

Starcore International Mines Ltd. (TSX: SAM / OTC: SHVLF / FK: V4JA)

A Profitable Gold Producer Trading Below Cash – Initiating Coverage

BUY

Current Price: C\$0.17 Fair Value: C\$0.73

Risk: 4

Sector / Industry: Junior Mining

Click here for more research on the company and to share your views

Highlights

- > Starcore's ("SAM") 100% owned San Martin mine (Mexico) has been in operation since 1993, producing over 690 Koz gold equivalent (AuEq). We believe the project's remaining resources/reserves can support another 10 years of production. This mine generated \$9M in operating profit, at cash costs of US\$1,239/oz in FY2022 (year-ended April 2022). We are expecting operating profit to average \$8M/year in FY2023 and FY2024.
- SAM is planning to complete a 10,000 m drill program this year, to potentially expand the project's mine-life. We believe there is significant resource expansion potential as 89% of the project area is underexplored.
- SAM is also advancing its advanced-stage Opodepe project in Mexico, which has a reasonably large copper-molybdenum resource. A historic PEA (completed in 2010) had returned an AT-NPV10% of US\$429M, using conservative metal prices: US\$2.6/lb Cu (spot: US\$3.8/lb), and US\$15/lb Mo (spot: US\$21/lb). This project has potential for gold/silver as well.
- ➤ Healthy balance sheet, **with no debt**. We note that most gold producers use leverage. Management and insiders own 25% of SAM's equity.
- MCAP of \$9M and working capital of \$10M, indicate that the market is assigning zero value to its assets.
- Upcoming catalysts include drilling (San Martin) and exploration (Opodepe). In addition, we are expecting a rally in gold prices as the Fed is likely to turn less hawkish in H1-2023, due to slower GDP growth, and as inflation has started to taper. Due to shrinking margins (amid rising costs), gold equities underperformed gold last year. That said, equities had outperformed the metal during the last rally, in early 2022. We believe SAM has higher upside potential than the metal in the coming months.

Risks

- > The value of the company is primarily dependent on gold/copper/molybdenum prices
- Development and exploration risks
- Foreign exchange
- > No assurance that the company can advance all of its projects simultaneously

Sid Rajeev, B.Tech, MBA, CFA Head of Research

Nina Rose Coderis, B.Sc (Geology) Equity Analyst



	YTD	12M
SAM	10%	-28%
TSX	1%	-7%

Company Data

52 Week Range	C\$0.14-C\$0.30
32 Week halige	C\$0.14-C\$0.30
Shares O/S	56M
Market Cap.	C\$9M
Yield (forward)	N/A
P/E (forward)	N/A
P/B	0.2x

Key Financial Data (FYE - April 30) (C\$ '000)	2022	2023E	2024E
Cash	\$8,818	\$10,075	\$10,715
Working Capital	\$9,135	\$10,408	\$11,065
Debt	· -	· -	-
Total Assets	\$52,041	\$50,636	\$49,931
Revenue	\$25,679	\$24,719	\$26,806
Net Income (Loss)	\$2,405	-\$2,495	-\$1,003
FPS '	\$0.05	-\$0.04	-\$0.02

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



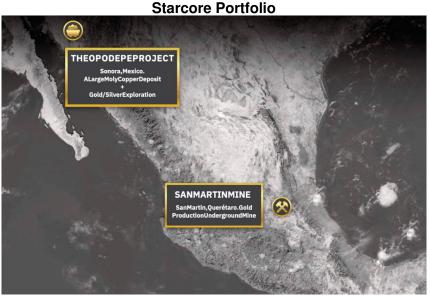
Portfolio Summary

Owns a producing gold mine, and an advanced stage exploration project in Mexico

270+ employees

The San Martin mine has been in production since 1993; Starcore acquired the mine in 2007

Total NI 43-101 compliant resources of 175 Koz AuEq, 301 Mlbs Cu, and 304 Mlbs Mo



Source: Company

Starcore also **owns the early-stage Ajax molybdenum property** in B.C., where a 600 m x 650 m mineralized zone has been delineated. Recent sampling has returned elevated values of silver, copper, lead, and zinc.

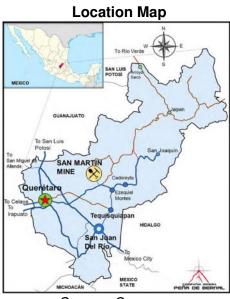
San Martin Mine

Starcore owns and operates the underground San Martin gold-silver mine. The project, covering 12,992 hectares, includes two underground mines (San Jose and San Martin).

Located 250 km northwest of Mexico City

Access through paved roads and a highway

Connected to the national power grid



Source: Company



Started commercial production in 1993

1,000 tpd mill

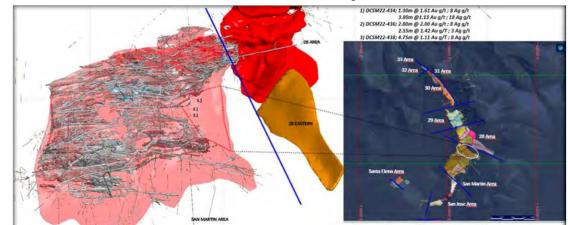
Processing Plant



Source: Company

The current resource estimate includes six epithermal veins (San Martin, San Jose I, San Jose II, Area 28, Area 4700, and Area 29). The San Martin vein, which has been traced for 2 km, has widths ranging between 1.5 m and 30 m.

San Martin Orebody



Underground goldsilver mine

Mining to a depth of 500 m

83 Koz AuEq in reserves (five years of production remaining)

2022 Reserves and Resources

Category	Tonnes	Grad	e	Total Contained oz			
	Tonnes	(g Au/t)	(g Ag/t)	(oz Au)	(oz Ag)	(oz Au Eq)	
Proven (P)	144,331	1.79	14	8,283	61,278	9,079	
	žo vi	4		1.6	10 W	<i>i</i>	
Probable (P)	1,204,102	1.73	13	67,070	493,306	73,480	
Total Reserves P+P	1,348,433	1.74	13	75,353	554,584	82,559	

Source: Company / FRC



In addition, the project has 93 Koz AuEq in resources (another five years of production)

The mine has produced 604 Koz gold and 5.71 Moz silver (693 Koz AuEq) since 1993

Produced 10 Koz gold and 85 Koz silver in FY2022 (ended April 2022)

Production has been declining as the company has been transitioning from higher to lower grade ore

Catanami	T	Gra	ade	Total Contained oz			
Category	Tonnes	(g Au/t)	(g Ag/t)	(oz Au)	(oz Ag)	(oz Au Eq)	
San Martin							
Indicated	134,871	1.51	9	6542	37,847	7,018	
Total Indicated	134,871	1.51	9	6542	37,847	7,018	
San Jose I and II							
Inferred	93,220	1.15	5	3,455	16,303	3,660	
San Martin	00		·				
Inferred	1,131,706	1.81	12	65,831	426,610	71,194	
Area 28 and 4700				(i)			
Inferred	121,974	2.34	42	9,171	162,985	11,220	
Area 29							
Inferred							
Total Inferred	1,346,899	1.81	14	78,457	605,897	86,074	
Totals I + I	1,481,770	1.78	14	84,999	643,744	93,092	

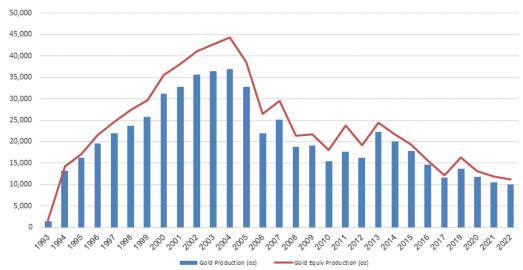
*Resources are exclusive of reserves

Production History





Production



Source: FRC / Company



H1-FY2023 (ended October 2022) production was down 5% YoY due to lower grades

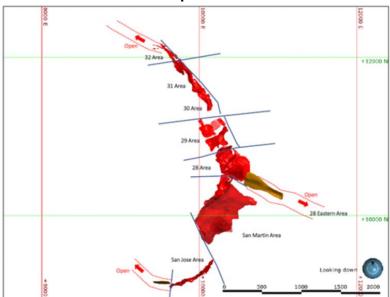
Recent Production Results								
San Martin Production	<u>Q2</u> 2023	<u>Q1</u> 2023	Q/Q Change	<u>YTD</u> 2023	<u>YTD</u> 2022	Y/Y Change		
Ore Milled (Tonnes)	57,165	55,263	3%	112,428	112,347	0%		
Gold Equivalent Ounces	2,452	2,925	-16%	5,377	5,676	-5%		
Gold Grade (Grams/Ton)	1.46	1.70	-14%	1.58	1.60	-1%		
Silver Grade (Grams/Ton)	12.83	21.29	-40%	16.99	21.87	- 22%		
Gold Recovery (%)	87.14	89.43	-3%	88.36	88.08	0%		
Silver Recovery (%)	47.86	49.13	-3%	48.64	53.53	-9%		
Gold: Silver Ratio	88.46	85.98		86.90	72.17			

Source: Company

Resource Potential

We believe the project has resource expansion potential as recent drilling has encountered mineralization in at least three targets. A US\$1 M budget has been allocated for investigating the southwest and eastern parts of the mine.

Resource Expansion Potential



Source: Company

Only 11% of the project area has been explored

10,000 m drill program planned this year



Opodepe Project

Starcore acquired this project in 2015

Located in Sonora, in an area with several producing mines

The project hosts two deposits: the El Creston porphyry copper-molybdenum deposit (largetonnage/low-grade), and the Teocuitlan epithermal low-sulphidation deposit (high gold and silver grades)

Mineralization at El Creston: 1.2 km long x 1.6 km wide x 550 m deep

Nine targets have been identified at the Teocuitlan goldsilver system LA HERRADURA

CANANIE

CHANACATE

LUVIA DE ORO
SANTA GERTRUDIS

LA CHISPA

SANTA FIERNA

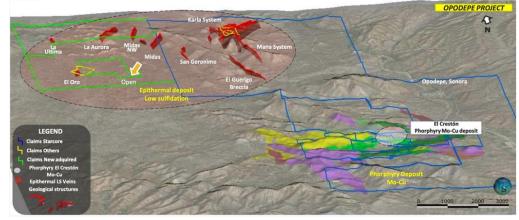
SANTA FIERNA

CANÁNISA LUVIA DE ORO

DEVELOPMENT PRODUCTION EXPLORATI

Opodepe Project Deposits

Opodepe Project Location



Source: Company

El Creston Deposit (Copper-Molybdenum)

Six molybdenum-copper mineralized zones have been identified to date, based on historic drilling totaling 56,904 m.

2022 Resource Estimate (El Creston Main)

	0	Gra	ıde	Metal		
Category	Quantity	Мо	Cu	Мо	Cu	
	(Mt)	(%)	(%)	(MIb)	(MIb)	
Open Pit**						
Measured	56.3	0.076	0.04	94.3	49.7	
Indicated	142.2	0.067	0.08	210.0	250.8	
Measured Plus Indicated	198.5	0.069	0.07	304.4	300.5	
Inferred						

Source: SRK Consulting

Open-pittable M&I resources totaling 301 Mlbs Cu and 304 Mo Mlbs



A historic PEA (completed in 2010) had returned an AT-NPV10% of US\$429M, and an AT-IRR of 22%, based on conservative metal prices: US\$2.6/lb Cu (spot: US\$3.8/lb), and US\$15/lb Mo (spot: US\$21/lb)

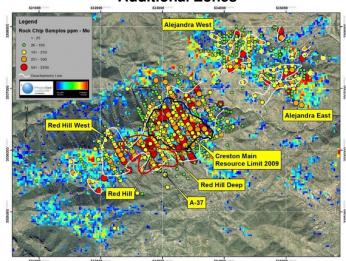
We believe there is potential for resource expansion as at least four additional zones have potential to add resources

2010 PEA Results

Item	Unit	Base Case
Average Moly Price	US\$/lb	\$15.00
Average Copper Price	US\$/lb	\$2.60
Unit Mining Costs	\$/t mined	\$1.23
Unit Mining Costs	\$/t milled	\$2.20
Unit Milling Costs	\$/t milled	\$4.80
Unit G&A	\$/t milled	\$0.46
Unit Total OPEX	\$/t milled	\$7.45
Unit Total OPEX (with royalties)	\$/t milled	\$7.83
Total Initial Capital (excluding sustaining capital, and closure, & working capital)	\$M	\$655.9
NPV @ 8% After Tax	\$M	\$561.9
NPV @ 10% After Tax	\$M	\$429.1
IRR After Tax	%	22.3%
Payback Period (tax in)	Years	4.0

Source: JDS Energy & Mining Inc.

Additional Zones



Source: SRK Consulting/Company

Management has allocated US\$0.5M for an exploration program, including surveys, geophysical studies, and geological modeling.



The CEO owns 10%

Eric Sprott owns

11%

Management and Directors

Share Ownership

Management and Board	Shares	% of Total
Robert Eadie - CEO & Director	5,417,299	9.74%
Pierre Alarie – President & Director	300,000	0.54%
Salvador Garcia -Chief Operating Officer	500,000	0.90%
Gary Arca - CFO & Director	1,744,189	3.13%
Federico Villasernor - Director	-	-
Tanya Lutzke - Director	-	-
Jordan Estra - Director	-	-
Total	7,961,488	14.31%
Institutions / Others		
Eric Sprott	6,163,193	11.08%
Total	6,163,193	11.08%
Total- Management/ Directors / Institutions	14,124,681	25.38%

Source: Management Information Circular

Brief biographies of the management team and board members, as provided by the company, follow:

Robert Eadie – CEO & Director

In the past 20 years, Mr. Eadie has been actively involved in public resource companies raising over \$100M for various exploration and development projects around the world. Over the years, Mr. Eadie has established a reputation as the catalyst behind various successful start-up resource companies.

Salvador Garcia - Chief Operations Officer & Director

Over 39 years of experience in the mining industry in Mexico; prior to Starcore, Mr. García was the Country Manager in Mexico for First Majestic Silver Corp. Previously, Mr. Garcia collaborated with Luismin (purchased by Goldcorp) for 25 years holding several positions. During his tenure at Goldcorp, he was in charge of the operations at the Tayoltita and San Antonio mines and was involved in the development, construction and operation of the Los Filos, El Sauzal and Peñasquito mines. Mr. García holds a B.Sc. degree in Mining Engineering from the Guanajuato University School of Mines in Mexico.

Pierre Alarie - President & Director

Mr. Alarie served was the Ambassador of Canada to Mexico from 2015 to 2019. Mr. Alarie's career covers over 30 years of executive positions in Canadian and Latin American companies, with experience in business development, acquisitions, team management and structured financial transactions. He was the Managing Director of ATCO, Latin America from September 2019 to December 2021.



Gary Arca - CFO & Director

Mr. Arca is a Chartered Professional Accountant and has been a member of the Canadian Institute of Chartered Professional Accountants and British Columbia Institute of Chartered Professional Accountants since 1980. Mr. Arca was a partner with two separate public accounting firms from 1996 to December 2005. Since 2005, he has served as a director of many publicly traded resource companies.

Jordan Estra - Director

Mr. Estra has over 40 years experience in finance and strategic planning. His background includes his experience as a leading research analyst for a number of international investment banks. Mr. Estra graduated with High Distinction from Babson College (International Economics) and with Honors from the Columbia University Graduate School of Business (Finance). He has served in the United States Army (Medical Corps).

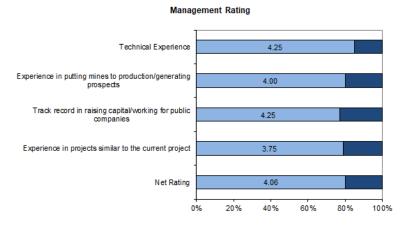
Federico Villasenor - Director

Mr. Villasenor obtained a B.Sc. in Mining Engineering from the University of Guanajuato in 1972, a Master of Science from Columbia University of New York City in 1976, and a Finance Degree from the Instituto Tecnologico de Mexico in 1985. Mr. Villaseñor has been a member of the Mexican Mining Chamber Board.

Tanya Lutzke - Director

Ms. Lutzke has over 10 year's experience in financial services and banking. A Vancouver native, Ms. Lutzke attended the University of British Columbia.

Our rating on the company's management team is 4.1 out of 5.0



Source: FRC



Three out of seven directors are independent

Strength of Board

	Poor	Average	Good
Three out of seven directors are independent		x	
Directors' share ownership			х
The Audit committee is composed of three board members, all are independent			х
Management compensation is decided by the board		x	

Source: FRC

Financials

In H1-FY2023, production was down 5% YoY (due to lower grades), and cash costs were up 16% YoY (due to lower grades and inflation)

2021 2022 Q1-2022 Q1-2023 Q2-2022 Q2-2023 H1-2022 H1-2023 YoY Ore Milled (Kt) 225.5 224.4 56.0 57.2 112.3 112.4 56.3 0% 1.63 1.58 1.64 1.70 1.45 -2% Au Grade (gpt) 1.58 1.61 1.58 Ag Grade (gpt) 24.7 23.0 20.9 21.3 22.7 13.0 21.8 17.1 -22% Au Recovery 88% 88% 88% 89% 88% 87% 88% 88% 0% 57% 51% 52% 53% Ag Recovery 49% 53% 48% 49% -8% Gold Produced (Koz) 10.5 10.0 2.3 2.7 2.5 2.3 5.1 5.0 -2% Silver Produced (Koz) 103 4 19.8 11.4 42.3 30.0 85.4 18.6 22.6 -29% Gold Equiv. Produced (Koz) -5% 11.8 11.2 2.9 2.8 2.5 5.7 5.4 Cash Cost per AuEq oz 1.056 1,225 1.200 1.397 16% 1,239 1,177 1,272 1,546

H1-FY2023 revenue was down 10% YoY, due to lower production/grades

Gross margins were down YoY (36% to 25%), but remain higher than the sector average (19%)

EPS and FCF were down as well

Income Statement (YE - Apr 30)								
C\$ thousands except EPS	2021	2022	Q1-2022	Q1-2023	Q2-2022	Q2-2023	H1-2022	H1-2023
Revenue	26,799	25,679	6,161	6,750	6,672	4,812	12,833	11,562
Total Revenue	\$26,799	\$25,679	\$6,161	\$6,750	\$6,672	\$4,812	\$12,833	\$11,562
Cost of Goods Sold	16,038	16,960	3,816	4,716	4,461	3,998	8,277	8,714
Gross Profit	\$10,761	\$8,719	\$2,345	\$2,034	\$2,211	\$814	\$4,556	\$2,848
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G&A	2,926	3,642	802	1,191	756	1,362	1,660	2,780
SBC	72	140	126	224			24	(2)
Total	\$2,998	\$3,782	\$928	\$1,415	\$756	\$1,362	\$1,684	\$2,778
EBITDA	\$7,763	\$4,937	\$1,417	\$619	\$1,455	-\$548	\$2,872	\$70
Depreciation & Amort.	4,359	3,413	781	987	845	946	1,626	1,933
EBIT	\$3,404	\$1,524	\$636	-\$368	\$610	-\$1,494	\$1,246	-\$1,863
Interest	-	-	-	-	-	-	-	-
EBT (before unusual items)	\$3,404	\$1,524	\$636	-\$368	\$610	-\$1,494	\$1,246	-\$1,863
Finance Cost	(148)	(181)	(44)	(49)	(43)	(40)	(87)	(89)
Exploration								
Unusual / Non-Recurring	(1,813)	1,358	423	(74)	(646)	48	(223)	(26)
EBT	\$1,443	\$2,701	\$1,015	-\$491	-\$79	-\$1,486	\$936	-\$1,978
Income Tax	-1449	296	80	166	239	288	319	454
Net Income	\$2,892	\$2,405	\$935	-\$657	-\$318	-\$1,774	\$617	-\$2,432
Basic EPS	0.06	0.05	0.02	(0.01)	0.00	(0.03)	0.02	(0.04)

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Margins	2021	2022	Q1-2022	Q1-2023	Q2-2022	Q2-2023	H1-2022	H1-2023	Gold Industry Average
Gross	40.2%	34.0%	38.1%	30.1%	33.1%	16.9%	35.5%	24.6%	18.6%
EBITDA	29.0%	19.2%	23.0%	9.2%	21.8%	-11.4%	22.4%	0.6%	11.1%
EBIT	12.7%	5.9%	10.3%	-5.5%	9.1%	-31.0%	9.7%	-16.1%	9.1%
EBT (before unusual items)	12.7%	5.9%	10.3%	-5.5%	9.1%	-31.0%	9.7%	-16.1%	
Net	10.8%	9.4%	15.2%	-9.7%	-4.8%	-36.9%	4.8%	-21.0%	6.4%
Expenses	2021	2022	Q1-2022	Q1-2023	Q2-2022	Q2-2023	H1-2022	H1-2023	Gold Industry Average
G&A Expense / Revenue	10.9%	14.2%	13.0%	17.6%	11.3%	28.3%	12.9%	24.0%	8.7%
Stock Boood Comp / Boyonus	0.20/	O E0/	2.00/-	2 20/	0.00%	0.00%	0.20/	0.004	

Source: FRC / Company

YoY

-10%

-37%

67%

-98%



Strong balance sheet

\$10M in working capital; no debt

Cash Flows (\$M)	2020	2021	H1-2022	H1-2023
Funds Flow from Operations	\$7,316	\$5,279	\$3,011	(\$38)
Cash Flow from Operations	\$7,728	\$5,833	\$3,100	(\$994)
Cash Flow from Investing	(\$1,119)	(\$1,017)	(\$1,206)	(\$562)
Cash Flow from Financing	(\$3,958)	(\$611)	(\$256)	\$802
FOREX	(\$364)	\$221	(\$98)	\$774
Net Change in Cash	\$2,287	\$4,426	\$1,540	\$20
Free Cash Flows	\$7,430	\$4 928	\$1.894	(\$1.556)

Liquidity Analysis (\$000)	2021	2022	Q2-2023	Gold Industry Average
Cash	\$4,392	\$8,818	\$8,838	
Working Capital	\$5,829	\$9,135	\$10,378	
Current Ratio	3.19	3.43	4.15	1.60
Debt / Capital	-	-	-	19.7%
LT Debt / Capital	-	-	-	9.2%
	_			

Options	#	Exercise Price	Amount
Total	-	-	-
In-the-Money	-	-	-

Warrants	#	Exercise Price	Value
Total	3.000.000	\$0.30	\$900.000

Source: FRC / Company

FRC Valuation and Rating

MCAP of \$9M, and working capital of \$10M, imply that SAM has a negative

Junior producers are trading at EV\$4k/oz of annual production

					(forward)
	(\$M)	\$ /oz	\$ /oz		
seus Mining Limited (ASX:PRU)	\$2,528	\$11,068	\$399	1.7x	3.8x
na Gold International (TSX:CGG)	\$2,287	\$10,652	\$260	1.5x	4.5x
Gold Inc. (TSX:NGD)	\$1,097	\$3,400	\$228	1.3x	2.9x
ora Resources Inc. (TSX:KRR)	\$851	\$13,235	n/a	2.4x	6.6x
onaut Gold Inc. (TSX:AR)	\$609	\$3,380	\$56	0.9x	2.8x
olute Mining Limited (ASX:RSG)	\$562	\$1,461	\$34	0.6x	2.0x
M Mining - merged	\$290	\$1,381	\$25	0.7x	1.7x
une Resources Limited (ASX:TBR)	\$235	\$3,544	\$133	1.7x	n/a
ope Gold (TSX: STGO)	\$70	\$1,400	\$29	1.0x	2.5x
coyne Resources Limited (ASX:GCY)	\$61	\$834	\$85	n/a	3.8x
at Panther Mining Limited (TSX:GPR)	\$52	\$439	\$30	0.6x	n/a
core International (TSX: SAM)	-\$2	n/a	n/a	n/a	n/a
rage		\$3,973	\$98	1.2x	3.4x
	seus Mining Limited (ASX:PRU) na Gold International (TSX:CGG) of Gold Inc. (TSX:NGD) ora Resources Inc. (TSX:KRR) onaut Gold Inc. (TSX:AR) olute Mining Limited (ASX:RSG) of Mining - merged une Resources Limited (ASX:TBR) ope Gold (TSX: STGO) coopne Resources Limited (ASX:GCY) at Panther Mining Limited (TSX:GPR) recore International (TSX: SAM) rrage	seus Mining Limited (ASX:PRU) \$2,528 na Gold International (TSX:CGG) \$2,287 of Gold Inc. (TSX:NGD) \$1,097 ora Resources Inc. (TSX:KRR) \$851 onaut Gold Inc. (TSX:AR) \$609 olute Mining Limited (ASX:RSG) \$562 of Mining - merged \$290 of the Resources Limited (ASX:TBR) \$235 one Gold (TSX: STGO) \$70 occoyne Resources Limited (ASX:GCY) \$61 at Panther Mining Limited (TSX:GPR) \$52 occore International (TSX: SAM) \$52	seus Mining Limited (ASX:PRU) \$2,528 \$11,068 na Gold International (TSX:CGG) \$2,287 \$10,652 na Gold Inc. (TSX:NGD) \$1,097 \$3,400 para Resources Inc. (TSX:KRR) \$851 \$13,235 panaut Gold Inc. (TSX:AR) \$609 \$3,380 polute Mining Limited (ASX:RSG) \$562 \$1,461 nd Mining - merged \$290 \$1,381 para Resources Limited (ASX:TBR) \$235 \$3,544 pape Gold (TSX: STGO) \$70 \$1,400 para Resources Limited (ASX:GCY) \$61 \$834 para Resources Limited (ASX:GCY) \$52 \$439 para Resources Limited (TSX:SAM) \$52 \$1,400 para Resources Limited (ASX:GCY) \$61 \$834 para Resources Limited (TSX:SAM) \$52 \$439 para Resources Limited (TSX:SAM) \$52 \$1,400 para Resources Limited (TSX:SAM) \$52 \$439	seus Mining Limited (ASX:PRU) \$2,528 \$11,068 \$399 na Gold International (TSX:CGG) \$2,287 \$10,652 \$260 or Gold Inc. (TSX:NGD) \$1,097 \$3,400 \$228 ora Resources Inc. (TSX:KRR) \$851 \$13,235 n/a onaut Gold Inc. (TSX:AR) \$609 \$3,380 \$56 olute Mining Limited (ASX:RSG) \$562 \$1,461 \$34 of Mining - merged \$290 \$1,381 \$25 onaut Resources Limited (ASX:TBR) \$235 \$3,544 \$133 one Gold (TSX: STGO) \$70 \$1,400 \$29 occopine Resources Limited (ASX:GCY) \$61 \$834 \$85 at Panther Mining Limited (TSX:GPR) \$52 \$439 \$30 occore International (TSX: SAM) -\$2 n/a	seus Mining Limited (ASX:PRU) \$2,528 \$11,068 \$399 1.7x na Gold International (TSX:CGG) \$2,287 \$10,652 \$260 1.5x or Gold Inc. (TSX:NGD) \$1,097 \$3,400 \$228 1.3x ora Resources Inc. (TSX:KRR) \$851 \$13,235 n/a 2.4x onaut Gold Inc. (TSX:AR) \$609 \$3,380 \$56 0.9x olute Mining Limited (ASX:RSG) \$562 \$1,461 \$34 0.6x M Mining - merged \$290 \$1,381 \$25 0.7x une Resources Limited (ASX:TBR) \$235 \$3,544 \$133 1.7x ope Gold (TSX: STGO) \$70 \$1,400 \$29 1.0x occopine Resources Limited (ASX:GCY) \$61 \$834 \$85 n/a at Panther Mining Limited (TSX:GPR) \$52 \$439 \$30 0.6x occore International (TSX: SAM) -\$2 n/a n/a n/a

Source: FRC / S&P Capital IQ / Various



We are expecting SAM to produce 11 Koz AuEq per year in 2023, and 2024

Income Statement (YE - Apr 30)				
C\$ thousands except EPS	2021	2022	2023E	2024E
Revenue	26,799	25,679	24,719	26,806
Total Revenue	\$26,799	\$25,679	\$24,719	\$26,806
Cost of Goods Sold	16,038	16,960	17,688	17,812
Gross Profit	\$10,761	\$8,719	\$7,031	\$8,995
004				
G&A	2,926	3,642	5,560	5,838
SBC	72	140	100	100
Total	\$2,998	\$3,782	\$5,660	\$5,938
EBITDA	\$7,763	\$4,937	\$1,371	\$3,057
Depreciation & Amort.	4,359	3,413	3,866	4,059
EBIT	\$3,404	\$1,524	-\$2,495	-\$1,003
Interest				
EBT (before unusual items)	\$3,404	\$1,524	-\$2,495	-\$1,003
Finance Cost	(148)	(181)		
	(140)	(101)		
Exploration Unusual / Non-Recurring	(1,813)	1 250		
EBT		1,358	-\$2.495	64 002
EDI	\$1,443	\$2,701	-92,490	-\$1,003
Income Tax	-1449	296		
Net Income	\$2,892	\$2,405	-\$2,495	-\$1,003
Basic EPS	0.06	0.05	(0.04)	(0.02)

DCF Valuation - San Martin Operating Life (years) 10 Ore (Mt) 2.16 Annual Gold Equiv. Production (oz) 10,777 LOM Average Gold Grade (gpt) 1.76 Recovery Rate 85% LT Average Price of Au (US\$/oz) -2025+ \$1,400 Operating Cost (LOM) - US\$/oz \$1,100 Discount Rate 10% After-Tax Net Asset Value (\$M) \$12.94 Value per Share \$0.23

FV (C\$ per s	share)	LT Gold Price (US\$ / oz)				
		\$1,200	\$1,300	\$1,400	\$1,600	\$1,800
	5.0%	\$0.24	\$0.26	\$0.28	\$0.33	\$0.37
	7.5%	\$0.21	\$0.23	\$0.25	\$0.30	\$0.34
Discount Rate	10.0%	\$0.20	\$0.21	\$0.23	\$0.27	\$0.30
	12.5%	\$0.18	\$0.20	\$0.21	\$0.25	\$0.28
	15.0%	\$0.17	\$0.18	\$0.20	\$0.23	\$0.25
		•				

Based on their reserve/resource-base, we are assigning a fair value estimate of \$0.23 per share for San Martin, and \$0.31 per share for El Creston

DCF Valuation - El Creston	
Operating Life (years)	11
Ore (Mt)	199
Annual Mo/Cu Production (Mlbs)	24 Mlbs each
Recovery Rate (Mo/Cu)	88% / 84%
LT Average Price of Mo/Cu (US\$/lb)	\$15 /\$3
Operating Cost (LOM) - US\$/t	\$15
Initial CAPEX (US\$)	\$800
Discount Rate	11.6%
After-Tax Net Asset Value (\$M)	\$17.28
Value per Share	\$0.31

FV (C\$ per share)			LT Mo	Price (US\$ / lb)		
		\$13.00	\$14.00	\$15.00		\$20.00
	\$2.50	-\$4.81	-\$2.77	-\$0.72	\$4.39	\$9.50
		-\$4.30	-\$2.25	-\$0.21	\$4.90	\$10.02
LT Cu Price (US\$ / Ib)	\$3.00	-\$3.78	-\$1.73	\$0.31	\$5.42	\$10.53
	\$3.25	-\$3.26	-\$1.22	\$0.83	\$5.94	\$11.05
	\$3.50	-\$2.74	-\$0.70	\$1.34	\$6.46	\$11.57

Source: FRC



Our fair value estimate is \$0.73 per share

Valuation Summary	
San Martin	\$0.23
El Creston	\$0.31
Working Capital - Debt	\$0.19
Fair Value (C\$M)	\$0.73

Source: FRC

We are initiating coverage with a BUY rating, and a fair value estimate of \$0.73 per share. As shares are trading below cash, we believe SAM is significantly undervalued at current price levels. We are expecting a rally in gold prices when the Fed turns less hawkish (expected in the coming months).

Risks

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

We are assigning a risk rating of 4 (Speculative)

- > The value of the company is **dependent on metal prices**
- > Development and exploration risks
- > Foreign exchange risks
- > No assurance that the company can advance all of its projects simultaneously



APPENDIX

Income Statement (YE - Apr 30)				
C\$ thousands except EPS	2021	2022	2023E	2024E
- +				
Revenue	26,799	25,679	24,719	26,806
Total Revenue	\$26,799	\$25,679	\$24,719	\$26,806
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G&A	2,926	3,642	5,560	5,838
SBC	72	140	100	100
Total	\$2,998	\$3,782	\$5,660	\$5,938
EBITDA	\$7,763	\$4,937	\$1,371	\$3,057
Depreciation & Amort.	4,359	3,413	3,866	4,059
EBIT	\$3,404	\$1,524	-\$2,495	-\$1,003
Interest				
EBT (before unusual items)	\$3,404	\$1,524	-\$2,495	-\$1,003
	,	,.,. .	,	.,
Finance Cost	(148)	(181)		
Exploration				
Unusual / Non-Recurring	(1,813)	1,358		
EBT	\$1,443	\$2,701	-\$2,495	-\$1,003
Income Tax	-1449	296		
Net Income	\$2,892	\$2,405	-\$2,495	-\$1,003
Basic EPS	0.06	0.05	(0.04)	(0.02)
Balance Sheet			(Contraction)	()
C\$ thousands	2021	2022	2023E	2024E
ASSETS				
Cash	4,392	8,818	10,075	10,715
Accounts Receivable	1,170	1,580	1,659	1,742
Inventory Prepaid Exp./ Others	1,781 1,146	1,535 964	1,612 1,012	1,692 1,063
Total Current Assets	\$8,489	\$12,897	\$14,358	\$15,212
	72,122	V12,221	***************************************	****
PPE	29,404	29,820	26,204	22,645
Right-of-use assets	979	894	894	894
Exploration	4,088	5,082	5,832	7,832
Deferred tax assets Total Assets	3,511 \$46,471	3,348 \$52,041	3,348 \$50,636	3,348 \$49,931
Total Assets	\$40,47 I	\$52,041	\$50,050	949,301
LIABILITIES				
Trade & other payables	2,213	3,126	3,282	3,446
Current portion of lease liability	447	636	668	701
Total Current Liabilities	\$2,660	\$3,762	\$3,950	\$4,148
Rehabilitation	1 052	2,353	2,002	2 002
Lease liability	1,952 500	2,353	2,002	2,002 262
Deferred tax liability	5,079	5,610	5,610	5,610
Total Liabilities	\$10,191	\$11,987	\$11,824	\$12,022
Share Capital	50,725	50,725	51,878	51,878
Equity Researce	11,349	11,349	11,449	11,549
Retained Earnings/Deficit Foreign currency translation	(26,610) 816	(24,205) 2,185	(26,700) 2,185	(27,702) 2,185
Total Liabilities And Equity	\$46,471	\$52,041	\$50,636	\$49,931
Total Elabilities Alla Equity	¥70,771	V02,071	400,000	V-70,001



Cash Flow				
C\$ thousands	2021	2022	2023E	2024E
Net Income	2,892	2,405	(2,495)	(1,003)
Depreciation & Amort.	4,456	3,470	3,866	4,059
SBC	72	140	100	100
Others	(104)	(736)		
Working Capital	412	554	(16)	(17)
Cash from Ops.	\$7,728	\$5,833	\$1,455	\$3,140
Investments in exploration	(298)	(905)	(750)	(2,000)
Proceeds from reclamation deposit	456	1,734		
Purchase of mining interest & PPE	(1,277)	(1,846)	(250)	(500)
Cash from Investing	-\$1,119	-\$1,017	-\$1,000	-\$2,500
Debt	(3,234)	_		
Equity	-	-	1,153	
Other	(724)	(611)	(351)	
Cash from Financing	-\$3,958	-\$611	\$802	\$0



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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