

Matador Mining Limited

Mining - Gold

SPECULATIVE BUY

MZZ A\$0.34 TARGET PRICE A\$0.75

Matador Mining Limited (MZZ) is a mineral exploration company. It has divested its Australian prospects in order to focus on advancing its flagship project, the Cape Ray Gold Project in the emerging mining jurisdiction of Newfoundland, Canada. The Cape Ray Gold Project offers the potential to replicate Marathon's Valentine Lake Project in the creation of a multi-million ounce high grade gold project. We have based our valuation and price target on a conservative expected attributable resource at the Cape Ray Gold Project of at least 1.0Moz Au valued at AUD44/oz. We rate MZZ a SPECULATIVE BUY.

Company Data

Number of Shares	53.9 M
Market Capitalisation	\$18.1 M
Listed Options	15.9 M
Unlisted Options	20.0 M
Free float (%)	92.5766
12-month high/low	\$0.4/\$0.19
Average Daily Turnover (\$m)	0.0163
% S&P/ASX200	0.00
DDM Ranking	N/A
% All Ordinaries	0.001
GICS Industry Group	Diversified Metals & Mining

Source: FactSet, EverBlu Capital

Share price performance



Source: FactSet, EverBlu Capital

All In On Cape Ray Gold Project

A New Gold Province?

- MZZ acquired 80% of the Cape Ray Gold Project (CRGP) in June 2018. The company has wasted no time on bringing all attention to bear on the CRGP by divesting all its other prospects;
- The company has secure tenure over approximately 100km² of the Cape Ray Shear Zone (CRSZ) which hosts the CRGP as well as Marathon Gold Corp's Valentine Lake Project, a deposit currently containing a resource 3.25Moz Au;
- The CRGP covers a 65km strike length of the CRSZ which is over 200km in length with widths of up to 1km;
- Mining is one of Newfoundland and Labrador's largest and oldest industries; and
- Vale, (nickel, copper, cobalt), IOCC (iron ore) and Tata Steel (iron ore) operate in Labrador whilst Atlantic Minerals (dolomite, limestone), Anaconda Mining (gold) and Rambler Metals and Mining (gold, copper) operate in Newfoundland, confirming the province as a desirable mining project destination.

Substantial Resources Already Identified

- MZZ has already delivered a JORC compliant resource of 13.4Mt @ 1.75g/t Au for 750koz over six known gold deposits – Zones 04, 41 and 51, Window Glass Hill, Isle aux Morts and Big Pond;
- These deposits have been drill tested over a cumulative strike length of 15km;
- Resource remains open in all directions with significant scope for quick expansion on strike and at depth;
- Drilling confirms mineralisation from surface to about 120m average drilling depth; and
- Over 40km of the CRGP remains completely untested.

Plenty Of Scope To Deliver More

- Since taking on the project, the well credentialed geology team and experienced local drilling contractor has mobilised to site and commenced the maiden drilling program;
- The initial planned program of 4,000m of diamond drilling is aimed at extending existing zones of mineralisation and delineating several new ones;
- Two soil geochemical survey teams are currently on site and undertaking a comprehensive sampling program with the objective of defining further drilling targets, concentrating on areas around the known resources;
- Additional mineralisation identified in sampling of unassayed historical core was not included in the current resource and further results from this exercise are expected 3Q/4Q18;
- An initial brownfields exploration target around known resources of 30 to 36Mt @ between 1.4 and 2.4g/t Au for 1.3Moz to 2.4Moz has been estimated;
- If delivered this would increase Inferred Resources at CRGP from 0.75Moz to between 2.0Moz and 3.2Moz over a strike length of around 23km; and
- This would translate into a MZZ attributable resource of between 1.6Moz and 2.6Moz with a concomitant increase in valuation!

Price Target

Peer Companies And Valuation

The average valuation of a representative list of gold explorers and developers listed on the ASX is AUD49/oz. The only other company which has a gold resource on the Cape Ray Shear Zone is Marathon Gold Corp (TSX: MOZ). MOZ has an implied valuation of AUD44/oz which compares favourably with the average of the ASX listed representative group. We believe that the multiple of AUD44/oz can be applied to value MZZ.

Valuation is based on MZZ's 80% ownership of the Cape Ray Gold Project

FIGURE 1: EXPLORERS AND DEVELOPERS – MARKET CAPITALISATION AND RESOURCES

	Code	Mkt Cap (AUDM)	Resources (Moz)	Mkt Cap / Res oz	Country
Australian Listed (ASX)					
Amani Gold Ltd	ANL	11.0	2.1	5.1	DRC
Azumah Resources Ltd	AZM	20.3	2.1	9.7	Ghana
Bassari Resources Ltd	BSR	46.8	1.0	46.6	Senegal
Capricorn Metals Ltd	CMM	51.6	1.3	39.7	Australia
Carbine Resources Ltd	CRB	5.6	0.9	6.6	Australia
Cardinal Resources Ltd	CDV	166.2	7.0	23.7	Ghana
Crusader Resources Ltd	CAS	13.1	3.7	3.5	Brazil
Dacian Gold Ltd	DCN	637.7	3.3	193.2	Australia
Echo Resources Ltd	EAR	114.8	1.7	66.8	Australia
Egan Street Resources Ltd	EGA	29.4	0.4	73.2	Australia
Focus Minerals Ltd	FML	46.6	3.8	12.2	Australia
Gascoyne Resources Ltd	GCY	189.1	2.3	81.5	Australia
Gold Road Resources Ltd	GOR	592.3	3.3	182.2	Australia
Horizon Gold Ltd	HRN	11.5	1.3	9.2	Australia
Kin Mining NL	KIN	43.8	1.0	43.0	Australia
OreCorp Ltd	ORR	61.7	3.1	20.1	Tanzania
Prodigy Gold NL	PRX	38.3	1.0	37.9	Australia
Tanami Gold NL	TAM	38.8	3.2	12.0	Australia
Tietto Minerals Ltd	TIE	21.8	0.7	31.1	Cote D'Ivoire Burkina
West African Resources Ltd	WAF	221.1	2.9	76.2	Faso
Average				48.7	
Matador	MZZ	18.3	0.6*	30.5	Canada
Matador	MZZ	44.3	1.0*	44.3	Canada
Canadian Listed (TSX)					
Marathon Gold Corp	MOZ	141.8	3.2	44.3	Canada

Source: ASX, Google Finance

*attributable resource ounces

MZZ appears currently undervalued with a market cap per attributable resource ounce ratio of AUD31/oz. In formulating our price target we have assumed that MZZ will have an attributable mineral inventory of at least 1.0Moz (1.25Moz gross as MZZ owns 80% of the Cape Ray Gold Project) within the next 12 months, resulting in an implied market capitalisation of AUD44M and a price target of AUD0.75.

Market capitalisation per resource ounce averages AUD49/oz which compares well with Marathon's AUD44/oz

Cape Ray Gold Project (80%)

Introduction

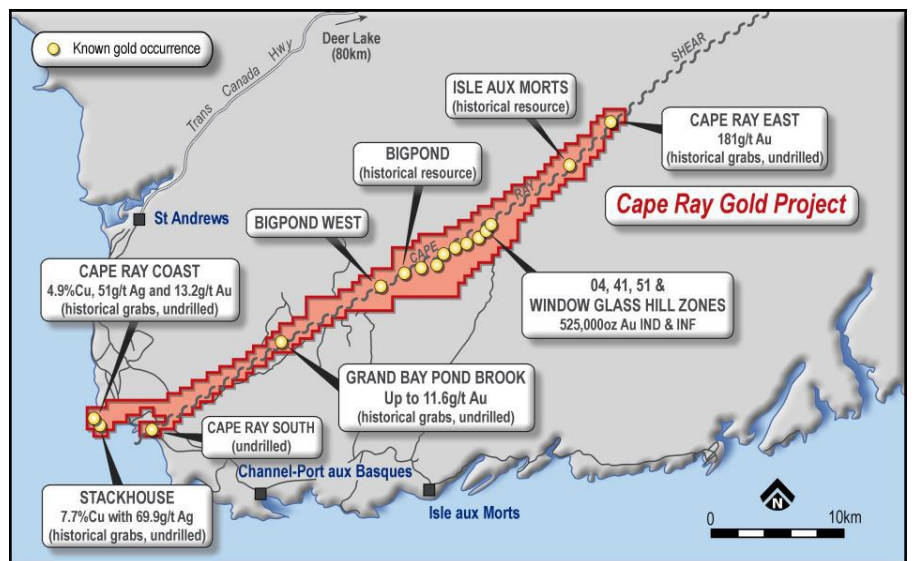
The Cape Ray Gold Project (CRGP) is situated in south-western Newfoundland, approximately 25km northeast of the town of Channel-Port aux Basques, from where it extends in a north eastward direction.

The property consists of 401 claims comprising 13 licences, which covers an area of 100.2km². It comprises about 750koz of contained gold within the 04, 41, 51 Zones, Window Glass Hill, Big Pond and Isle Aux Morts gold deposits and is located within the regional-scale gold-bearing Cape Ray Shear Zone (CRSZ) that transects the island of Newfoundland for over 200km with widths of up to 1km. MZZ has tenure over 65km of strike.

The CRSZ hosts numerous gold occurrences including Marathon Gold’s (TSX: MOZ) Valentine Lake Gold Project which has current resources of 3.2Moz Au.

The project is held in Matador Canada. A 20% minority interest is held by Maple Mining Pty Ltd and will be free carried by MZZ until either a total spend of AUD15M or a BFS has been completed.

FIGURE X: CAPE RAY GOLD PROJECT



The main exploration target is the vein-hosted, structurally controlled gold mineralisation associated with structures (splays) related to the CRSZ

Source: Company Reports

Infrastructure

Direct road access to the Cape Ray East Property is via a 22km long gravel road that extends north-northeast from Route 470. The gravel access road was originally constructed in 1989 with minor road upgrades in 2003. The road begins 2.5km west of the community of Isle aux Mort. The access road is currently used for personnel and equipment to access the site.

FIGURE 4: NEWFOUNDLAND MAIN INFRASTRUCTURE



Source: Government of Canada

Channel-Port aux Basques, population approximately 5,000 people, is located along the Trans-Canada Highway and is the main port connecting the island of Newfoundland to mainland Canada via the Marine Atlantic Ferry services. The town of Deer Lake, which is located ~250km by road from Channel-Port aux Basques, has direct airline connections to Toronto and air services to the Newfoundland capital of St. John's and its international airport.

An electrical sub-station is located approximately 25km to the southwest of the site in the town of Channel-Port aux Basque. Power is available from the provincial electrical transmission grid that runs along the Trans-Canada Highway. Infrastructure currently onsite comprises a well-equipped self-contained exploration camp, access tracks to the various deposits and some core storage and processing facilities.

Weather

Newfoundland measures 560 km north-south and 510 km east-west. It covers 5½ degrees of latitude. Its southern extremity lies close to the forty-seventh parallel, approximately the same latitude as Paris. The glacial Labrador Current holds July average temperatures in coastal areas around 14°C but the island of Newfoundland has an average summer temperature of 16°C, while the winter hovers around 0°C. Although storms are possible the relatively moderate temperatures result in generally light snowfalls that begin around mid November.

Precipitation averages about 1,120 mm yearly in Newfoundland. Approximately three-quarters of the total precipitation falls as rain and one-quarter as snow. Although precipitation is well distributed throughout the year, it is heaviest in fall, with November being the wettest month. Spring is usually the driest time of the year.

Snowfall dominates winter precipitation. It is heavy, with normal amounts exceeding 300cm at most places in the province. Along the south coast, however,

snowfall totals are in the 200-300cm range, less than elsewhere because much of the precipitation falls as rain. Some of the heaviest snowfalls (over 400cm a year) occur in the Long Range Mountains along the west coast.

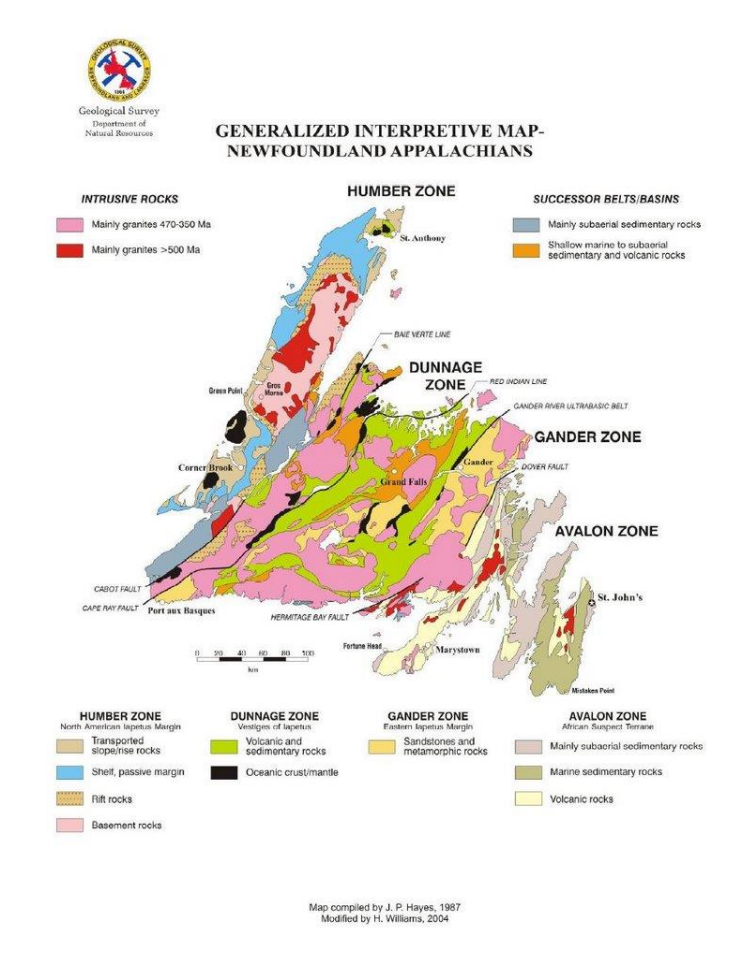
Geology

The CRSZ is a zone of highly strained rocks approximately 200 km in length and several hundred metres in width that includes three major geological domains;

- Cape Ray Igneous Complex (CRIC);
- Windsor Point Group (WPG); and
- Port aux Basques Gneiss (PABG).

The CRSZ separates the CRIC to the northwest from the PABG to the southeast and WPG is located between these two units. All three units are intruded by a number of pre- to late-tectonic granitoid intrusions. The CRIC is comprised mainly of large bodies of mafic to ultramafic intrusive rocks intruded by granitoid rocks (Cape Ray Granite, Cape Ray Tonalite, Red Rocks Granite), and is interpreted to have an age of 469 ± 2 Ma (Mid-Ordovician). The WPG unconformably overlies the CRIC and consists of bimodal volcanics and volcanoclastics with associated sedimentary rocks that are interpreted to be Ordovician to Devonian in age.

FIGURE X: CAPE RAY REGIONAL GEOLOGY AND TECTONIC SETTING



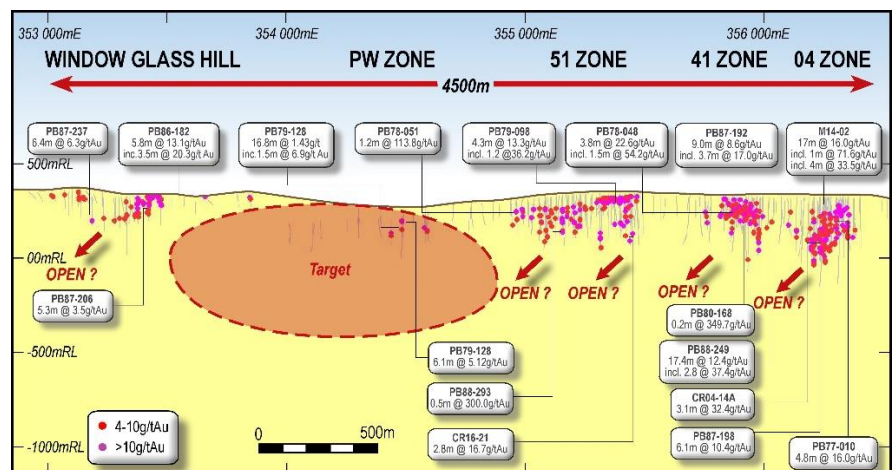
Source: Department of Natural Resources, Newfoundland and Labrador

The CRSZ forms a structural boundary between two of four tectono-stratigraphic zones, or terranes that define the geology of Newfoundland, these being the Late

Precambrian – Early Paleozoic **Dunnage Zone** to the northwest and the **Gander Zone** to the southeast.

The Dunnage Zone includes rocks originally deposited in the Late Precambrian – Early Paleozoic Iapetus Ocean, and in south-western Newfoundland is represented by the CRIC. The Gander Zone is mainly comprised of deep water turbidite sedimentary rocks deposited at, or near the eastern side of the Iapetus Ocean. The Iapetus Ocean was an ocean that existed in the late Neoproterozoic and early Paleozoic eras of the geologic timescale (between 600 and 400 million years ago). In southwestern Newfoundland these are represented by the PABG.

FIGURE X: CAPE RAY GOLD PROJECT



Source: Company Reports

The 04, 41 and 51 Zones occur along a northeast-trending fault splay within the CRSZ system, which dips moderately (50-60°) to the southeast. These zones consist of complex tabular zones of quartz veins, fault gouge and wall rock fragments, ranging from a few cm to several metres in width, and correlate laterally for up to 700m along strike. In section, the 04 and 41 Zones show east southeast to southeast plunges and locally show down-dip extension of up to 300m. The 51 Zone is characterised by both sub-horizontal and steeply plunging grade trends. Gold bearing quartz veins at the three locations are typically located at or near the southeast limit of a sequence of highly deformed and brecciated graphitic schist of the WPG.

Mineralisation in the WGHD occurs predominantly in a set of flat-lying sulphide-rich quartz veins hosted in the relatively un-deformed Window Glass Hill Granite near the Cape Ray Shear Zone. The Window Glass Hill Granite is well exposed on the southwest side of the Isle aux Morts River and intrudes WPG rocks. The intrusion is elongate in shape, measuring 2.7 x 0.6 km on the western side of the Isle aux Morts River and 100 m wide x 3.4 km long on the eastern side, where it is cut by a strike-slip mylonite zone. The Window Glass Hill Granite is composed of pink, aphanitic alkali feldspar granite, with minor plagioclase phenocrysts and <2% biotite.

Deformation in the Window Glass Hill Granite is generally weak, but can be heterogeneous. Strain is most intense in centimetre to metre wide zones of shearing that separate relatively undeformed domains characterized by jointing and locally by northeast- to north-northeast trending fracture cleavage. The high

strain zones are best developed at the Window Glass Hill Granite-WPG contact in the schists.

Exploration

Exploration activities have commenced focussing on reviewing the historical resources to better understand the known mineralisation and structural controls. Historical core will also continue to be re-sampled at the Pasadena and Buchans government run facilities as well as at the CRGP. A surface geochemical sampling and lithology mapping program across MZZ's large sections of strike of the CRSZ has also been initiated to identify further exploration targets. The following initial exploration activities are planned or underway at Cape Ray for 2018.

FIGURE X: EXPLORATION PROGRAM

Item	Stage / Expectation
Regional data processing	Completed
Field activities	Commenced
Core re-sampling	Ongoing
Core re-sampling results	Sep '18
Geochemical results	Nov '18
Estimation of a JORC 2012 Mineral Resource Estimate	Completed
Exploration drilling program	Commenced
Drilling assay results	Oct - Dec '18

Source: Company Reports

Near mine targets are providing further scope for follow up exploration. The Isle aux Morts deposit, located 10km north east of the 04 Zone, has returned historical intercepts of 6.8m at 18.2g/t Au from 13.6m with limited follow up testing. Further north from Isle aux Mort is the Cape Ray East target which has returned historical grab samples of 182g/t Au. Immediately to the south of the Window Glass Hill deposit lies the Big Pond deposit. Big Pond has returned drill intersections of 2.3m at 21.4g/t Au from 68m. Both of these targets were brought into the resource inventory in the recent update and require follow up drilling.

All of the above mentioned targets as well as the PW and H zones are hosted on the same structure and along strike of the 04, 41, 51 and Window Glass Hill Deposits.

Regionally, the system remains highly prospective and largely under explored. South of Big Pond is approximately 20km of completely untested strike along the Cape Ray Shear. There is approximately 42km of MZZ's exposure to the CRSZ that is largely unexplored and outside the company's exploration target of 1.3 Moz to 2.4Moz.

The property consists of 401 claims comprising 13 licences as detailed below.

FIGURE X: TENEMENT SCHEDULE

Licence No.	Deposit	No. of Claims	Area (km ²)	Royalty
017072M	Window Glass Hill (WGH) and 51	183	45.7	(a) & (b)
007833M	-	1	0.25	none
008273M	Isle aux Morts	7	1.75	(c)
009839M	Big Pond	26	6.5	(c)
009939M	04 and 41	12	3.0	(c)
024125M	-	14	3.5	none
024359M	-	7	1.75	none
025560M	-	20	5.0	none
025854M	-	53	13.25	(d)
025855M	-	32	8.0	(d)
025858M	-	30	7.5	(d)
025856M	-	11	2.75	(d)
025857M	-	5	1.25	(d)
Total		401	100.2	

Source: Company Reports

(a) 1.75% NSR

(b) 0.25% NSR

(c) Sliding scale NSR – 3% to 5% depending on gold price

(d) 1.0% NSR

Mineral Resources

Six known gold deposits, Zones 04, 41, 51, Window Glass Hill, Isle aux Mort and Big Pond, have been drill-tested over a strike length of about 15 km with 560 diamond core holes for a total of 85,000m drilling.

The central part of the known mineralised sector, that encompasses the 04, 41, 51 Zones and Window Glass Hill deposits formally had a resource estimate of 6.9Mt @ 2.4g/t Au for 525koz Au (at a 1.0 g/t cut off grade) conforming to the CIM Mineral Resource and Mineral Reserve definitions, referred to in NI 43-101, Standards of Disclosure for Mineral Projects.

In addition to the 04, 41, 51 Zones, and Window Glass Hill Deposits, MZZ has now completed maiden resource estimates for the Isle aux Mort and Big Pond deposits. The current Cape Ray Gold Project resource estimate is presented in the table below.

FIGURE X: RESOURCE SUMMARY (JORC 2012)

Classification	Tonnes (M)	Au (g/t)	Au (koz)	Ag (g/t)	Ag (koz)
Indicated	6.53	2.0	422.7	7.7	1,616.1
Inferred	6.82	1.5	327.4	5.0	1,093.9
Total	13.35	1.7	750.2	6.3	2,710.0

Source: Company Reports

Metallurgy

Four programs of metallurgical testwork have been carried out by the various owners during the period 1981 to 2016. The work focused on samples from the 04, 41 and 51 deposits, with samples collected from either drill core, trenching and in the case of 41, a bulk sample.

The testwork programs investigated flotation with cyanidation of the float tails, direct cyanidation, gravity and dense media separation. A combined gravity circuit (for coarse gold recovery) and cyanidation of the gravity tails showed the most promise with gold recoveries of +95%. The opportunity to produce a base metal concentrate may also prove valuable, depending on the plant throughput envisaged.

No significant issues were highlighted from the testwork, including no preg-robbing from the graphitic schist material. Testwork is yet to be completed on the WGH material.

Board

Paul Criddle – *Managing Director*

Paul is a metallurgist, with many years of operating and project development experience in West Africa. Most recently he was the COO of Roxgold Inc, where he was responsible for the development of the Yaramoko Gold Project in Burkina Faso, one of the worlds highest grade gold projects. Prior to this Mr Criddle was the COO at Azimuth Resources Ltd where he was responsible for resource growth and development studies. Prior to this he was the Acting Chief Operating Officer of Perseus Mining Ltd where he was responsible for operations at the Edikan Gold Mine in Ghana and the Definitive Feasibility Study for the Tengrela Gold Project in Cote D'Ivoire. Before joining Perseus, Mr Criddle managed the construction, commissioning and operation of the Sabodala Gold Project for Mineral Deposits Ltd. He has also held a variety of senior technical roles at Placer Dome/Barrick in Australia, Papua New Guinea and Tanzan

Dr Marat Abzalov – *Non-Executive Director*

Marat is geologist with over 30 years' post-graduate geology experience. This includes 9 years with WMC Resources Limited where his last role was as Geology Manager – Projects and also 9 years with Rio Tinto Limited, where his roles included Manager – Geostatistics and Exploration Manager – New Opportunities. Most recently, he was the Executive Director of Primary Gold Limited (ASX: PGO), which is developing the Mount Bundy Gold Project in the Northern Territory and also was an Executive Director of Boss Resources Limited (ASX: BOE), which is developing the Honeymoon Uranium Project in South Australia..

Grant Davey – *Non-Executive Director*

Grant is a mining engineer with over 25 years of senior management and operational experience in the construction and operation of gold, platinum and coal mines in Africa, Australia, South America and Russia. More recently, he has been involved in venture capital investments in several exploration and mining projects and he has been instrumental in developing the Panda Hill niobium project as well as the Honeymoon uranium project. His focus is in securing first class mining projects in world class mining jurisdictions.

Mr Davey is currently a Director for Superior Lake Resources (SUP), Boss Resources Limited (BOE), Cradle Resources Limited (CXX) and Graphex Mining Limited (GPX) and is a member of the Australian Institute of Company Directors (AICD).

Peter Woods – *Non-Executive Director*

Mr Woods holds a Graduate Diploma of Applied Finance and Bachelor of Commerce from University of Western Australia. Peter has been involved in the financial services industry for 10 years with a focus on wealth advisory and raising capital for both unlisted and listed companies. Previous advisory roles included periods at two of Australia's leading independent investment and wealth management firms, Shaw & Partners (Melbourne) and Euroz Securities, where he gained extensive equity capital market experience advising on a broad range of instruments including equities, derivatives and alternative assets.

Recently Peter was employed by Blue Sky Alternative Investments Limited (ASX: BLA), an ASX300 company with over \$2 billion of assets under management. Peter was responsible for opening an office in Western Australia to help drive Blue Sky's next stage of growth.

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EverBlu Capital provides research services to its client. Mr van der Wath is a Research Analyst and has over twenty eight years' experience in the financial services industry, particularly in financial analysis, research report writing and portfolio management as well as twelve years' practical mining experience as a Mining Engineer. Mr van der Wath joined the EverBlu team in 2016 where he has been involved in the research and publication of reports. Prior to this Mr Van der Wath worked at a number of financial entities where he held Director, Head of Research, Portfolio Manager and Analyst positions. Mr van der Wath holds a Bachelor of Science (Mining Engineering) and a Graduate Diploma in Engineering (Industrial) from the University of the Witwatersrand and a Bachelor of Commerce from the University of South Africa. He also holds Mine Manager's Certificates of Competency in both Metalliferous and Coal Mines.

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EverBlu Capital declares that it acted as Broker to the offer in the Matador Mining Limited \$5.0m Placement (Cape Ray Acquisition) as announced by the ASX on 21 June 2018. EverBlu Capital received fees for its role as Broker to the offer.

The author Gavin Van der Wath made contact with Matador Mining Limited for the preparation of this report for the verification of facts.

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Speculative Buy	1.1%	(100.0% of stocks with recommendations are EverBlu clients)
Hold	28.3%	(0.0% of stocks with recommendations are EverBlu clients)
Underperform	29.1%	(0.0% of stocks with recommendations are EverBlu clients)