

Cartier Resources Inc. (TSXV: ECR)

Delivers a Robust PEA

BUY

Current Price: C\$0.13

Fair Value: C\$0.30

Risk: 5

Sector / Industry: Junior Resource

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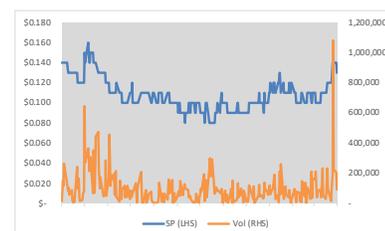
Highlights

- A Preliminary Economic Assessment (PEA) on its Chimo Mine property in Quebec returned promising economics, with an AT-NPV5% of \$388M, and an AT-IRR of 21%, using US\$1,750/oz gold. **ECR is trading at just 9% of AT-NPV5%.**
- Cash costs are estimated to be US\$647/oz, making Chimo a relatively low-cost mine, if advanced to production.
- We believe **the PEA was conservative**, as it accounted for just 62% of the project's resources.
- We believe there is significant resource expansion potential as mineralization is open in several directions. A resource expansion drill program is underway.
- We believe ECR is a strong acquisition candidate. **Agnico Eagle (NYSE: AEM) could be a suitor** as it already owns 16% of ECR's outstanding shares. O3 Mining (TSXV: OIII/MCAP: \$119M) owns another 15%.
- We have a **positive outlook on gold prices**, as there is potential for the Fed slowing/pausing rate hikes, amid turmoil in the financial industry, slower GDP growth, and as inflation has started to taper.
- **Upcoming catalysts** include resource expansion drilling, and potential for M&A and higher gold prices.

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Price Performance (1-year)



	YTD	12M
ECR	30%	-7%
TSXV	10%	-27%

Company Data

52 Week Range	C\$0.08 - C\$0.18
Shares O/S	315M
Market Cap.	C\$41M
Yield (forward)	N/A
P/E (forward)	N/A
P/B	1.0x

Key Financial Data (FYE - Dec 31) (C\$)	2021	2022
Cash	\$6,200,786	\$6,973,515
Working Capital	\$5,407,384	\$5,854,487
Mineral Assets	\$26,829,480	\$37,690,047
Total Assets	\$33,302,001	\$45,137,152
Net Income (Loss)	-\$290,445	-\$1,053,721
EPS	-\$0.00	-\$0.00

*See last page for important disclosures, rating and risk definitions. All figures in C\$ unless otherwise specified.

PEA Results: Chimo Mine Project

As there are several mills in the region, we believe Chimo can potentially be advanced to production quickly, and at a relatively low CAPEX



10-year mine life

Operations will include underground mining, followed by crushing, grinding, gravity concentration, and carbon-in-leaching

Initial CAPEX estimate of \$341M, and relatively low cash-costs of US\$647/oz

Potential to produce 117 Koz gold annually, making it a mid-sized gold producer

AT-NPV5% of \$388M, and an AT-IRR of 21%, using US\$1,750/oz gold

NPV and IRR are highly sensitive to gold prices

2023 PEA	
Total Tonnes Mined	15.8 Mt
Total Tonnes Processed	8.5 Mt
Gold Grade (g/t), mill feed	4.55 g/t
Gold Recovery	93.1%
Gold Price (US\$/oz)	\$1,750/oz
Annual Gold Production (Ounces)	116,900 oz
Total Gold Production (Ounces)	1,157,710 oz
Initial Capital Costs (\$M)	\$341M
Sustaining Capital Costs (\$M)	\$160M
Operating Costs/Tonne Milled	\$107/t
Operating Cash Cost/Oz	US\$647/oz
All in Sustaining Cost /Oz	US\$755/oz
Mine Life	9.7 years
Average Mining Rate (tpd)	4,500 tpd
After-Tax NPV (5% discount) (\$M)	\$388M
After-Tax IRR	20.8%
AT-Payback Period	2.9 years

*Exchange rate of C\$1.00:US\$0.77

Variation	Post-Tax NPV _{5%} (CAD\$M)	Post-Tax IRR (%)
1,300	105	9.7
1,400	169	12.4
1,500	233	15.0
1,600	295	17.4
1,700	357	19.7
1,750	388	20.8
1,800	418	21.8
1,900	479	23.9
2,000	539	25.8
2,100	599	27.7
2,200	658	29.5

Source: FRC / Company

Planning to mine gold from four different areas: Chimo Mine Main (44%), Chimo Mine Extension (11%), East Chimo Mine (31%), and West Nordeau (14%)

Chimo has 29 gold zones across 19 gold structures

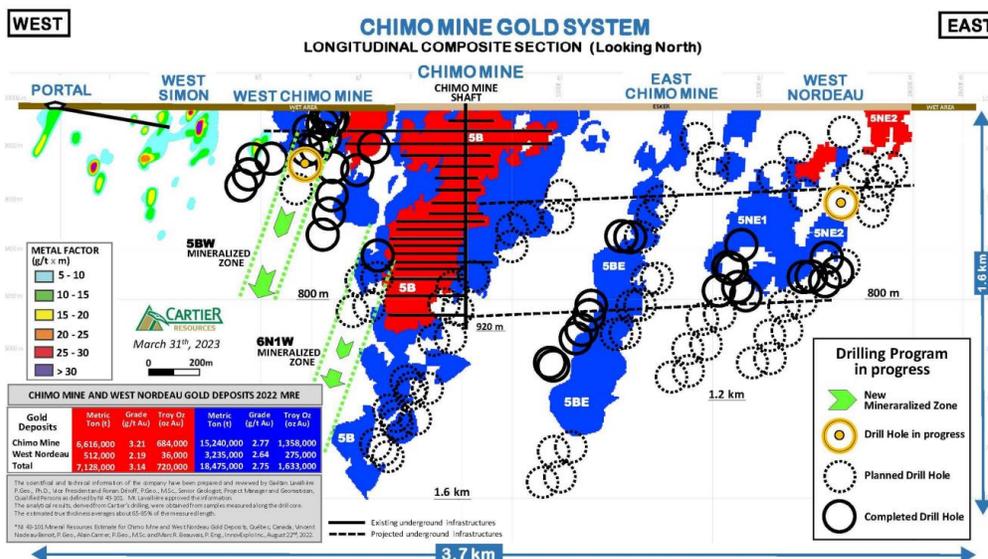
Mineralization identified over a 3.7 km x 1.6 km area

The PEA was based on 62% of the project's resources totaling 2.4 Moz

We believe resource expansion potential exists as mineralization is open in several directions

Management is aiming to delineate a 3+ Moz resource

Strong cash position



Source: InnovExplo Inc.
Consolidated Resource

Gold Corridor Cut-off Grade (g/t Au)	Indicated Resources			Inferred Resources		
	Metric Tonnes (t)	Grade (g/t Au)	Troy Ounces (oz Au)	Metric Tonnes (t)	Grade (g/t Au)	Troy Ounces (oz Au)
North Gold Corridor (>2.0)	1,119,000	3.85	139,000	1,714,000	3.54	195,000
Central Gold Corridor (>1.5)	5,565,000	2.96	529,000	14,812,000	2.56	1,221,000
South Gold Corridor (>2.0)	444,000	3.61	52,000	1,949,000	3.47	217,000
Total	7,128,000	3.14	720,000	18,475,000	2.75	1,633,000

Source: Company

Financials

(in C\$)	2021	2022
Cash	\$6,200,786	\$6,973,515
Working Capital	\$5,407,384	\$5,854,487
Current Ratio	6.08	4.68
LT Debt / Assets	-	-
Monthly Burn Rate (G&A)	-\$78,704	-\$104,517
Property Related Activities	-\$7,391,894	-\$3,699,056
Cash from Financing Activities	\$1,180,836	\$5,924,816

Options	#	Exercise Price	Amount
Total	18,225,000	\$0.17	\$3,087,750
In-the-Money	2,400,000	\$0.09	\$216,000

Warrants	#	Exercise Price	Value
Total	7,000,000	\$0.16	1,120,000
In-the-Money	-	-	-

Source: FRC / Company

FRC Valuation and Rating

DCF Valuation	4,500 tpd (mining)/2,400 tpd (processing)
Operating Life (years)	12
Tonnage (Mt)	16.37
Avg Grade (gpt) - Au	2.92
Recovery Rate	93.1%
Annual AuEq Production (oz)	117,435
Average Price of Au (US\$/oz)	\$1,400
Exchange rate (US\$:C\$)	1.35
Operating Cost (LOM) in US\$/oz	\$647
Initial Capital Cost (US\$M)	\$341
Discount Rate	11.5%
Tax	21%
After-Tax Net Asset Value (C\$)	\$120,234,982
Working Capital - Debt (C\$)	\$5,488,678
Fair Value of Cartier (C\$)	\$125,723,660
No. of Shares *	315,558,506
Fair Value per Share (C\$)	\$0.40

* calculated based on the treasury stock method

We are introducing our Discounted Cash Flow (DCF) valuation of \$0.40/share in this report

Our OPEX/CAPEX estimates are in line with that of the PEA

However, we are using a 12-year mine life (vs 10 years in the PEA), as we are using 100% of indicated and 50% of inferred resources

Our discount rate and gold price forecasts are more conservative than the PEA

Fair Value (\$)	Gold Price (US\$ / oz)				
	\$1,200	\$1,300	\$1,400	\$1,600	\$1,800
8.0%	\$0.21	\$0.45	\$0.68	\$1.14	\$1.60
10.0%	\$0.11	\$0.31	\$0.50	\$0.90	\$1.30
11.5%	\$0.04	\$0.22	\$0.40	\$0.75	\$1.11
15.0%	-\$0.07	\$0.07	\$0.21	\$0.49	\$0.77
17.5%	-\$0.13	-\$0.01	\$0.11	\$0.35	\$0.59

Fair Value	Gold Price (US\$ / oz)				
	\$1,200	\$1,300	\$1,400	\$1,600	\$1,800
\$600	\$0.13	\$0.31	\$0.49	\$0.84	\$1.20
\$647	\$0.04	\$0.22	\$0.40	\$0.75	\$1.11
\$700	-\$0.06	\$0.12	\$0.30	\$0.66	\$1.01
\$750	-\$0.15	\$0.03	\$0.21	\$0.56	\$0.92
\$800	-\$0.25	-\$0.07	\$0.11	\$0.47	\$0.82

Source: FRC

ECR is trading at \$23/oz (previously \$12/oz) vs the sector average of \$39/oz (previously \$41/oz), implying a discount of 41% (previously 71%)

Applying \$39/oz to ECR's resources, we arrived at a fair value estimate of \$0.21 per share (previously \$0.28)

Valuation declined primarily due to share dilution since our previous report

Maintaining our risk rating of 5 (Highly Speculative)

	Gold Juniors	Enterprise Value (\$,M)	EV / Resource*
1	Sabina Gold	\$1,147	\$146.14
2	Radisson Mining Resources	\$63	\$121.50
3	Probe Metals	\$256	\$118.40
4	Gowest Gold Ltd.	\$77	\$96.31
5	Marathon Gold Corp.	\$263	\$66.41
6	Western Exploration	\$60	\$45.54
7	Fury Gold	\$99	\$38.82
8	Doubleview Gold	\$89	\$35.92
9	GMV Minerals	\$12	\$34.88
10	O3 Mining	\$95	\$32.43
11	Nighthawk Gold Corp.	\$41	\$31.54
12	Equity Metals	\$32	\$30.83
13	Gold Springs	\$29	\$26.93
14	Maple Gold Mines Ltd.	\$43	\$26.91
15	Cartier Resources	\$36	\$23.10
16	Moneta Gold	\$109	\$17.68
	Average (excl outliers)		\$39.29

*Resource = 100% of M&I + 50% of Inferred Resources

Cartier's Resource	1,536,500
Average EV/ Resource Ratio (comparables)	\$39.29
Fair Value	\$60,366,875
WC- Debt	\$5,488,768
Fair Value of ECR	\$65,855,643
No. of Shares (calculated based on the treasury stock method)	315,558,506
Fair Value per Share (C\$)	\$0.21

Source: FRC/S&P Capital IQ/Various

We are **reiterating our BUY rating**, and adjusting our fair value estimate from \$0.28 to \$0.30/share (the average of our DCF and comparables valuations). Upcoming catalysts include resource expansion drilling, and potential for M&A, and higher gold prices.

Risks

We believe the company is exposed to the following key risks (not exhaustive):

- The value of the company is dependent on gold prices
- Exploration and development
- **Access to capital and potential for share dilution**

- No guarantee that the company will be able to advance all of its projects simultaneously

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues and may rely on external funding. These stocks are considered highly speculative.

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