. Some companies suggest that it's generally easier to find the appropriate skillsets for underground mining operations.

- However, recruiting highly skilled professionals such as mining engineers poses challenges for both smaller and larger companies. There is a concerning trend where young individuals are showing less interest in studying fields like mining engineering and geology, which are crucial for the industry. Some executives express apprehension about the potential difficulty in finding individuals knowledgeable in mine construction and operation.

- The cost pressure stemming from tight supply chains has eased and is no longer a significant concern. Companies are now in a phase where cost are largely flat and coming down in the near term leading to companies' margins expanding - a sweet spot.

CONFERENCE HIGHLIGHTS

- Mining jurisdictions emerged as another hot topic of discussion. Canadian miners emphasized Canada as the premier destination for mining activities, while Australian mining companies asserted that Australia holds prime status within the industry.

- Delving deeper into the discussion, it became apparent that Australia holds a slight edge, with the country displaying comprehensive support for the mining industry at a national level. In contrast, in Canada, support tends to be more provincial, particularly in regions with a rich mining history. Interestingly, some parts of Canada harbor negative perceptions toward mining, despite its significant contributions to the nation's wealth — a sentiment labeled by one company as delusional.

- Some companies have observed a shift in previously esteemed Tier-1 jurisdictions towards increased hostility. Countries such as Canada, Mexico, and certain South American nations were specifically mentioned. However, this doesn't imply that operating within these jurisdictions will become impossible in the near future. Rather, discussions surrounding permitting, taxes, and other regulatory aspects are becoming more complex and burdensome.

- Interestingly, companies have made a distinction between perceived and operationally favorable jurisdictions. For instance, Turkey may not be perceived as a Tier-1 jurisdiction by many investors. However, from an operational standpoint, companies find it highly appealing.

- Many companies have expressed frustration over the perceived undervaluation of their reserves and resources, as well as their growth profiles by analysts. This suggests that they believe there is a considerable amount of hidden value in their stocks.

- Presently, analysts predominantly prioritize cash flows and cash conversion, often overlooking potential future upside stemming from exploration success, the transformation from resources to reserves, or future cash generation.

- Ironically, a short mine life is also viewed unfavorably within the analyst community.

- The industry's relatively low cash conversion at present contributes to a perception of discount and the belief that gold mining is not profitable. However, it's important to note that this assessment doesn't apply universally to every company in the sector.

CONFERENCE HIGHLIGHTS

- Some participants have suggested that the industry's relatively low cash conversion is partly attributed to low productivity. To address this challenge, companies are actively leveraging technological advancements to enhance productivity and efficiency.

- This sentiment extends not only to analysts but also to general investors, many of whom remain largely disengaged from the sector.

- We agree that due to the industry's reputation for mismanagement and poorly timed M&A transactions, both investors and analysts prioritize consistency and a proven track record over speculative "what ifs" for future value. Demonstrated performance takes precedence over narratives, which are often overlooked and undervalued.

- Another noteworthy observation is that investors often turn to gold for safety, as buying stocks inherently carries more risk. Historically, gold mining equities have exhibited leverage to gold prices, making them appealing to investors optimistic about gold's prospects. However, the recent underperformance of gold mining equities has not bolstered this argument.

- Therefore, the key takeaway is that to attract generalist investors back to gold stocks, companies must offer additional incentives. This could take the form of dividends, share buybacks, or other strategies that provide perceived value beyond simply holding physical gold for safety.

- Regarding M&A, one company official explained that activities in this realm typically occur in waves. The first wave, ending around 2010, primarily concentrated on resource and production expansion globally. The subsequent wave, spanning from 2015 to 2020, emphasized consolidation for efficiencies. Looking ahead, the company anticipates a third wave to prioritize assets and the formation of joint ventures for large-scale projects, rather than mergers. This shift is driven by companies' reluctance to commit substantial capital expenditure for these endeavors.

- Smaller companies face challenges in attracting investor interest due to lower visibility and liquidity. However, these companies anticipate a potential re-rating with increased market capitalization. For instance, inclusion in ETFs and indices could bolster their visibility and attract more investors.

CONFERENCE HIGHLIGHTS

- One company went as far as to suggest that there is an overabundance of small miners, not only within the precious metals sector but also in base metals. They anticipate industry consolidation, trending towards a more diversified commodities approach. This perspective aligns with the observation that the largest listed mining companies are diversified entities.

- Smaller companies face survival challenges, highlighting the importance of size and diversification. To thrive, companies should focus on achieving economies of scale, enhancing productivity, and improving visibility and liquidity to attract new shareholders.

- So, while many companies emphasize their organic growth opportunities, M&A remains a viable option, especially for smaller-cap companies.

- Discussing the recent performance of gold prices, executives pointed out that sovereign buying appears to be the most prominent factor. This refers to the trend of central banks acquiring gold, effectively removing significant supply from the market.

- This trend could also explain the underperformance of gold compared to gold equities to a certain extent. The emergence of “new” buyers of gold, primarily sovereign entities, may not align with the typical investors in gold equities, contributing to the disparity in performance.

- Analysts highlight that equities could catch up due to improved quarterly results in the future. This could prompt analysts to revise their estimates and lead to inflows from ETFs.

- There is still a large discrepancy between analysts’ gold estimates and current prices. This could lead to upgrades by analysts and thus also to a higher valuation of gold mining equities.

- Regarding ESG, compared to the last 5 years, the topic has seemingly faded from prominence in company presentation slides. It’s no longer at the forefront of most investors’ minds, particularly those interested investing in mining equities.

- On a political level, the topic remains highly relevant. For instance, in Brazil, starting from 2025, companies are mandated by law to disclose their ESG figures.

CONFERENCE HIGHLIGHTS

- Considering silver, the market is projected to experience another year of deficits, as indicated by the silver companies we engaged with. Despite silver's recent underperformance compared to gold, it's expected to surpass gold once the rally starts, driven by industrial demand from sectors like solar PV and electric vehicles.

- Additionally, since silver is primarily a byproduct in mining operations, its supply is constrained. However, demand is anticipated to grow rapidly in the near term, further highlighting the potential for price appreciation.

- In discussions with South African companies, it's noted that Platinum Group Metals (PGMs) are nearing a bottom, signaling an opportune time for investors to consider this sector. Despite remaining at deeply depressed levels, prices present potential for recovery.

- Overall, we were pleased with the strategies outlined by executives. Companies are entering a favorable phase where costs remain stable or decline, while gold prices rise, resulting in margin expansion. Management acknowledges the sector's tarnished reputation for past capital mismanagement and is exercising extreme caution with cash flows. They prioritize organic growth through exploration of existing assets over expensive acquisitions. However, joint ventures on project bases appear enticing for most companies, with mergers of equals emerging as a preferred approach for smaller-cap companies.

AGNICO EAGLE

PORTFOLIO COMPANY (PMC)*

AGNICO EAGLE MINES (AEM CN), GOLD

MARKET CAP $ 30.5 BILLION

Agnico Eagle is a senior Canadian gold mining company, producing precious metals from operations in Canada, Australia, Finland and Mexico. It has a pipeline of high-quality exploration and development projects in these countries as well as in the United States and Colombia.

HIGHLIGHTS

- Agnico stands as the largest Canadian gold mining company and ranks third globally.

- Embracing a straightforward and consistent strategy, the company focuses on proven geological potential within prime jurisdictions. It perceives itself not as a global player, but rather as a regional miner, fostering positive relationships within local communities.

- Leveraging its esteemed reputation, Agnico attracts a workforce more easily than its competitors. Strong ties with local contractors result in reduced costs and faster permitting processes - an essential factor, given that labor and contractors significantly impact mining company expenses.

- Moving forward, Agnico aims to maintain operations exclusively in jurisdictions deemed safe.

- Executives adhere to the “ounces per share” philosophy, with the company witnessing a remarkable 25-fold increase in this ratio since 2005, unlike many peers experiencing declines.

- Achieving this feat involves not only reducing the share count but also optimizing asset management. Agnico selectively invests in assets aligned with its strategy, boasting a commendable track record in execution and mine operations.

- Past deals have been structured to minimize financial risk, with a significant portion settled in cash. Management’s rationale for this approach includes deeming the share price undervalued, thus rendering share-based payments impractical.

AGNICO EAGLE

PORTFOLIO COMPANY (PMC)*

AGNICO EAGLE MINES (AEM CN), GOLD

MARKET CAP $ 30.5 BILLION

- Despite a current All-in Sustaining Cost (AISC) of approximately $1,200/oz, Agnico anticipates improved cash conversion due to elevated gold prices, potentially resulting in higher dividends. The company already boasts one of the highest dividend yields among large-cap gold miners.

- While many large-cap gold companies struggle to replenish reserves, Agnico has successfully expanded its mineral reserve and resource base in recent years.

- Maintaining manageable debt levels and ample undrawn credit facilities, Agnico remains poised for opportunistic endeavors.

- Agnico is favorably regarded for its regional focus and philosophy, backed by a strong track record of delivering on promises. Its unique combination of business scale, market capitalization, and assets exclusively situated in secure jurisdictions positions it uniquely. With robust operational execution, the company is anticipated to generate significant cash flow in the future (free cash flow estimated at $950 million in 2023, $1,220 million in 2024E, and $1,440 million in 2025E), sustaining its above-average dividend yield.

ALAMOS GOLD INC.

ALAMOS GOLD (AGI CN), GOLD

MARKET CAP $ 6 BILLION

Alamos Gold is a Canadian-based gold producer with three mines - two in Canada and one in Mexico – and has a strong portfolio of development stage projects. Alamos Gold was formed in 2003 through the merger of Alamos Minerals and National Gold.

HIGHLIGHTS

- Alamos recently completed the acquisition of Argonaut Gold, uniting the Island Gold and Magino Project to establish one of Canada's largest and most cost-effective gold mines. The transaction amounted to $325 million.

- Estimated synergies totaling $515 million (pre-tax) are anticipated throughout the mine's lifespan, alongside additional tax synergies that defer taxes until 2028.

- These synergies encompass capital savings of approximately $140 million, facilitated by the utilization of a centralized mill, alongside operational savings exceeding $375 million ($25 million annually over the mine's lifespan), in addition to procurement savings and tax synergies.

- The company highlights significant optimization of milling costs post-combination, positioning the project as an immediate tier-1 asset with ample ramp-up and optimization opportunities. Alamos estimates a production potential exceeding 900,000 ounces annually.

- The integration enhances the mineral reserve base by 22%, totaling 13 million ounces, supporting a 15-year average mine life across all Alamos assets.

- Alamos anticipates declining costs in the near term, driven by the low-cost growth of the Island Gold project, projecting an All-in Sustaining Cost of $1,264 in 2024E and $1,070 in 2025E.

- Analysts are bullish on Alamos due to its demonstrated proficiency in strategically timing mergers and acquisitions, as well as effectively integrating acquired assets to create value. With a long-term track record of generating value amounting to $1.7 billion from prior deals, the market is confident in management's decision regarding the Argonaut acquisition, expecting it to deliver promised synergies to shareholders.

PORTFOLIO COMPANY (PMC)*

ALKANE RESOURCES (ALK AU), GOLD

MARKET CAP $ 250 MILLION

Alkane Resources owns and operates its Tomingley gold mine in Australia. Following the approval of its Tomingley Gold Extension Project in February 2022, the operation is approved until the end of 2032.

HIGHLIGHTS

- With its singular operational asset, Alkane aims to expand into a multi-mine gold and copper producer in Australia. Possessing an impressive track record in exploration, Alkane holds numerous promising gold and copper tenements. Its most advanced exploration endeavors lie within the tenement area spanning from Tomingley to Peak Hill, which offer potential additional ore for Tomingley's operations.

- Current capital expenditure is directed towards upgrading plant processes to enhance gold recovery to 92%, up from the current 82%.

- While ongoing developmental extensions may cause a temporary decline in cash balance during the March and September quarters, the majority of capital expenditure items are expected to conclude by the end of this year, leading to the initiation of free cash flow and an increase in cash balance.

- The operational mine is presently at an inflection point and is projected to generate more free cash flow than the company's current market capitalization over the next 3-4 years, based on current spot prices.

- Management anticipates the company to achieve positive free cash flow from the following year onward, as cost inflation stabilizes. Analysts are skeptical and are guiding for another free cash flow negative year in 2025E and only positive flows from 2026E.

- Additionally, the company highlights that the current stock price does not fully reflect the potential value of its exploration activities, effectively providing investors with this opportunity at no cost.

ANGLOGOLDASHANTI

ANGLOGOLD ASHANTI (ANG SJ), GOLD

MARKET CAP $ 9.8 BILLION

AngloGold Ashanti is an independent, global gold mining company with a diverse, high-quality portfolio of operations, projects and exploration activities across nine countries on four continents.

HIGHLIGHTS

- Following corporate restructuring, management asserts that the company is now operating more efficiently and anticipates lower cash costs in the upcoming years.

- Despite having significantly lower multiples compared to its peers, this situation is expected to reverse as the stock transitions into US indices following the completion of redomiciliation, with its primary listing now on the NYSE.

- The company is actively narrowing the cost gap and enhancing cash conversion, a metric that has already shown improvement. Notably, analysts place significant emphasis on cash conversion, with improvements across four sites contributing $215 million in incremental EBITDA in 2023. A trend which management is expecting to go on.

- Management highlights hidden value in the stock due to challenges encountered during the ramp-up of one of its major tier-1 growth projects, Obuasi in Ghana. While initial delivery was underwhelming, management asserts that issues have been resolved, and the project is on track to meet expectations. However, they believe the market is awaiting tangible evidence before attributing the deserved value.

- With an average mineral reserve grade of 9.7 g/t and over 20 years of mine life, the mine boasts considerable longevity.

- Operations are currently focused on the upper layers of the ore body, which exhibit lower grades compared to deeper layers.

- By the end of the next year, the company is poised to reach higher-grade sections, paving the way for full production by 2026.

PORTFOLIO COMPANY (PMC)*

AURA MINERALS (ORA CN), GOLD

MARKET CAP $ 580 MILLION

Aura is a gold and copper mining company focused on the project development and operations in the Americas. Aura has operations in Mexico, Brazil and Honduras with additional growth and explorations projects in these countries.

HIGHLIGHTS

- Effectively managing cost inflation, the company anticipates margin expansion in light of higher gold prices.

- Backed by a robust balance sheet, strong cash flows, and swift project payback periods, Aura is presently constructing two projects alongside its four operating mines, aiming to bolster production and potentially enhance market multiples.

- Currently trading at a Price to Net Asset Value (P/NAV) ratio of only 0.24x, Aura contrasts with intermediate producers typically commanding a 0.64x multiple, as the market favors scale and diversification. Aura believes it is uniquely positioned to redefine its peer group and potentially undergo a re-rating.

- The company anticipates a 40% to 80% increase in value due to multiple changes for small companies transitioning to medium or larger sizes.

- Positioned as a growth narrative, Aura is on the brink of achieving intermediate status. Since 2018, production has surged by over 87% to 236,000 ounces, with guidance for 2024 reaching 292,000 ounces (at the higher end of guidance), and All-in Sustaining Costs (AISC) expected to remain between $1,290 and $1,460.

- With construction commencing on its Borborema project slated for 1H 2025, Aura expects annual production to surpass 450,000 ounces by 2025.

- The Borborema project boasts a low cost structure with an AISC of only $875/oz and minimal capital expenditure requirements at $188 million, a significant portion of which is already financed.

- However, the project carries some risk, as the company must relocate 5km of highway to access additional reserves. This relocation could potentially double the current projected mine life from 10 to 20 years.

- Aura offers an impressive dividend and buyback yield of 6%.

PORTFOLIO COMPANY (PMC)*

CENTERRA GOLD (CG CN), GOLD

MARKET CAP $ 1.3 BILLION

Centerra Gold is a Canadian-based gold mining company that operates, develops, explores, and acquires gold and copper properties in North America, Turkey, and other markets globally. The company currently operates two mines in Canada and Turkey. In addition, the company also operates a Molybdenum Business unit in the US.

HIGHLIGHTS

- Centerra faces a valuation disparity stemming from recent missteps, prompting a management overhaul and executive-level replacements to rebuild investor confidence.

- The company encounters significant scrutiny regarding its molybdenum business, as certain investors advocate for a shift towards gold-focused operations, overlooking the crucial role of molybdenum in the energy transition.

- With one of three molybdenum roasters in the United States, Centerra's molybdenum business remains relatively small compared to leading producer Freeport, approximately one-tenth of its size.

- Centerra openly discusses the potential for a joint venture partnership or outright sale of its molybdenum business to trigger a re-rating, as molybdenum mines are perceived as a diminishing asset by most analysts.

- The company appears to be pursuing a strategy of spinning out the molybdenum business and subsequently engaging in mergers and acquisitions to leverage the re-rated value.

- Overall, Centerra operates as a low-cost producer with an All-in Sustaining Cost (AISC) of $1,125/oz, boasting a debt-free status and a robust cash balance exceeding $600 million.

- Its operations span favorable jurisdictions like Canada and the United States, as well as operationally attractive locations such as Turkey.

PORTFOLIO COMPANY (PMC)*

CENTERRA GOLD (CG CN), GOLD

MARKET CAP $ 1.3 BILLION

- A recent agreement with Royala Gold extends the mine life of one of its major projects, the Mount Milligan Mine, to 2035. Management emphasizes significant exploration potential and expresses confidence in extending the mine life possibly to 2050, a prospect currently undervalued.

- Positioned as an attractive M&A target, Centerra presents a revenue/commodity mix of 55% gold and 45% copper. Management anticipates a near-term shift to 55% copper and 45% gold.

PORTFOLIO COMPANY (PMC)*

DUNDEE PRECIOUS METALS (DPM CN), GOLD

MARKET CAP $ 1.4 BILLION

Dundee Precious Metals Inc. is a Canadian-based international gold mining company with operations and projects located in Bulgaria, Namibia, Ecuador and Serbia.

HIGHLIGHTS

- The company is concentrating on developing its two high-quality gold discoveries: Coka Rakita in Serbia and Twin Hills in Namibia. While Twin Hills is slated to commence production in 2026, the next steps for Coka Rakita involve permitting activities and drilling, offering exploration potential for this high-grade asset.

- Despite Serbia's perceived challenges as a jurisdiction, Dundee has demonstrated its adeptness in navigating governmental relations in lesser-known mining regions.

- Similar to its approach in Bulgaria, Dundee is strategically employing local workforce not only for low-skilled positions but also at the executive level, fostering acceptance and support from surrounding communities. The company typically maintains a minimal percentage of foreign workforce in these projects.

- We believe this localized approach enhances Dundee's ability to execute projects successfully and deliver exceptional results for its shareholders in challenging mining jurisdictions.

- In 2023, Dundee generated $230 million in free cash flow, returning 42% of it to shareholders — a testament to its superior cash conversion compared to the industry.

- With ample cash reserves, unused credit facilities, and zero debt, Dundee is well-positioned for future endeavors.

PORTFOLIO COMPANY (PMC)*

DUNDEE PRECIOUS METALS (DPM CN), GOLD

MARKET CAP $ 1.4 BILLION

- Its All-in Sustaining Costs (AISC) rank among the lowest in our observed universe, currently close to $850 per ounce.
- With its robust free cash flow yield, solid dividends, and above-average cash conversion, Dundee underscores the profitability of gold mining.
- The proven track record of its highly experienced executives instills confidence that the company will continue to thrive in the future. As long-term shareholders in the precious metals champions fund, we are content with our investment in Dundee.

PORTFOLIO COMPANY (PMC)*

ELDORADO GOLD (ELD CN), GOLD

MARKET CAP $ 3.2 BILLION

Eldorado Gold is a gold and base metals producer with mining, development and exploration operations in Turkey, Canada and Greece.

HIGHLIGHTS

- Eldorado Gold emerged as the TSX's top-performing gold stock last year.
- Presently, the company's primary focus is on developing its premier asset "Skouries" in Greece, which hosts a high-grade copper-gold deposit.
- The Skouries project is fully funded with an estimated cost of $920 million and is anticipated to commence production by the end of next year, with construction progress at 70% completion.
- Given its status as one of Greece's few mines, the government is fully supportive of Skouries' operations, having even contributed funding for parts of the project.
- Eldorado expects revenue from copper production to cover operational costs, while revenue from gold will directly contribute to free cash flow.
- Skouries is forecasted to yield 140,000 ounces of gold and 67 million pounds of copper annually over its 20-year mine life.
- With the imminent launch of Skouries, Eldorado anticipates a re-rating akin to that of Alamos Gold. Executives note that this re-rating is already underway, evidenced by recent share price performance.
- Regarding costs, executives affirm that expenses have decreased compared to last year, and the company adeptly manages inflation. Greece, in particular, has exhibited favorable inflation metrics compared to other jurisdictions in which Eldorado operates.
- In summary, Eldorado represents a growth narrative, with production projected to surge by 45% to 700,000 ounces per year from 2023 to 2027. Additionally, the company anticipates significant copper output from 2025 onward. Notably, valuation metrics remain relatively conservative compared to peers with similar production profiles.

FIRST MAJESTIC
SILVER CORP

FIRST MAJESTIC SILVER (FR CN), SILVER

MARKET CAP $ 2.3 BILLION

First Majestic owns 100% of three producing mines: the San Dimas Silver/Gold Mine, the Santa Elena Silver/Gold Mine and the La Encantada Silver Mine – all located in Mexico. The company is focused on silver.

HIGHLIGHTS

- Despite facing challenges in 2023, such as the suspension of their Nevada project due to inflationary cost pressures and contractor inefficiencies, the company rebounded and is expected to deliver a strong performance in 2024.

- The Nevada project is currently undergoing exploration efforts, with the company aiming to expand its current known resources and continuing modernization initiatives.

- Management highlights significant exploration potential at one of its main assets, "Santa Elena," with a $80 million growth budget allocated across all assets.

- The Santa Elena asset is strategically located near Silver Crest Metals' Las Chispas project, which recently commenced production. While discussions of a possible joint venture or merger have surfaced, management emphasizes that they are not in a rush for M&A, as their existing portfolio is robust for growth, although they maintain general interest.

- First Majestic's San Dimas mine is transitioning, focusing on mining smaller silver veins while investing in discovering the next major vein, which is anticipated to positively impact costs and production.

- Recently, the company launched its own mint, making it the sole silver company to do so. The Nevada-based mint has a capacity exceeding 3 million ounces per year, vertically integrating the minting process, controlling the supply chain, and capitalizing on strong investment demand for physical silver.

- The company's strategy involves processing all produced silver from mines through its mint facilities, resulting in a margin improvement of over 10% due to premiums paid for coins and bars by consumers.

FIRST MAJESTIC SILVER (FR CN), SILVER

MARKET CAP $ 2.3 BILLION

- Discussing the silver market, the company believes prices should reach $50/oz and anticipates silver catching up to gold's recent rally soon.
- Global silver production has declined since its peak in 2016, down by 10%, while supply remains constrained. The process of finding and developing new mines can take up to 20 years.

- Silver plays a significant role in the energy transition story, with solar PVs and electric vehicles currently consuming approximately 30% of total silver supply annually according to the company.

- The company foresees silver entering a phase of double-digit demand growth in the near term.

- First Majestic is content with a $30/oz silver price, which would enable them to pay dividends, sustain operations, and build treasury reserves for future growth, while actively seeking attractive M&A opportunities.

- The company's all-in sustaining costs per ounce have been consistently decreasing since Q2 2023, declining from $21.52 to $18.50. The company is confident in maintaining this level going forward.

- Overall, the company serves as a highly leveraged vehicle to the silver price, with a ratio of 3:1 historically.

IAMGOLD (IMG CN), GOLD

MARKET CAP $ 1.9 BILLION

IAMGOLD Corporation is a mid-tier gold mining company. The Company is focused on West Africa, the Guiana Shield of South America and in Quebec where it has a pipeline of development and exploration projects.

HIGHLIGHTS

- In addition to operating its two African gold mines, Essakane and Westwood, the company is advancing its significant Côté Gold project in Canada, jointly owned by Sumitomo Metals (40% stake).

- Côté achieved initial production in March 2024 and holds the potential to rank as the third largest operating gold mine in Canada.

- The development of Côté signifies a pivotal juncture for the company, presenting a growth narrative in Canada for investors. Although currently in its initial phase, the asset boasts substantial organic growth prospects.

- While analysts currently attribute value solely to the 7.5 million ounces of proven and probable reserves at Côté, the project additionally holds 15 million ounces of resources, which the executives consider as essentially "free."

- The company asserts that the mine holds a potential mine life of 30 years, positioning the asset at the core of the Iamgold story.

- Currently, the mine operates with all-in sustaining costs ranging from $1,100 to $1,200, yet management anticipates a decrease in costs with higher production levels and expected cost deflation at the mine level.

- The company is optimistic about reaching the milestone of 500,000 ounces per year of gold production within the next five years, primarily driven by the ramp-up of Côté. This achievement would position the company within a different peer group and prompt a re-rating.

- Turning to its Essakane gold mine in Burkina Faso, the company foresees a remaining mine life of five years. Despite this, operations continue to generate significant profitability, with over $1 billion in cash flows projected over the remaining lifespan. Essentially, Burkina Faso serves as a cash-generating asset for the company, financing the ramp-up of Côté.

PORTFOLIO COMPANY (PMC)*

MANDALAY RESOURCES (MND CN), GOLD

MARKET CAP $ 150 MILLION

Mandalay Resources is a Canadian-based resource company with producing assets in Australia (Costerfield gold-antimony mine) and Sweden (Björkdal gold mine). The Company is focused on growing its production and reducing costs to generate significant positive cashflow.

HIGHLIGHTS

- Mandalay finds itself at a pivotal juncture of transformation under the leadership of President & CEO Frazer Bourchier, who has been steering the company for exactly one year. Bourchier created a new vision for Mandalay to become a mid-tier gold producer targeting 300,000 to 500,000 equivalent ounces per year and drafting a corporate strategy to execute upon that vision.

- He introduced a culture of accountability focused on execution while spearheading management changes which added critical skills in transactional expertise.

- As a current micro-cap company with a modest production profile (approximately 100,000 gold equivalent ounces a year), Mandalay faces significant challenges in a capital markets environment the last several years where little recognition is given along with existing restrictions on index listing, when production and market capitalization (approximately $150 million) is of this scale, despite the top Tier jurisdictions where the mines reside (Sweden and Australia).

- Despite its smaller scale, the company's assets are highly profitable, expected to generate 50% of the current market cap in free cash flow this year. The company already generated $60 million in free cash flow between 2021 and 2023 and $20 million in Q1 2024 alone.

- Trading at an exceptionally low Price to Net Asset Value (P/NAV) multiple considered below 0.5x, this positions the company favorably for potential value appreciation in a re-rating scenario as it grows organically and inorganically and continues to generate cash while being net cash positive (approaching net +$30 million end of Q1 2024).

PORTFOLIO COMPANY (PMC)*

MANDALAY RESOURCES (MND CN), GOLD

MARKET CAP $ 150 MILLION

- With 80% of the company held by just four investors, the stock can be susceptible to significant movements on minimal trading volumes which may deter risk-averse investors, but therein lies part of the objective of the new M&A strategy to both grow and further diversify the share registry.

- Recent share price fluctuations in 2022 and 2023, both positive and negative, had been linked predominantly to a silver ETF holding a stake in the company, which auto rebalanced quarterly – the ETF since sold most of its stake in Q1 2024. To show support and belief in his company he leads, the CEO started actively purchasing when not in insider trading blackout.

- To address its size-related challenges, both in terms of market capitalization and operational capacity, Mandalay is actively exploring at market merger opportunities, alongside ongoing organic exploration efforts and continuing focus on improving operational excellence.

- The company aims for a post-transaction company value of at least $300 million as a step #1, and seeks a partner (similar “stranded” producer or quality project) to combine with, assuming an aligned vision. Given the limited pool of suitable partners, ongoing confidential discussions may well be underway.

- The majority of the Mandalay stakeholders seem aligned with the CEO’s vision and are open to a prudent growth strategy and welcoming of new investors, reinforcing confidence in Bourchier’s leadership for the transformation.

- A transformative transaction may happen before the end of the year, signaling a significant milestone for Mandalay, coupled with a producing year approaching 100,000 ounces gold equivalent and based on Q1 2024, seems to be a run-rate of close to $80 million free cash flow, over half its current market capitalization, which seems quite exceptional.

PORTFOLIO COMPANY (PMC)*

NEW GOLD (NGD CN), GOLD

MARKET CAP $ 1.3 BILLION

New Gold is an intermediate gold mining company committed to responsible mining with a portfolio of two core producing assets in Canada.

HIGHLIGHTS

- With an annual gold equivalent production of 424,000 ounces, the company is just shy of the half-million-ounce production threshold, which executives anticipate achieving in the near future (expected to be achieved by end 2025).
- Gold production is forecasted to increase by over 35%, while copper production is projected to surge by over 60% by 2026.
- In 2023, the company successfully reduced its all-in sustaining costs to an average of $1,545 per ounce.
- Guidance indicates a substantial reduction in sustaining capital by 49% and over 77% in growth capital compared to 2023, aiming to decrease all-in sustaining costs to around $800 per ounce.
- Rainy River, one of its core assets, is expected to boost production by 40% by 2026, while New Afton, the other core asset, is projected to increase production by 46% during the same period.
- Mine life extensions have been achieved at both core assets, with operations expected to continue beyond 2030.
- With a Price to Net Asset Value (P/NAV) ratio of 1x, the company boasts an impressive 20% free cash flow yield.
- Superior profitability compared to peers enables the company to grow with internally generated funds.
- While actively seeking M&A opportunities, management prefers already operational mines, believing they can operate them more efficiently than most competitors. However, they emphasize a patient approach, waiting for deals that align with their strategic objectives.
- Given the industry-wide productivity challenges, the company prioritizes this metric as fundamental to its operations.

PAN AMERICAN SILVER (PAAS CN), SILVER

MARKET CAP $ 7.1 BILLION

Pan American Silver is a primary silver producer. The Company has operating mines in Mexico, Peru, Argentina and Bolivia and several development projects in USA, Mexico, Peru and Argentina.

HIGHLIGHTS

- The company boasts the largest reserves and resources base among its silver mining peers.

- Currently, the company's revenue mix comprises 60% gold and 40% silver. In 2023, Pan American produced 20 million ounces of silver and 880,000 ounces of gold, with all-in sustaining costs for silver at around $18 per ounce and $1,100 for gold, resulting in a record revenue of $2.3 billion. The record revenue was driven by the transformational Yamana transaction from 2023.

- Pan American's Escobal mine in Guatemala is currently on care and maintenance but has a rich history of production and over $500 million of investment in infrastructure.

- While there is no binding timeline for a restart yet, a potential restart of production could double the company's silver output—an attractive option and significant upside catalyst if challenges are resolved.

- The company currently holds a record $440 million in cash and will continue to sell non-core assets but prefers to remain as a royalty holder in these assets.

- The company embraces both organic and inorganic growth and is expected to be actively involved in mergers and acquisitions in the near term. It has a strong track record in this field and executed as expected in more recent transactions such as with Tahoe (2019) or Yamana (2023) mines.

- Exploration is at the core of the company's philosophy, and it states that growth opportunities in its current assets are the hidden value in its company.

- Pan American Silver is an attractive silver play with a current yield of 2% and a 5-year net dividend growth of almost 25%. Management expects the growth to continue going forward.

- Historically, the stock moves close to the silver price, making it a less volatile vehicle compared to other silver mining companies.

PORTFOLIO COMPANY (PMC)*

PAN AFRICAN RESOURCES (PAF LN), GOLD

MARKET CAP $ 600 MILLION

Pan African Resources is a mid-tier African-focused gold producer and operates a portfolio of high-quality, low-cost operations and projects, which are located in South Africa.

HIGHLIGHTS

- Pan Africa is undergoing a significant phase of production expansion, aiming to increase its production base by over 25% over the next 6 months.
- Production is set to grow to between 220,000 and 250,000 ounces per year. Its three surface mines operate at relatively low all-in sustaining costs ranging between $650 and $914 per ounce, while the two underground mines are somewhat more cost-intensive, ranging between $1,220 and $1,680 per ounce.
- Three out of its five mines boast a mine life of over 20 years, while another one has a 10-year mine life, and the last one is nearing the end of its life with only 2 years remaining.
- The company highlighted its biggest differentiator from peers: its dividend yield, currently standing at 3.1%. Pan Africa follows a policy of distributing 40-50% of free cash flow as dividends, which is remarkable for a smaller scale gold mining company.
- The company's cash margin has increased significantly from below 35% in 2016 to over 50% by the end of last year. At current spot prices, the cash margin stands at a peer-leading 67% - offering room for more dividends or growth.
- In addition to its attractive and profitable gold business, the company holds around 25 million pounds of uranium in its tailings, ready to be processed and sold into a red-hot market.
- To extract the pounds from the tailings, the company needs to invest in a processing plant that will increase efficiency and be capable of processing both uranium and gold.

PORTFOLIO COMPANY (PMC)*

PAN AFRICAN RESOURCES (PAF LN), GOLD
MARKET CAP $ 600 MILLION

- Interestingly, the uranium-rich ores are in close proximity to the uranium-bearing deposit of Sibanye-Stillwater. The company has not ruled out any form of joint-venturing between the companies.

- Overall, the company expects debt levels to increase slightly in the near term, while the debt/EBITDA ratio should remain rather flat. Nonetheless, the company is in a sweet spot phase of margin expansion and expects this trend to continue at least until 2026.

PORTFOLIO COMPANY (PMC)*

PERSEUS MINING (PRU AU), GOLD

MARKET CAP $ 2.1 BILLION

Perseus Mining is an Australian mining company that currently operates three gold mines in Africa: Edikan in Ghana, and Sissingué and Yaouré in Côte d'Ivoire. Perseus has recently acquired Orca Gold, and now owns 70% of the Meyas Sand Gold Project in Sudan (formerly "Block 14 Development Project").

HIGHLIGHTS

- Perseus is perceived as an undervalued mid-tier gold producer, steadily expanding in scale and quality, with a low-cost base and high cash margins supporting cash flow, profitability, and future growth and capital returns for shareholders.

- All-in sustaining costs range between $950 and $1,000 per ounce, positioning the company in the bottom 5% of the cost curve.

- The company pursues a financially driven strategy, aiming for a portfolio of four assets with a mine life between 15-20 years and around half a million ounces of production per year.

- The focus is on maximizing cash flows rather than production. Cash flow from operations grew from around $340 million in 2021 to over $430 million in 2023.

- Approximately 25% of the company's total production is hedged over three years. In 2023, the company achieved an average gold price of $2,080 per ounce.

- M&A targets are typically pursued after the feasibility stage of a project, as management believes the company has superior resources to build and operate a mine than its peers.

- Management stated that acquiring an already producing asset is highly unlikely.

- While the company intends to maintain its focus on African assets, Perseus has partners in Saudi Arabia exploring the possibility of building mining operations there.

- Management is known for underpromising and overachieving, consistently delivering on previously announced guidance.

WESDOME

WESDOME GOLD MINES (WDO AU), GOLD

MARKET CAP $ 1.1 BILLION

Wesdome is Canadian focused with two producing underground gold mines. The Company's strategy is to build Canada's next intermediate gold producer, producing 200,000+ ounces from two mines in Ontario and Québec.

HIGHLIGHTS

- Wesdome encountered challenges in 2022 and 2023 with its Kiena Mine, leading to a poorly executed narrative that eroded shareholder trust. Since then, the management has been reorganized, with its current CEO leading for only 10 months.

- The Kiena mine accessed high-grade mining areas in Q4 2023, expected to propel production growth in the future.

- Anticipated growth includes a 40% increase in 2024 compared to 2023, followed by a 55% rise in the subsequent two years.

- Wesdome's Eagle River and Kiena mines hold the top positions, ranking number 1 and number 3 in Canada in reserve grade among gold mines.

- The company is at a turning point concerning cash flow, projected to significantly improve from 2024 onwards due to lower costs associated with increased volume and higher grades at its mines.

- Cash flow per share surged by a factor of 7 from 2016 to 2024.

- Management highlights hidden value in the underutilized mill capacity, currently at only 40%. Once fully utilized, this capacity will drive down fixed costs per ounce. Additionally, the company's underexplored assets offer substantial exploration upside.

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APPENDIX

This paper is based on sources from Scotiabank, Bloomberg, Eight Capital, Red Cloud Securities, Jefferies, BMO and from the respective companies. If you would like to see a specific dataset, please do not hesitate to contact us at research@independent-capital.com.

*For companies marked as "Portfolio Companies" the following abbreviations were used:

(ECF) Energy Champions Fund
(IMC) Industrial Metals Champions Fund
(PMC) Precious Metals Champions Fund
(CMC) Crucial Minerals Certificate
(NCC) Nuclear Comeback Certificate
(CPC) Clean Power Champions Fund