

August 3, 2022

SIGNAL GOLD INC. (SGNL - TSX, \$0.49)

Rating: BUY
New Target Price: \$2.10

SGNL RECEIVES ENVIRONMENTAL APPROVAL FOR GOLDBORO PROJECT

Old Target Price: \$2.00

SIGNAL GOLD INC.		SGNL:TSX	
<i>(Currency is C\$ unless noted otherwise)</i>			
CURRENT		BULL	
52 Week Low / High \$0.32 / \$0.94			
CAPITALIZATION		Basic	Diluted
Shares Outstanding (M)		192.8	202.2
Market Capitalization (\$M)		\$94.5	\$99.1
Enterprise Value (\$M)			\$84.6
Est. Cash Balance (\$M)			\$10.9
Total Debt (\$M)			\$1.0
Consolidated Operations		2021A	2022E
Gold Price (\$US)		1,804	1,803
Gold Sold (000's oz)		12.2	18.4
Total Cash Costs (\$ per oz)		2,152	1,105
AISC (\$ per oz)		3,334	1,602
Adj. EPS		(\$0.04)	\$0.03
CFPS		\$0.00	\$0.04
Cash At Year End (\$M)		\$10.1	\$22.92
Debt At Year End (\$M)		\$1.6	\$0.0
VALUATION		P/NAV	P/CF
		FY2022E	FY2023E
Signal Gold		0.17x	11.3x
Peer Average		0.43x	6.6x
PRODUCTION FORECAST		2021A	2022E
Goldboro			
Production (oz)		-	-
Point Rousse			
Production (oz)		12,054	19,057
DISCLOSURE CODE:		5	
<i>(Please refer to the applicable disclosures listed on the back page)</i>			

Source: M Partners, Company Information



Signal Gold is an Atlantic Canadian gold producer, developer, and explorer with an increasing production profile through its 2.7 Moz Goldboro development project in Nova Scotia.

This morning, SGNL announced it has received conditional approval for the Environmental Assessment (EA) for the Goldboro Project in Nova Scotia. The Company was advised by the Nova Scotia Minister of Environment and Climate Change that the Goldboro Project has been approved in accordance with the Environmental Assessment Regulations, subject to the terms and conditions outlined in the EA. This is a major milestone for the Company, and it has come over 12-months ahead of schedule.

The Company is currently reviewing the terms and conditions and is also reviewing all comments provided by rightsholders and community stakeholders. From a first glance, we do not see any conditions that wouldn't be expected in an environmental approval. This approval now allows Signal to commence site-specific processes including the Industrial Approval and Crown Land Lease and Mining Lease applications.

With environmental permits being approved before expectations, we are moving our modelled first production date from Q2/25 to Q4/24 which resulted in our valuation for the Goldboro Project increasing. **We are maintaining our BUY rating and increasing our 12-month target of \$2.10/share (previously \$2.00/share) for SGNL.**

Goldboro Feasibility Study Highlights:

NPV ahead of our expectations. In the previously reported feasibility study, SGNL reported an after-tax NPV_{5%} and IRR for the open pit portion of the mine of \$442M and 31.7% (at US\$1,760/oz Au), respectively. When including the underground portion of the operation our model reports an NPV_{5%} of over \$807M (at US\$1,800/oz Au).

A sizeable open pit operation with an average production of 100 Koz/yr. The project will have an open pit mine-life of 11 years with an annual production of 100 Koz/yr. In reality, with the underground operation included, the annual throughput should be ~120 Koz/yr with further growth upside.

A straightforward project with low operating costs. The project shows a low AISC of US\$849/oz and operating cash costs of US\$773/oz.

Reasonable capex and a fast payback. The capex for the project start-up is \$271M, down \$15M from the PEA. Capex for the underground will be funded through operating cash flow in the first six years of the operation. The after-tax payback period for the project is reported to be just 2.7 years.

Resource over 3Moz Au. In this study, SGNL reported an updated resource of over 3.1 Moz Au and 2.6 Moz Au in the measured and indicated category. We believe that ultimately after several years of additional drilling during operations, the resource should be over 5.0 Moz of Au.

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Valuation: We are maintaining our BUY rating and increasing our 12-month target of \$2.10/share (previously \$2.00/share) for SGNL. Our model values Goldboro at \$807M (modelling mining of open pit and underground M+I resource at resource grades and applying 15% mining dilution with open pit mining for the first eleven years of operations and underground mining initiating in year six at 200 tpd then ramping up to 1,500 tpd within two years following initiation). We use a fully financed share count to account for the future construction of the Goldboro Project. Our valuation assumes 0.7x project NAV_{8%} plus corporate adjustments, while SGNL currently trades at P/NAV of 0.17x compared to peers at 0.43x.

Net Asset Valuation	Discount	\$ Million	\$/Share	Target Derivation	\$/Share
Goldboro	8.0%	807	2.57	Project NAV	\$2.73
Point Rousse	5.0%	51	0.16	Multiple	0.7x
Project NAV		857	2.73		\$1.91
Exploration Credit		25	0.08	Adjustments	\$0.21
Corporate Adjustments		27	0.09		
Cash & Equivalents		11	0.03		
ITM Warrants		2	0.00	12-Month Target	C\$2.10
Adjusted NAV		922	2.94	<i>Implied Return</i>	<i>329%</i>
Source: M Partners		P/NAV	0.17x		

Figure 1: Valuation Summary

Disclosure Code: 5

Disclosure

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SGNL	1	2	3	4	5	6	7
	NO	NO	NO	NO	YES	NO	NO
The analyst has viewed the material operations of the company. The analyst visited the Goldboro project in Goldboro, Nova Scotia.							

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Rating System	
Buy:	Price expected to rise
Speculative Buy:	Buy rating with increased risk
Hold:	Properly priced
Sell:	Price is inflated and expected to decrease
Under Review (U/R):	Under review
Not Rated (N/R):	Not currently rated

Summary of Recommendations	
Buy	17
Speculative Buy	1
Hold	0
Sell	0
U/R	1
Total	19