

19 November 2019

SPECULATIVE BUY

PRICE TARGET A\$0.70
Price (18-Nov) A\$0.19
Ticker MZZ-ASX

52-Week Range (A\$): 0.13 - 0.33
Avg Daily Vol (000s) : 190
Market Cap (A\$M): 30.0
Shares Out. (M) : 157.7
Enterprise Value (A\$M): 27.3
NAV /Shr (5%) (A\$): 0.72
Net Cash (A\$M): 2.7
P/NAV (x) (A\$): 0.26
Major Shareholders: Grant Davey
JP Morgan nominee

FYE Jun	2019E	2020E	2021E	2022E
EBITDA (A\$M)	(4.2)	(4.9)	(5.3)	(6.0)
Gold Production (000oz)	0	0	0	0
Free Cash Flow (A\$M)	(7.7)	(6.4)	(5.6)	(86.1)



Priced as of close of business 18 November 2019

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Initiation of Coverage

New found gold in Newfoundland

Cape Ray, 1.02Moz at 2.2g/t Au and fast growing. It only took Matador Mining 18 months to turn the Cape Ray project located in Newfoundland, Canada, from a historical 0.5Moz prospect into a +1Moz project with one of the highest open pit grades on the market (2.2g/t Au) and a clear line of sight to development. The team at MZZ saw the potential for an open pit project where predecessors had been focused on narrow high-grade material. It is not common for companies to come across a project where a lot of the core drilled over 40 years is available for re-assay and low-hanging ounces are so easy to pick. MZZ consolidated 80km of contiguous tenure over the Cape Ray Shear Zone, with historical work and the current resource covering only a small portion of that strike. We see substantial upside in this stock, mostly based on the quality of the project that associates promising geology, lack of modern exploration and a series of short-term catalysts from the work recently conducted by MZZ.

More ounces coming shortly. The 12,000m 2019 drilling campaign is just completed, and we have started seeing some numbers coming from the lab. Assay results show that there definitely were more ounces to be found at Cape Ray, and we believe from the drill holes' location and the numbers seen to date that MZZ could easily add ~200koz to the current resource by the end of JanQ'20. We expect this resource update/upgrade to be the base of a scoping study shedding more light on costs and production expectations.

Head start on all fronts to help fast track the project. The previous owners had started baseline environmental studies and permitting work. MZZ "picked the project running" and can bank on several years of pre-permitting work already completed cutting the timeline to development much shorter. Based on the current state of affairs, we believe that MZZ could be producing its first ounces in the second half of 2023.

Location is the key. The province of Labrador and Newfoundland is an attractive mining destination, 11th on the 2018 Fraser Institute's Investment Attractiveness Index with multiple mines currently in operation and a workable regulatory framework. Newfoundland itself even has the advantage of a simplified First Nation consultation process, allowing for faster tracking of mining projects. Newfoundland is host to the Lake Valentine Project currently being progressed by Marathon Gold (MOZ-TSE: \$1.55 | SPEC BUY, Eric Zaunserb), and the Cape Ray project should enjoy the same level of infrastructure, cheap power and available qualified workforce that Newfoundland has to offer.

Valuation and recommendation. Our price target of A\$0.70/sh is calculated from a sum-of-the-parts NAV valuation of the Cape Ray gold project at A\$164.9m, discounted by 60% to accommodate future funding risk and development risk associated with most gold mining pre-development projects. Our DCF valuation is based on a conventional seven-year open pit mining operation, with drill-blast-truck-crush-grind-gravity-CIL processing 1.5Mtpa in a A\$150m plant financed through debt producing 100kozpa. At this stage, the company has not released any study into the feasibility of the project and our numbers are based on industry consensus, CG estimates and CG comps. We initiate coverage with a SPECULATIVE BUY recommendation and MZZ currently trading at A\$0.19/sh with a P/NAV of 0.26x.

Figure 1: Financial summary

Matador Mining Ltd		ASX:MZZ		Rating:		SPEC BUY	
Analyst :	Xavier Braud			Target Price:		A\$0.70	
Date:	18/11/2019						
Year End:	June						
Market Information							
Share Price	A\$	0.19					
Market Capitalisation	A\$m	30.0					
12 Month Hi	A\$	0.33					
12 Month Lo	A\$	0.13					
Issued Capital	m	157.7					
Options	m	69.9					
Fully Diluted	m	227.6					
Valuation							
Cape Ray	NPV @ 10%	A\$m	164.9	Risked 60%	98.9	A\$/share	0.62
Exploration & Projects			20.0				0.13
Corporate			(6.1)				(0.04)
Cash & Bullion			2.7				0.02
ITM options			-				-
TOTAL NAV			181				0.72
Price:NAV							0.26x
NAV @ Spot	Spot US\$1,466/oz, AUDUSD \$0.68						0.57
Target Price (1.00 x NAV)							0.70
Assumptions							
Gold Price (US\$/oz)	2019a	2020e	2021e	2022e			
AUD:USD	1,303	1,262	1,504	1,538			
Gold Price (A\$/oz)	0.78	0.71	0.69	0.69			
	1,681	1,788	2,179	2,228			
Sensitivity							
Production Metrics							
Cape Ray	2022e	2023e	2024e	2025e			
Prod'n (koz)	0	20	96	101			
AISC (A\$/oz)	n/a	1,332	1,195	1,192			
Reserves & Resources							
		Mt	Grade	Moz			
Resources							
Meas+Ind		7.69	2.7	0.67			
Inferred		6.56	1.7	0.36			
Resources	TOTAL	14.25	2.24	1.03			
Directors							
Name	Position						
Keith Bowes	Executive Director (Technical)						
Adam Kiley	Executive Director (Corporate)						
Grant Davey	Non Executive Director						
Substantial shareholders							
		Shares (m)	%				
Grant Davey		18.51	11.74%				
JP Morgan Nominee		6.00	3.80%				
Company Description							
Matador Mining Limited (MZZ:ASX) is an Australian based gold exploration and development company. Its asset is the Cape Ray project located in Newfoundland, Canada which hosts a resource of 1.02Moz at 2.2g/t Au and covers 80km strike of the prospective Cape Ray Shear.							
Profit & Loss (A\$m)							
	2019a	2020e	2021e	2022e			
Revenue	0.0	0.0	0.0	0.0			
Operating Costs	0.0	0.0	0.0	0.0			
Corporate, O'heads & Royalties	0.9	0.8	1.2	1.6			
Exploration (Expensed)	3.3	4.2	4.2	4.2			
EBITDA	-4.2	-4.9	-5.3	-6.0			
Dep'n	0.0	0.0	0.0	0.0			
Net Interest	0.0	0.1	0.1	-0.2			
Other	0.0	0.0	0.0	0.0			
Tax	0.0	-1.4	-1.5	-1.7			
NPAT (statutory)	-4.2	-3.6	-3.8	-4.3			
Abnormals	0.0	0.0	0.0	0.0			
NPAT	-4.2	-3.6	-3.8	-4.3			
EBITDA Margin	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>			
EV/EBITDA	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>			
EPS	<i>-\$0.04</i>	<i>-\$0.03</i>	<i>-\$0.03</i>	<i>-\$0.03</i>			
EPS Growth	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>			
PER	<i>nm</i>	<i>-5.97</i>	<i>-6.99</i>	<i>-6.96</i>			
Dividend Per Share	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>			
Dividend Yield	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>			
Cash Flow (A\$m)							
	2019a	2020e	2021e	2022e			
Cash Receipts	0.0	0.0	0.0	0.0			
Cash paid to suppliers & employee	-4.3	-5.0	-5.4	-5.8			
Tax Paid	0.0	1.4	1.5	1.7			
Net Interest	0.0	0.1	0.1	-0.2			
Other	0.0	0.0	0.0	0.0			
Operating Cash Flow	-4.2	-3.6	-3.8	-4.3			
Exploration and Evaluation	0.0	-2.9	-1.8	-1.8			
Capex	0.0	0.0	0.0	-80.0			
Other	-3.4	0.0	0.0	0.0			
Investing Cash Flow	-3.4	-2.9	-1.8	-81.8			
Debt Drawdown (repayment)	0.0	0.0	0.0	0.0			
Share capital	3.4	5.0	5.0	0.0			
Dividends	0.0	0.0	0.0	0.0			
Financing Expenses	0.5	0.0	0.0	0.0			
Financing Cash Flow	3.9	5.0	5.0	0.0			
Opening Cash	2.7	3.7	3.0	-83.1			
Increase / (Decrease) in cash	-3.8	-1.4	-0.6	-86.1			
FX Impact	0.0	0.0	0.0	0.0			
Closing Cash	-1.1	2.3	2.4	-169.2			
Op. Cashflow/Share	<i>-\$0.04</i>	<i>-\$0.03</i>	<i>-\$0.02</i>	<i>-\$0.03</i>			
P/CF	<i>nm</i>	<i>-6.9</i>	<i>-7.8</i>	<i>-7.0</i>			
EV/FCF	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>			
FCF Yield	<i>-26%</i>	<i>-21%</i>	<i>-19%</i>	<i>-287%</i>			
Balance Sheet (A\$m)							
	2019a	2020e	2021e	2022e			
Cash + S/Term Deposits	2.7	3.7	3.0	-83.1			
Other current assets	0.0	0.0	0.0	-0.0			
Current Assets	2.7	3.7	3.0	-83.1			
Property, Plant & Equip.	0.0	0.0	0.0	16.0			
Exploration & Develop.	3.8	5.6	7.4	9.2			
Other Non-current Assets	0.0	0.0	0.0	64.0			
Payables	0.0	0.0	0.0	-0.0			
Short Term Debt	0.0	0.0	0.0	0.0			
Long Term Debt	0.0	0.0	0.0	0.0			
Other Liabilities	0.3	1.6	1.6	1.6			
Net Assets	6.3	7.7	8.8	4.5			
Shareholders Funds	11.7	16.7	21.7	21.7			
Reserves	0.2	0.2	0.2	0.2			
Retained Earnings	-4.2	-7.8	-11.6	-15.9			
Total Equity	6.3	7.7	8.8	4.5			
Debt/Equity	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>			
Net Debt/EBITDA	<i>nm</i>	<i>0.6x</i>	<i>0.6x</i>	<i>-39.3x</i>			
Net Interest Cover	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>			
ROE	<i>-68%</i>	<i>-46%</i>	<i>-43%</i>	<i>-95%</i>			
ROIC	<i>-110%</i>	<i>-63%</i>	<i>-52%</i>	<i>-5%</i>			
Book Value/share	<i>\$0.04</i>	<i>\$0.05</i>	<i>\$0.06</i>	<i>\$0.03</i>			

Source: Canaccord Genuity estimates

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Valuation

Our valuation of MZZ is based on a sum-of-the-parts (net asset valuation) approach. We based our valuation on a DCF analysis (NPV10%) of the Cape Ray gold project. We derive a probability-weighted valuation of the company's 100% interest in the project.

Figure 2: Net-asset valuation for MZZ

NET ASSET VALUATION						
DCF DISCOUNT RATE		10%				
					Shares	157.732
					ITM options	2.041
					Diluted	159.773
	US\$m	A\$m	RISK ADJ.	EQUITY	A\$m	PER SHARE
Cape Ray		164.9	60%	100%	98.9	\$0.62
SUB TOTAL		164.9			98.9	\$0.62
Exploration & Projects		20	100%	100%	20.0	\$0.13
Corporate		-6.1			-6.1	\$0.04
Investments		0.0			0.0	\$0.00
Forwards		0.0			0.0	\$0.00
Cash & Bullion		2.7			2.7	\$0.02
Debt		0.0			0.0	\$0.00
ITM options		0.0			0.0	\$0.00
TOTAL		181.45			115.50	A\$0.72
					Target (Rounded)	A\$0.70

Source: Canaccord Genuity estimates

Cape Ray Shear project 1.02Moz at 2.2g/t Au

MZZ controls 100% of the Cape Ray project located in Newfoundland. Our valuation is based on a standard open-pit mining scenario, mining the current resource of 1.02Moz at a grade of 2.2g/t Au.

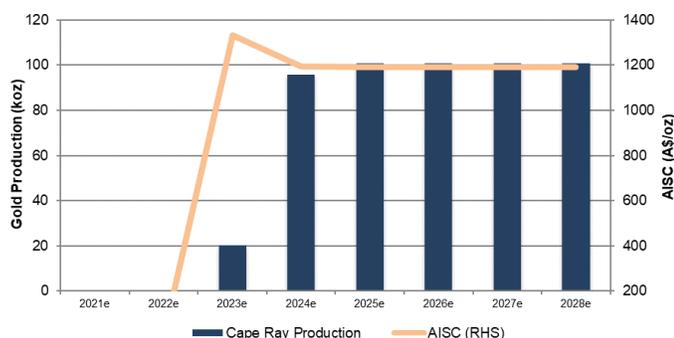
Production scenario

MZZ has been aggressively progressing the pre-permitting processes concurrently with its resource expansion drilling program. We estimated a start-up of the project in Q3 2022, first production in Q3 2023, and ramping up to full commercial production Q2 2024.

Our production scenario simulates an open-pit mining operation with a LOM average strip ratio of 7.5:1 and processing 1.5Mtpa of ore to produce 100koz of gold and 166koz of silver *per annum*.

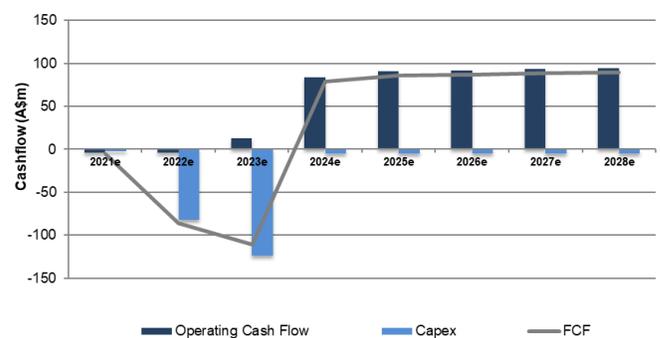
We derived a hypothetical mineable reserve envelope from the existing 1.02Moz resource utilising 100% of the current indicated resource and 50% of the current inferred resource.

Figure 3: Cape Ray modelled production profile and AISC 2021-2028



Source: Canaccord Genuity estimates

Figure 4: Cape Ray cash flow model 2021-2025



Source: Canaccord Genuity estimates

Figure 5: Current resource estimate and conceptual mining reserve

RESOURCES/RESERVES					
<i>Resources</i>	Tonnes (Mt)	Grade Au (g/t)	Ounces Au (Moz)	Grade Ag (g/t)	Ounces Ag (Moz)
<i>Cape Ray</i>					
Indicated	7.69	2.70	0.67	7.60	1.88
Inferred	6.56	1.70	0.36	5.50	1.16
Sub Total	14.25	2.24	1.03	6.63	3.04
<i>Conceptual Reserve</i>					
	Tonnes (Mt)	Grade Au (g/t)	Ounces Au (Moz)	Grade Ag (g/t)	Ounces Ag (Moz)
<i>Cape Ray</i>					
Our scenario reserve	10.97	2.20	0.77	6.60	1.88

Source: Company reports, Canaccord Genuity estimates

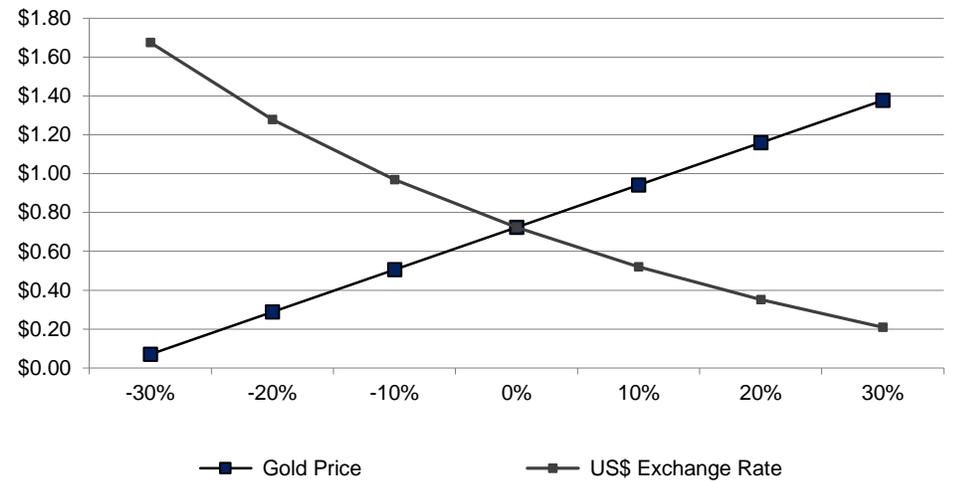
We took the view that MZZ will keep adding ounces to the resource inventory and that subsequently our numbers will have to be reviewed to integrate the resource upgrade.

Sensitivity analysis

The Cape Ray project is a gold project developed by an Australian-based company.

We see the gold price and the USD/AUD exchange rate as the two major sensitivity factors.

Figure 6: Sensitivity analysis



Source: Canaccord Genuity estimates

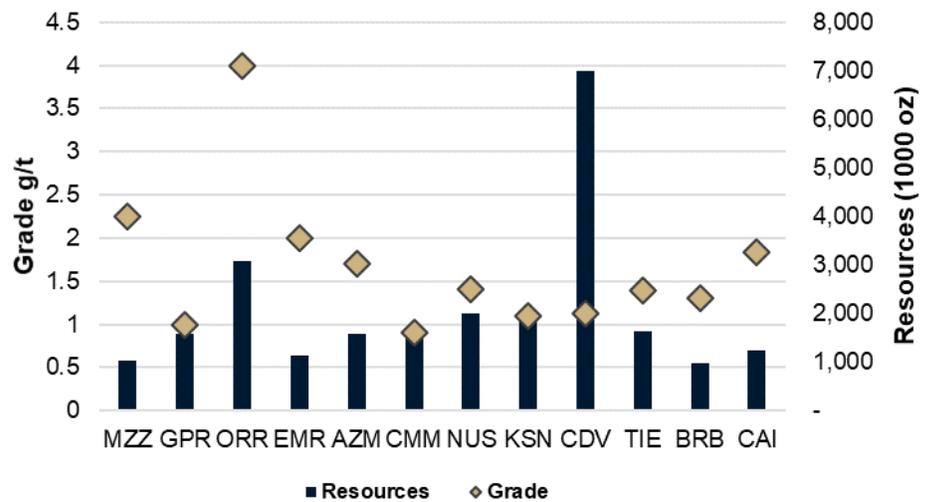
Peer comparison

High-grade open-pit project in first world jurisdiction

We compared MZZ with other ASX listed explorers/early developers with undeveloped +1Moz resources. The 2.2g/t average Resource Grade at the Cape Ray project offers one of the highest grades among undeveloped open-pit projects on the ASX.

The two other projects with a grade over 2.0g/t Au are in Tanzania and Cambodia, which we view as jurisdictions with higher risks than Newfoundland.

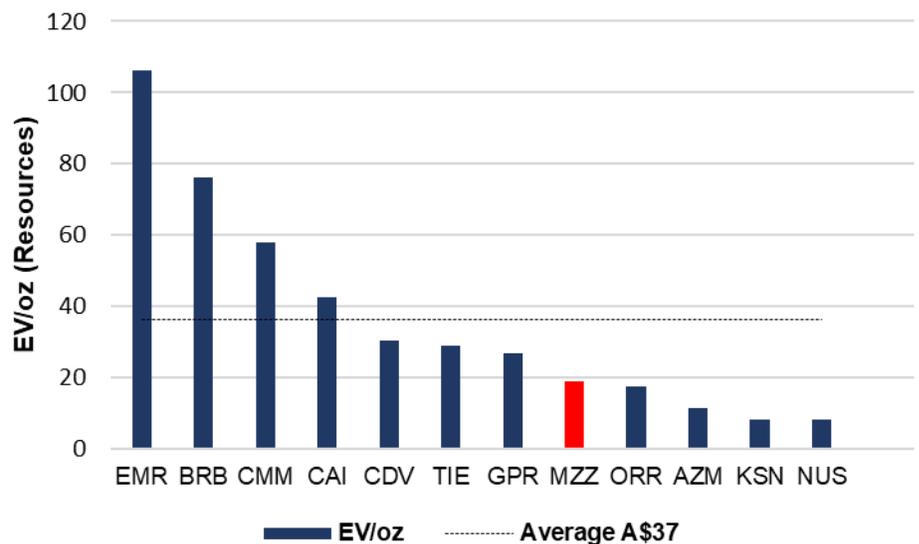
Figure 7: Grade/Resources peer comparison



Source: Companies Reports,

On an EV/oz basis, MZZ looks even more attractive compared to its peers.

Figure 8: EV/oz comps



Source: Company reports

Corporate & finance

Balance sheet

MZZ has a reported cash position of A\$2.61m as at 30 Sep'19 and an expected cash burn of A\$1.6m within the Dec'19 quarter. We anticipate that MZZ will seek to raise capital in the near future to continue its growth strategy. We believe that several catalysts will help the company raise its share price before raising more capital.

Our DCF valuation includes two capital raisings, in JanQ' 20 and JanQ' 21, of A\$5m each done at \$0.17/sh (a 15% discount to the current 10-day VWAP)

Capital structure

Figure 9: MZZ capital structure

			Price	Value	Expiry
Issued Shares	m	98.909	\$0.19		
Options 1	m	0.83	0.30	0.25	3/07/2020
Options 2	m	1.00	0.42	0.42	6/07/2020
Options 3	m	0.67	0.48	0.32	6/07/2020
Options 4	m	2.50	0.40	1.00	26/07/2020
Options 5	m	15.90	0.20	3.18	30/08/2020
Options 6	m	3.00	0.40	1.20	6/07/2021
Options 7	m	3.00	0.55	1.65	6/07/2021
Options 8	m	3.00	0.70	2.10	6/07/2021
Options 9	m	0.99	0.00	0.00	1/07/2022
Options 10	m	1.25	0.35	0.44	1/07/2022
Options 11	m	1.25	0.40	0.50	1/07/2022
Options 12	m	1.25	0.45	0.56	1/07/2022
Options 13	m	1.25	0.50	0.63	1/07/2022
Options 14	m	1.70	0.40	0.68	2/07/2022
Options 15	m	31.25	0.23	7.19	2/07/2022
Options 16	m	1.05	0.00	0.00	1/07/2024
Total Options	m	69.89	0.29	20.11	
Fully Diluted	m	168.800			

Source: Company reports

Substantial shareholders

MZZ has two substantial shareholders (>5%), project vendor and Non-Executive Director Grant Davey and a JP Morgan nominee account. The substantial holder notice has not yet been released to the market.

Figure 10: MZZ substantial shareholders

Name	Fully paid ordinary shares	Capital %
Grant Davey	18,510,234	18.71%
JP Morgan nominees	6,000,188	6.07%

Source: Company reports

MZZ's A\$5M placement announcement on 03/04/2019 stated: "Highly regarded mining executive Mark Clark and other WA gold mining figures are cornerstone investors in the Placement."

Top 20 shareholders list at 19 Sep' 2019 shows that Mark Clark, Myles Ertzen, Kim Massey and the Giorgetta family – all successful mining investors and executives – participated in the placement. We see their investment as a validation of the perceived quality of the project.

Directors & management

Mr. Keith Bowes – Executive Director, Technical

Mr. Keith Bowes is a highly regarded mining executive with extensive experience in metallurgy, project management and operational management. Over a 20-year period, Mr. Bowes has worked on project development and operations in Africa, South America and Australia across a range of commodities and processes. Mr. Bowes holds a BSc. Chemical Engineering from the University of Natal in South Africa.

Mr. Adam Kiley – Executive Director, Corporate

Mr. Adam Kiley has over 15 years' experience in the mining sector with a depth of experience in providing corporate and financial advisory services to ASX-listed companies in both Australia and the United Kingdom. Mr. Kiley holds a Bachelor of Commerce from Curtin University.

Mr. Grant Davey – Non-Executive Director

Mr. Grant Davey 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; 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).

Mr. Stuart McKenzie – Company Secretary

Mr. Stuart McKenzie has over 30 years' experience in senior commercial roles with IMX Resources Limited, Anvil Mining Limited, Ok Tedi Mining Limited, Ernst and Young and HSBC. Mr. McKenzie holds a Bachelor of Laws, a Bachelor of Economics and is a member of the Governance Institute of Australia.

Figure 11: MZZ board shares and options holdings

Director	Position	Direct and indirect FPO shares	Direct and indirect options
Keith Bowes	Executive Director (Technical)	40,000	1,456,000
Adam Kiley	Executive Director (Corporate)	1,112,000	2,156,000
Grant Davey	Non-Executive Director	18,510,234	10,695,834

Source: Company reports, Canaccord Genuity

Company background

Matador Resources Limited listed on the ASX in March 2017 and started its existence exploring greenstone belts of Western Australia, predominantly for gold and copper. Following the change in global appetite for battery metals, the company started exploring its tenement package for lithium and cobalt, which can also be found in Archean greenstone belts.

In April 2018, MZZ acquired the Cape Ray project in a transformational deal which redirected its exploration efforts towards gold in Newfoundland. The project originally came with a non-JORC-compliant 0.5Moz gold resource, which the company quickly upgraded.

Cape Ray gold project

Location & project history

The Cape Ray project is located on the Island of Newfoundland in the Canadian province of Newfoundland and Labrador.

Figure 12: Cape Ray project location



Source: Company reports

MZZ's tenure covers 80km of strike of the Cape Ray Shear Zone. The tenement package is located approximately 25km to the northeast of the town of Channel-Port aux Basques.

The project was discovered by Riocanex, Rio Tinto's Canadian exploration subsidiary, in 1977. The eight successive owners of the property between 1977 and 2016 drilled 560 holes for a total of over 85,000m of drilling before MZZ acquired the property.

Figure 13: Cape Ray project successive ownership

Years	Company
1977-1980	Riocanex (Rio Tinto)
1986-1989	Corona Dolphin Exploration
1898-2003	Tenacity
1996	Royal Oak Mines
2003-2004	Terra Nova
2004-2006	Cornerstone
2014	Benton Resources
2016	Nordmin

Source: Company reports

Geology, resources & reserves

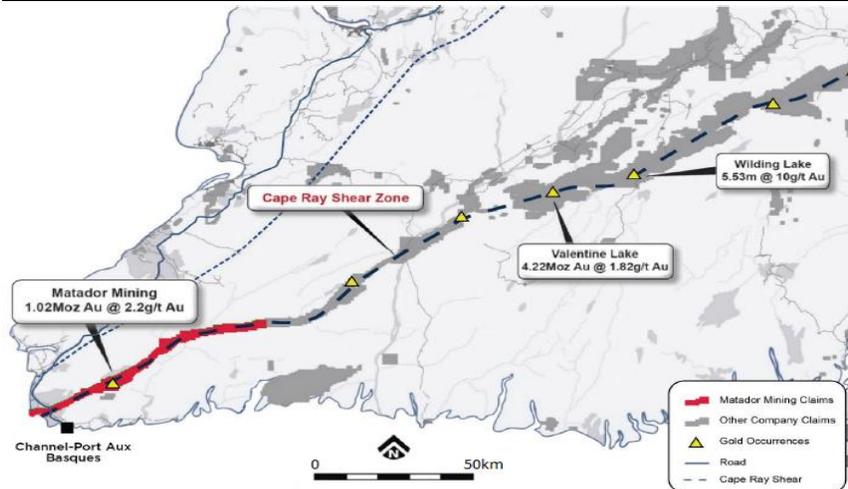
Essentially, MZZ property covers a contiguous 80km of strike length of the Cape Ray Shear Zone, which is a major geological boundary that has acted as a fluid duct, leading to the deposition of quartz +/- sulphide +/- gold lodes.

The regional-scale gold-bearing Cape Ray Shear Zone transects the island of Newfoundland for over 200km with widths of up to 1km.

Most mineralisation around the Cape Ray Shear Zone is hosted in structural splays branching off the main shear zone with the highest-grade zones of the deposits' dependant on the chemistry of the host rock.

Marathon Gold's 4.2Moz Valentine Lake deposit is hosted near a splay from the same Cape Ray Shear Zone in a setting similar to the Window Glass Hill deposit.

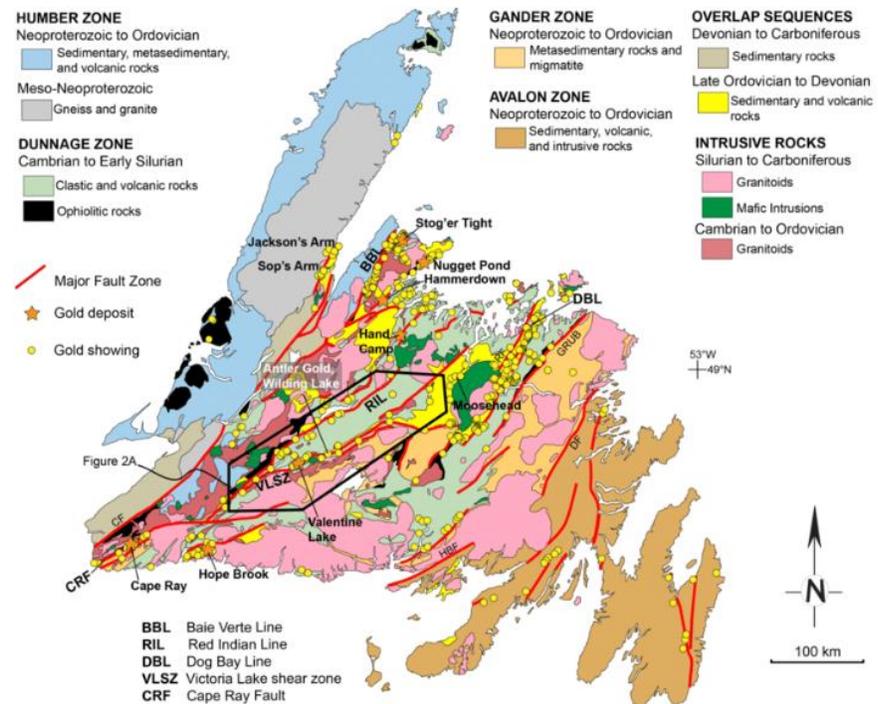
Figure 14: Cape Ray Shear Zone with tenure, deposits and occurrences



Source: Company reports

Regional geology

Figure 15: Newfoundland simplified geology with gold deposits and occurrences



Generalized geological map of Newfoundland showing the distribution of crustal-scale faults (red lines) and locations of gold deposits (orange stars) and showings (yellow circles). The area outlined in black is enlarged in Figure 2a. Map modified from Colman-Sadd et al. (1990). Abbreviations: CF - Cabot Fault; DF - Dover Fault; GRUB - Gander River Ultrabasic Belt; HBF - Hermitage Bay Fault.

Source: Honsberger, Ian & Bleeker, Wouter & Sandeman, Hamish & Evans, Dave. (2019). Lithological and structural setting of structurally controlled gold mineralization in the Wilding Lake region, central Newfoundland.

Southwestern Newfoundland is an area of complex geology that has been submitted to intense deformation, metamorphism and magmatism related to collision of the North American continent to the north and the Gander Avalon terrane to the south.

The Cape Ray Shear Zone (CRF on Figure 15 above) forms a major structural boundary between two of four zones, or terranes, that define the geology of Newfoundland: the Dunnage Zone to the northwest and the Gander Zone to the southeast.

The Dunnage Zone includes rocks originally deposited in the Late Precambrian – Early Palaeozoic Iapetus Ocean, and in southwestern Newfoundland is represented by the Cape Ray Igneous Complex (CRIC). The Gander Zone is comprised mainly of deep-water turbidite sedimentary rocks deposited at or near the eastern side of the Iapetus Ocean.

Simplifying all of this geological information, the Cape Ray Shear Zone is an intensely deformed zone where two sides of a closing ocean have collided. Mineralising fluids have circulated within this intensely crushed zone and formed gold-bearing lodes.

At the Cape Ray Gold project, the gold lodes occur in what once were deep-water sediments, now intensely deformed graphitic schists (Central Zone, Isle aux Morts) as well as within granitic intrusions related to the collision (PW, Window Glass Hill).

Mineral resources

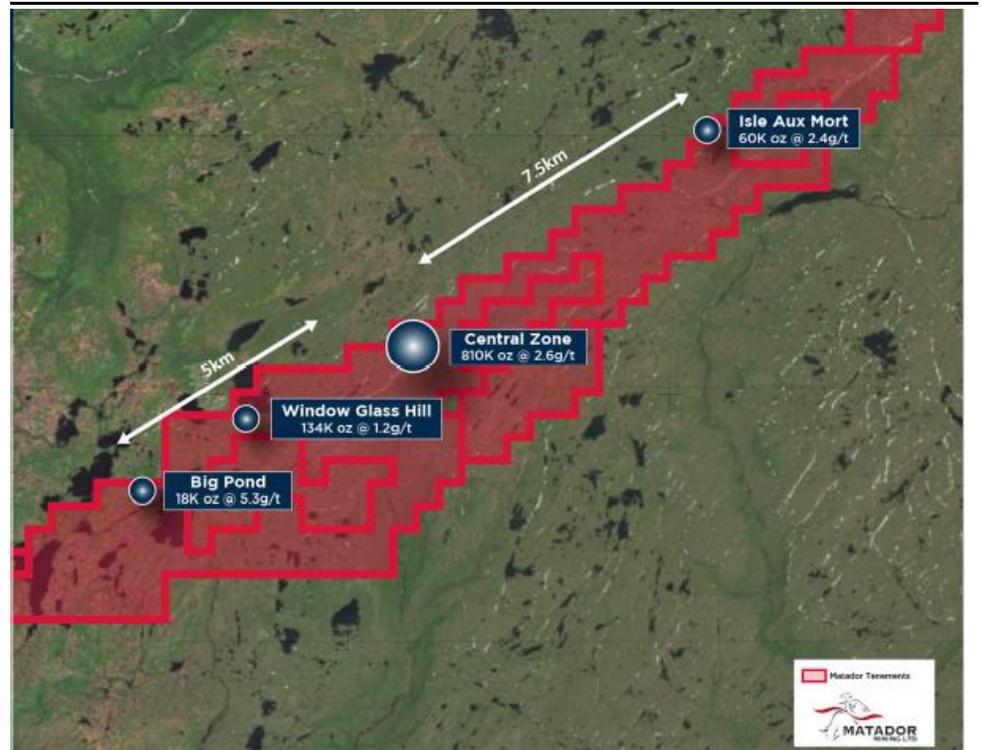
MZZ Cape Ray gold project resource is hosted within four different deposits: Central Zone, Isle aux Morts, Big Pond and Window Glass Hill.

Figure 16: Cape Ray project resources break down

Resources	Mt	Grade Au (g/t)	Moz Au	Grade Ag (g/t)	Moz Ag
Central Zone					
Measured					
Indicated	7.69	2.70	0.67	7.60	1.88
Inferred	2.03	2.30	0.15	8.00	0.52
Sub Total	9.72	2.62	0.82	7.68	2.40
Isle aux Morts					
Inferred	0.78	2.40	0.06	2.40	0.06
Sub Total	0.78	2.40	0.06		0.06
Big Pond					
Inferred	0.11	5.30	0.02		0.00
Sub Total	0.11	5.30	0.02		0.00
Window Glass Hill					
Inferred	3.64	1.20	0.14	4.80	0.56
Sub Total	3.64	1.20	0.14		0.56
TOTAL	14.25	2.26	1.04	6.60	3.02

Source: Company reports

Figure 17: MZZ deposits relative location diagram



Source: Company reports

Central Zone, Isle aux Morts and Big Pond are geologically similar with mineralisation hosted within orogenic quartz sulphide veins in sheared graphitic shales.

At Window Glass Hill, the mineralisation style is different from the three other deposits. The host rock is a granitic intrusion with mineralisation hosted within quartz sulphide veins within the granite.

Central zone:

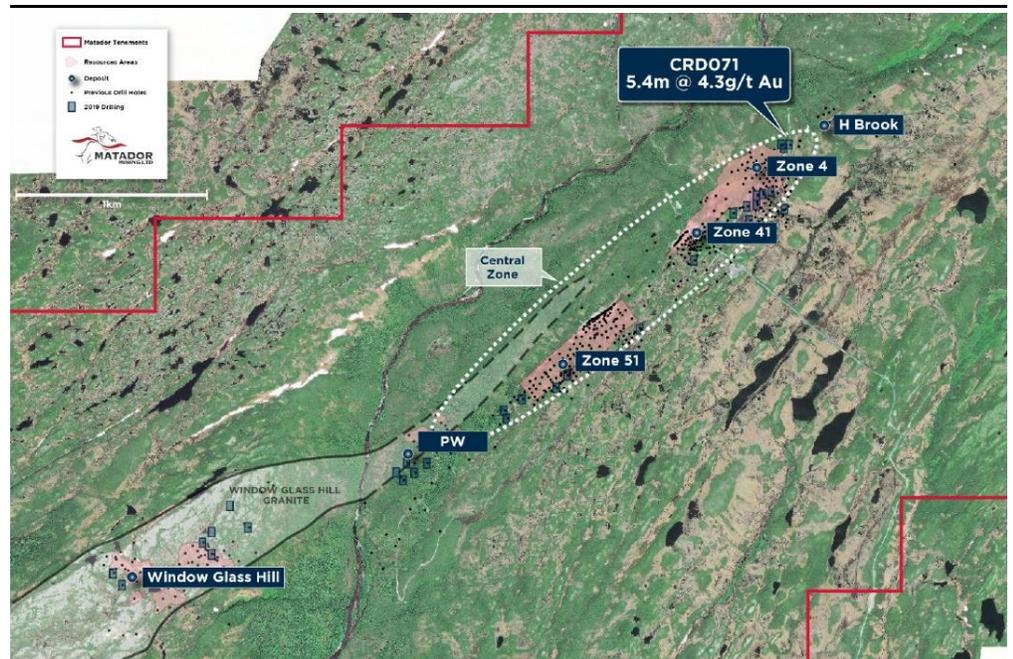
Originally, the central zone was made up of four different deposits, Zone 04, Zone 41, Zone 51 and PW.

Historically, previous explorers had been chasing the higher-grade mineralised areas, which led to the definition of smaller individual deposits separated by “barren” gaps.

The MZZ interpretation was that lower-grade mineralisation is continuous between the higher-grade areas and that Zone 04, Zone 41 and Zone 51 are all part of a single mineralised system that would present an interesting value proposition in an open pit mining scenario.

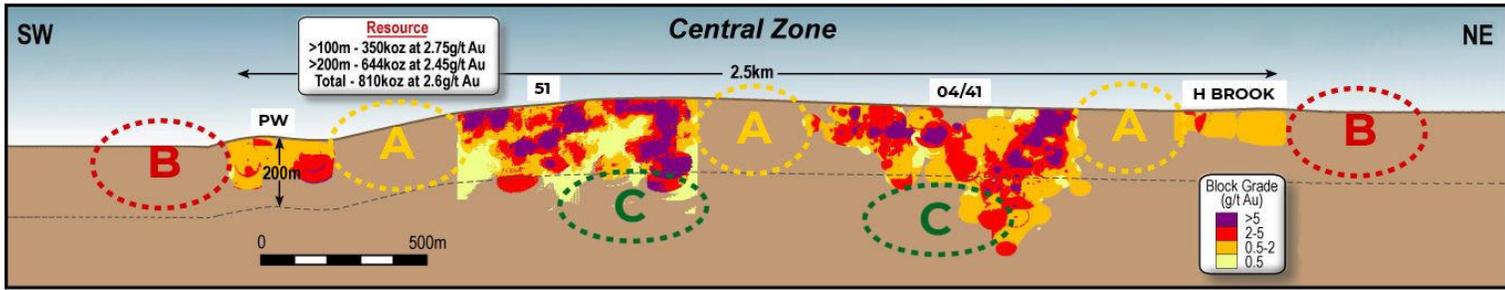
MZZ strategy during the 2019 drilling campaign has been to drill along strike and below the existing deposit to extend the footprint of mineralisation as well as test for continuity between Zone 04, Zone 41 and Zone 51.

Figure 18: Central Zone plan view with resource outline and 2019 drilling



Source: Company reports

Figure 19: Central Zone long section with resource blocks and exploration targets



Source: Company reports,

Window Glass Hill (and PW)

Mineralisation at Window Glass Hill is hosted within a large granitic intrusion, similar to Marathon Resources' 4.2Moz Au Valentine Lake Project.

It is the same Window Glass Hill granite that hosts the PW deposit; however, at PW, mineralisation seems to be related to the Cape Ray Shear Zone and be more of an orogenic lode mineralisation within a granite host.

Interestingly, the mineralisation style at PW is alluding to a possible continuity between central zone and Window Glass Hill with a transition between two different styles of mineralisation without loss of continuity in a resource envelope.

Figure 20: Window Glass Hill and PW plan view with resource outline, 2019 drilling and planned future drilling



Source: Company reports

Scoping study

At this stage MZZ has not yet completed any scoping studies. The indicative timeline released to the market shows that it is the Company's intention to release a scoping study Q1 2020 followed by a PFS towards the end of Q3 2020.

Development scenario

Capital costs

Our model includes a capital expenditure of A\$150m, which based on current industry consensus seems enough as a first-pass approximation for the development of a standalone 1.5Mtpa processing plant with a standard CIL/CIP gold circuit.

Mining

There is limited glacial till cover over the top of the deposit; our scenario anticipates production starting shortly after mining.

Given the nature, grade and shape of the mineralisation we modelled the Cape Ray project development as an open pit drill-blast-truck operation.

Processing

Preliminary metallurgical test work conducted historically by former owners of the project demonstrated gold recoveries above 90% with individual test results as high as 96%.

In January 2019, MZZ conducted preliminary metallurgical test work, which showed considerable improvement compared to the historical data.

To stay on the safe and conservative side of estimations, we used 95% recovery in our model, which is the lowest figure reported by MZZ.

Figure 21: MZZ Preliminary metallurgical test work recoveries

	Gold Recovery			Silver Recovery		
	Gravity	Whole Ore Cyanide	Whole Ore Flotation	Gravity	Whole Ore Cyanide	Whole Ore Flotation
Central Zone (04)	25%	97%	95%	10%	53%	84%
Central Zone (41)	33%	96%	91%	9%	71%	87%
Isle Aux Mort	9%	95%	80%	8%	56%	66%
Window Glass Hill (WGH)	59%	99%	97%	18%	38%	93%
Big Pond	44%	99%	94%	5%	35%	92%
Average	28%	96%	90%	9%	56%	82%

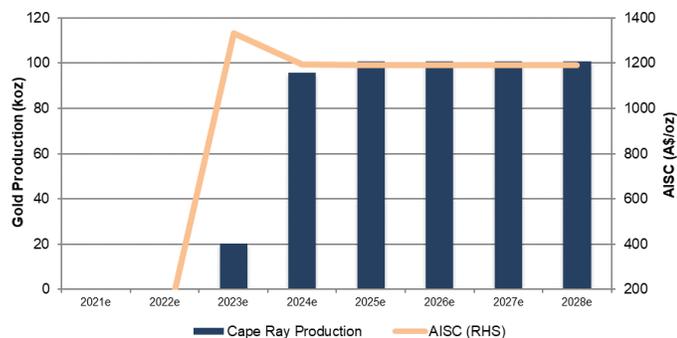
Source: Company reports

Production & operating costs

Our modelled scenario implies a C1 cost of A\$1,063/oz and AISC cost of A\$1,192/oz. Those figures are based on mining, milling processing and administration costs in line with currently reported industry figures.

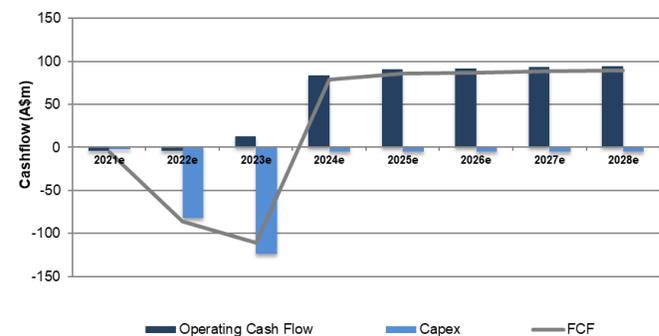
MZZ is currently conducting scoping study work and we shall review our numbers based on this study when it is released.

Figure 22: Modelled production profile and AISC 2021-2024



Source: Canaccord Genuity estimates

Figure 23: Modelled cash flow 2021-2024



Source: Canaccord Genuity estimates

Project timetable

Figure 24: Indicative project timeline

Category of Task / Activity	Task / Activity	2019		2020				2021				2022				2023	
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Environmental Assessment Process	Meeting with CEAA and Provincial EA representatives																
	First Nation Consultation																
	Other stakeholders																
Technical Studies	Gap analysis																
	Spring Baseline studies																
	Winter baseline studies																
	Predictive Modelling																
	Scoping Study																
	Pre-Feasibility Study																
	Bankable Feasibility Study																
Environmental Assessment & Permitting Process	Complete Federal EA Process and submit EIS																
	Complete Provincial EA Process and submit EIS																
	Respond to supplemental information requests																
	EIS accepted and project approved by CEAA and NL EA																
	Obtain Federal authorizations and Provincial Permits to construct																
Construction	Commence construction																
Production	Commence production & ramp up																

Source: Company reports

Timing: the ace up MZZ’s sleeve

When it comes to timing, most explorers and early developers are usually overly optimistic.

In MZZ case, we believe that the company could easily be in a position to deliver on a reasonably aggressive timeline.

There are two main reasons behind our timing optimism, both related to permitting.

The environmental process including Environmental Assessment and Environmental Impact Study is a well-defined process that involves baseline flora and fauna studies over two years prior to lodging applications.

Baseline surveys and studies had been started by the previous owners of the project and MZZ was very careful to not break the continuity of these studies.

Compared to other projects in Newfoundland, we believe that MZZ has a two years environmental head start.

The second reason for our optimism is the community consultation process.

We visited the site in July and the site visit included meeting with local officials as well as permitting consultants.

The province of Labrador and Newfoundland is very supportive of mining, and the consultation process in Newfoundland is simplified by the fact that there are no First Nation treaties on the island.

Mining represents a large part of the employment in the province; however, in Newfoundland, the local skilled mining workforce is currently flying out to other regions of Canada to work.

The message from the local authorities we met was clearly in favour of developing local mining projects with all the well-known economic benefits for the community.

Regional exploration and the substantial growth potential

MZZ picked up a stranded asset that had seen a substantial amount of historical exploration work but had failed to “make the cut” for its previous owners.

It only took a slightly different approach for MZZ to deliver data that points to a valuable project out of the same historical work.

Historical work had focussed on high-grade deposits without considering the potential for open pit mining of lower grade material.

MZZ own drilling re-assaying of historical core led to identifying continuity in the mineralisation at central zone. The same work allowed the company to identify potential extensions to Window Glass Hill mineralisation.

MZZ has recently completed a 12,000m drilling program designed to test for mineralisation between the existing resources envelopes as well as finding depth extensions to the Central Zone deposit.

Drill results released to date returned high-grade intercepts showing that the 1.02Moz resource has a lot of room to grow.

1.02Moz of 2.2g/t Au open pit material in a first world jurisdiction is a rare thing nowadays. We believe that if it wasn't for its location in an area that has not seen much mining historically, the project would be an empty hole in the ground with fond memories of its profitability. Luckily enough, it has not been mined and has been left intact for MZZ to develop.

Central Zone extension potential

Latest drill results from Central Zone include:

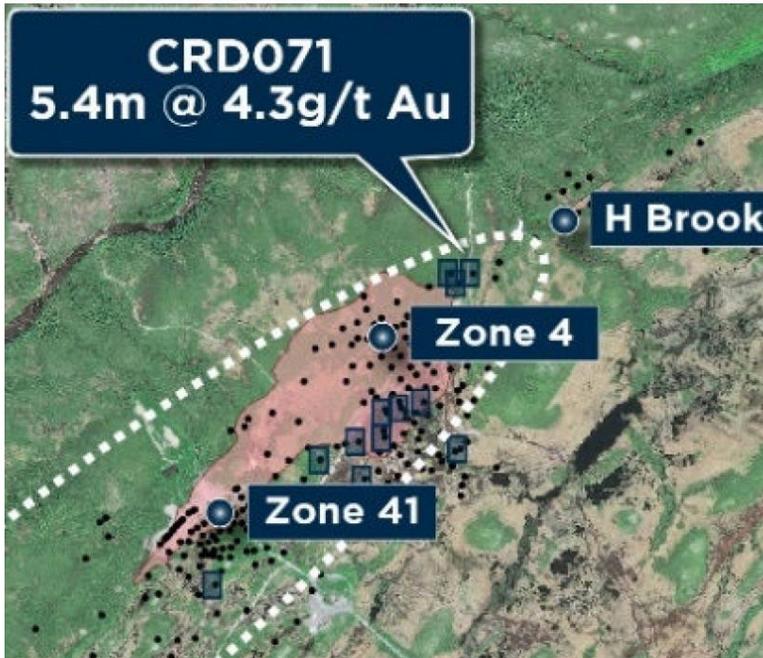
- 15.9m at 3.1g/t Au, including 4m at 10.7g/t Au from 148m in CRD052
- 16m at 3.0g/t Au, including 6m at 5.0g/t Au from 229m in CRD037
- **5.4m at 4.3g/t Au, including 2.5m at 8.8 g/t Au from 74m in CRD071**
- 7.2m at 2.2g/t Au from 225m in CRD035
- 15m at 1.8g/t Au, including 4m at 4.9/t Au from 222m in CRD041
- 3m at 4.5 g/t Au from 202m in CRD043

All those intervals are outside of the existing resource envelope and will be part of a resource upgrade, which we see as a strong catalyst in 1H 2020.

Hole CRD071 is the confirmation of the potentially fast growth of the resource at Central Zone. This hole is located 80m to the north of the existing Zone 04 block model and 120m from the H Brook deposit block model.

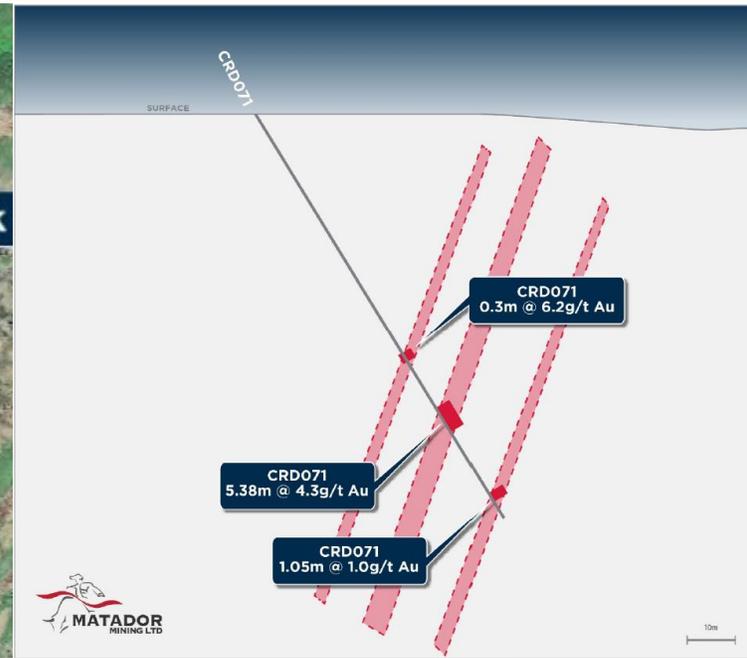
The cross-section view (Figure 26) shows that the high-grade interval (5.4m at 4.3g/t Au) is only ~50m below surface, well within an open pit resource envelope.

Figure 25: CRD071 plan view enlargement with resource envelope (pink outline)



Source: Company reports

Figure 26: CRD071 cross section view



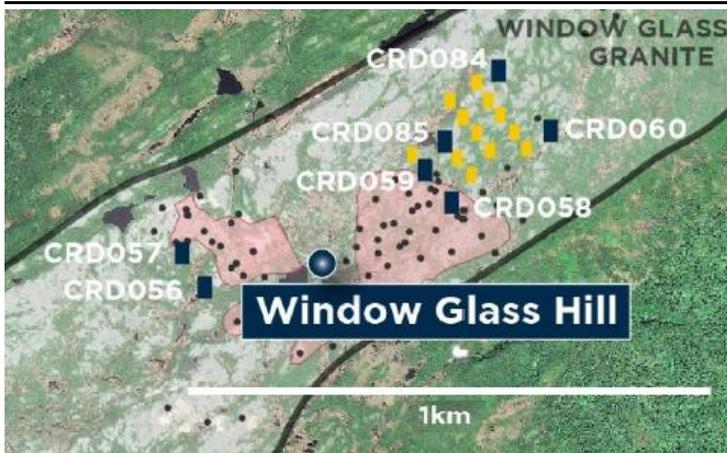
Source: Company reports

Window Glass Hill extension potential

Latest drill results from Window Glass Hill include:

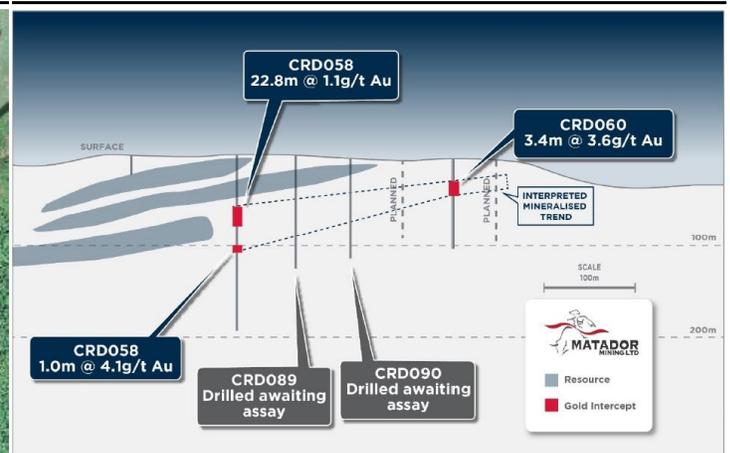
- 22.8m at 1.1g/t Au, including 9.7m at 2.2 g/t from 58m in CRD058
- 9.2m at 1.1g/t Au from 70m in CRD085
- 4.2m at 2.2g/t Au from 61m in CRD084
- 2.8m at 3.6g/t Au from 34m in CRD060
- 2.8m at 1.1g/t Au from 6m in CRD057

Figure 27: Window Glass Hill 2019 drilling plan view close up with 2019 reported drilling and the current resource envelope (pink area)



Source: Company reports

Figure 28: Window Glass Hill 2019 drilling long section view with reported intervals outside of the current resource envelope



Source: Company reports

Regional exploration potential

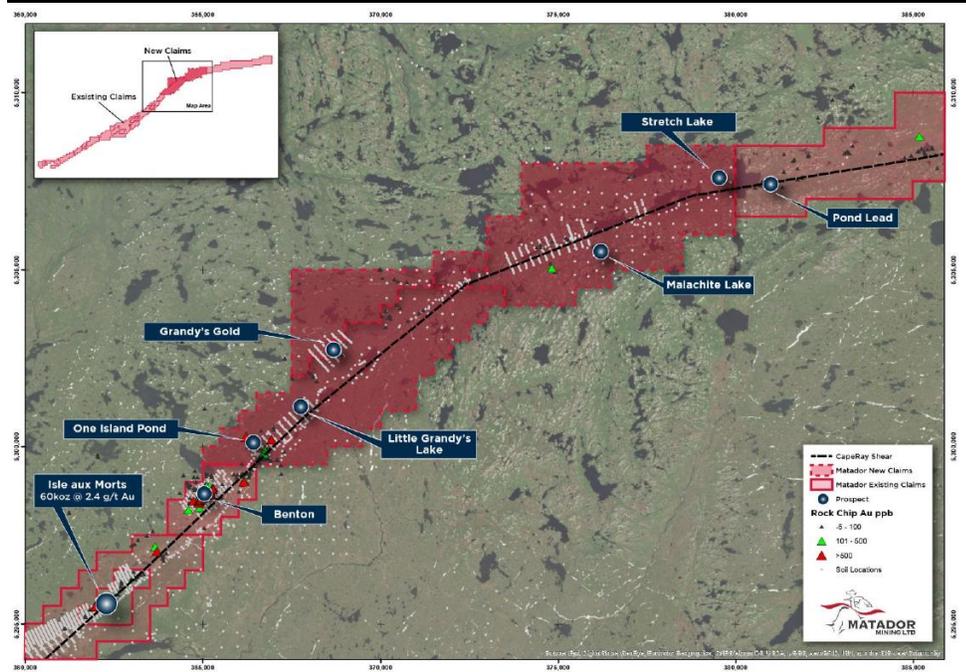
Very limited exploration work has been conducted historically over the 80 km of strike length of the Cape Ray Shear Zone under MZZ tenure. In the two years the company has owned the project, it has made fast progress in defining additional ounces and validating its exploration model.

If it wasn't for the seasonality of exploration in Newfoundland, we believe that MZZ would be progressing even faster.

On 28 Aug. 2019, MZZ announced the purchase of additional tenure from Antler Gold to expand its footprint to a contiguous 80km land package along and over the Cape Ray Shear Zone.

No historical drilling has been conducted on the new property, but rock chip samples and soils samples returned grades up to 50g/t Au at surface, showing strong potential that had never been followed up on by drilling.

Figure 29: Newly acquired tenure with historical surface sampling map



Source: Company reports

The region needs more attention and more work, which, we believe, MZZ can give it.

The original interpretation and exploration models proved to be right and we can anticipate resource growth from the latest 12,000m of drilling.

We would not be surprised if, after receiving the last results from the 2019 drilling, MZZ was in a position to add 150-200koz to the current resource. From the drilling location and results to date, on our rough estimates, we can see Window Glass Hill delivering an additional 100koz, and Central Zone putting on an extra 100koz.

We also believe that the next drilling season could quickly and easily add more ounces from the newly acquired prospects.

Appendix 1: Investment risks

Funding

As a pre-production company with no material income, MZZ is reliant on equity and debt markets to fund development of its assets and progressing its regional exploration pipeline. Total development and working capital requirements are subject to completion of feasibility studies. There are no guarantees that studies will result in a positive investment decision for the Cape Ray gold project. Further, we can make no assurances that accessing these markets will be done without further dilution to shareholders.

Exploration risks

Exploration is subject to a number of risks and can require a high rate of capital expenditure. Risks can also be associated with conversion of inferred resources and lack of accuracy in the interpretation of geochemical, geophysical, drilling and other data. No assurances can be given that exploration will delineate further mineral resources or that the company will be able to convert the current mineral resource into minable reserves.

Operating risks

If and when in production, the company will be subject to risks such as plant/equipment breakdowns, metallurgical (meeting design recoveries within a complex flowsheet), materials handling and other technical issues. An increase in operating costs could reduce the profitability and free cash generation from the operating assets considerably and negatively impact valuation. Further, the actual characteristics of an ore deposit may differ significantly from initial interpretations which can also materially impact forecast production from original expectations.

Commodity price and currency fluctuations

As with any mining company, MZZ is directly exposed to commodity price and currency fluctuations. Commodity price fluctuations are driven by many macroeconomic forces including inflationary pressures, interest rates and supply and demand factors. These factors could reduce the profitability, costing and prospective outlook for the business.

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Individuals identified as "Sector Coverage" cover a subject company's industry in the identified jurisdiction, but are not authoring analysts of the report.

Investment Recommendation

Date and time of first dissemination: November 18, 2019, 14:01 ET

Date and time of production: November 18, 2019, 12:23 ET

Target Price / Valuation Methodology:

Matador Mining Limited - MZZ

Our price target of A\$0.70/sh is calculated from a sum of the parts NAV valuation of the Cape Ray gold project at A\$164.9m discounted by 60% to accommodate future funding risk and development risk associated with most gold mining pre-development projects. Our DCF valuation is based on a conventional 7 years open pit mining operation, with drill-blast-truck-crush-grind-gravity-CIL processing 1.5Mtpa in a A\$150m plant financed through debt producing 100kozpa.

Marathon Gold Corporation - MOZ

We value Valentine Lake at an 8% discount rate generating \$585.5M on our forward curve derived gold deck featuring US\$1,533/oz long-term. Net corporate adjustments are dominated by \$248.3M in equity raised at a discount to market (\$1.10/sh) resulting in 406Msh outstanding in our fully funded approach. This yields a corporate NAV of \$833.8M or \$2.06/sh. Applying a 1.0x multiple generates a \$2.06 target NAVPS, which supports a rounded \$2.00 target price.

Risks to achieving Target Price / Valuation:

Matador Mining Limited - MZZ

Funding: As a pre-production company with no material income, MZZ is reliant on equity and debt markets to fund development of its assets and progressing its regional exploration pipeline. Total development and working capital requirements are subject to completion of feasibility studies. There are no guarantees that studies will result in a positive investment decision for the Cape Ray gold project. Further, we can make no assurances that accessing these markets will be done without further dilution to shareholders.

Exploration risks: Exploration is subject to a number of risks and can require a high rate of capital expenditure. Risks can also be associated with conversion of inferred resources and lack of accuracy in the interpretation of geochemical, geophysical, drilling and other data. No assurances can be given that exploration will delineate further mineral resources or that the company will be able to convert the current mineral resource into minable reserves.

Operating risks: If and when in production, the company will be subject to risks such as plant/equipment breakdowns, metallurgical (meeting design recoveries within a complex flowsheet), materials handling and other technical issues. An increase in operating costs could reduce the profitability and free cash generation from the operating assets considerably and negatively impact valuation. Further, the actual characteristics of an ore deposit may differ significantly from initial interpretations which can also materially impact forecast production from original expectations.

Commodity price and currency fluctuations: As with any mining company, MZZ is directly exposed to commodity price and currency fluctuations. Commodity price fluctuations are driven by many macroeconomic forces including inflationary pressures, interest rates and supply and demand factors. These factors could reduce the profitability, costing and prospective outlook for the business.

Marathon Gold Corporation - MOZ

Aside from the metal price, foreign exchange and capital markets risks common to early stage exploration companies, we highlight the technical assumptions behind our valuations and permitting as sources of risk.

Distribution of Ratings:

Global Stock Ratings (as of 11/18/19)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	521	59.61%	52.59%
Hold	217	24.83%	35.48%
Sell	17	1.95%	23.53%
Speculative Buy	119	13.62%	77.31%
	874*	100.0%	

*Total includes stocks that are Under Review

Canaccord Genuity Ratings System

BUY: The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.

HOLD: The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.

SELL: The stock is expected to generate negative risk-adjusted returns during the next 12 months.

NOT RATED: Canaccord Genuity does not provide research coverage of the relevant issuer.

“Risk-adjusted return” refers to the expected return in relation to the amount of risk associated with the designated investment or the relevant issuer.

Risk Qualifier

SPECULATIVE: Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

12-Month Recommendation History (as of date same as the **Global Stock Ratings** table)

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An analyst has visited the material operations of Matador Mining Limited. No payment was received for the related travel costs.

Matador Mining Limited Rating History as of 11/15/2019



Marathon Gold Corporation Rating History as of 11/15/2019



Past performance

In line with Article 44(4)(b), MiFID II Delegated Regulation, we disclose price performance for the preceding five years or the whole period for which the financial instrument has been offered or investment service provided where less than five years. Please note price history refers to actual past performance, and that past performance is not a reliable indicator of future price and/or performance.

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