

Galleon Gold Corp. (TSXV:GGO)

Robust Economics Unveiled in Maiden West Cache PEA

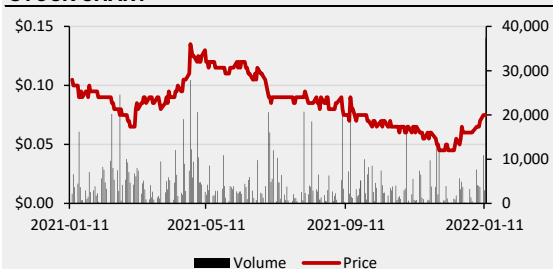
Exploration Update

January 13, 2022

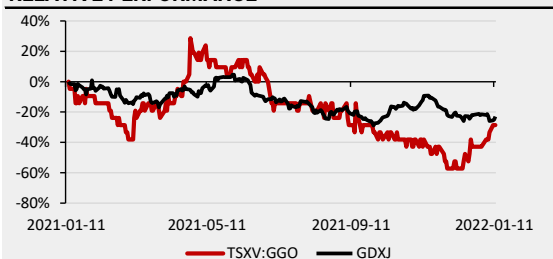
(Currency is C\$ unless noted otherwise)

Closing Price (C\$/sh)	\$0.08	
Rating	BUY	
Target (C\$/sh)	\$0.40	
Return to Target	433%	
52 Week Low / High (C\$/sh)	\$0.05 / \$0.14	
CAPITALIZATION	Basic	Diluted
Shares Outstanding (M)	470.9	651.1
Market Capitalization (C\$M)	\$35.3	
Enterprise Value (C\$M)	\$33.9	
Cash and Cash Equivalents (C\$M)	\$1.5	
Total Debt (C\$M)	\$0.1	

STOCK CHART



RELATIVE PERFORMANCE



RELATIVE VALUATION

	US\$EV/oz Au Eq
Galleon Gold Corp.	\$20
Peers*	\$43

*S&P Market Intelligence

MAJOR SHAREHOLDERS

Management (2.4%), Sprott, Eric (22.56%), Marquest Asset Management Inc. (0.93%)

DISCLOSURE CODE:

3, 4

(Please refer to the disclosures listed on the back page)

Source: RCS, Company Information, S&P Capital IQ

Company Description

Galleon Gold Corp. engages in the acquisition, exploration, development, and evaluation of mineral properties in Canada and the United States. The company is primarily focused on the West Cache Gold Project that consists of 264 unpatented mining claims and three patented claims covering ~3,550 ha located west of Timmins, Ontario; and Galleon also has an interest in the Neal property with 5 patented mining claims covering ~22.4 ha, and another 7 unpatented lode claims covering ~52.6 ha located in Idaho, USA. The company, formerly known as Pure Nickel Inc., was incorporated in 1987 and is headquartered in Toronto, Canada.

Impact: Positive

Galleon Gold released a maiden PEA including an updated mineral resource estimate (MRE) for its 100%-owned West Cache Au project in the Timmins area of Ontario. The results outline an after-tax NPV5% of C\$240M with indicated resources of ~472koz Au and inferred resources of ~1.1Moz Au. This represents a further 20% upside to the September 2020 MRE ([read more](#)). **With a realistic time frame to initial production, manageable initial capex, and plenty of exploration planned over the next two years, we believe this PEA demonstrates robust economics and blue-sky potential at West Cache. We have updated our valuation with a mine model to come up with a revised target for Galleon.**

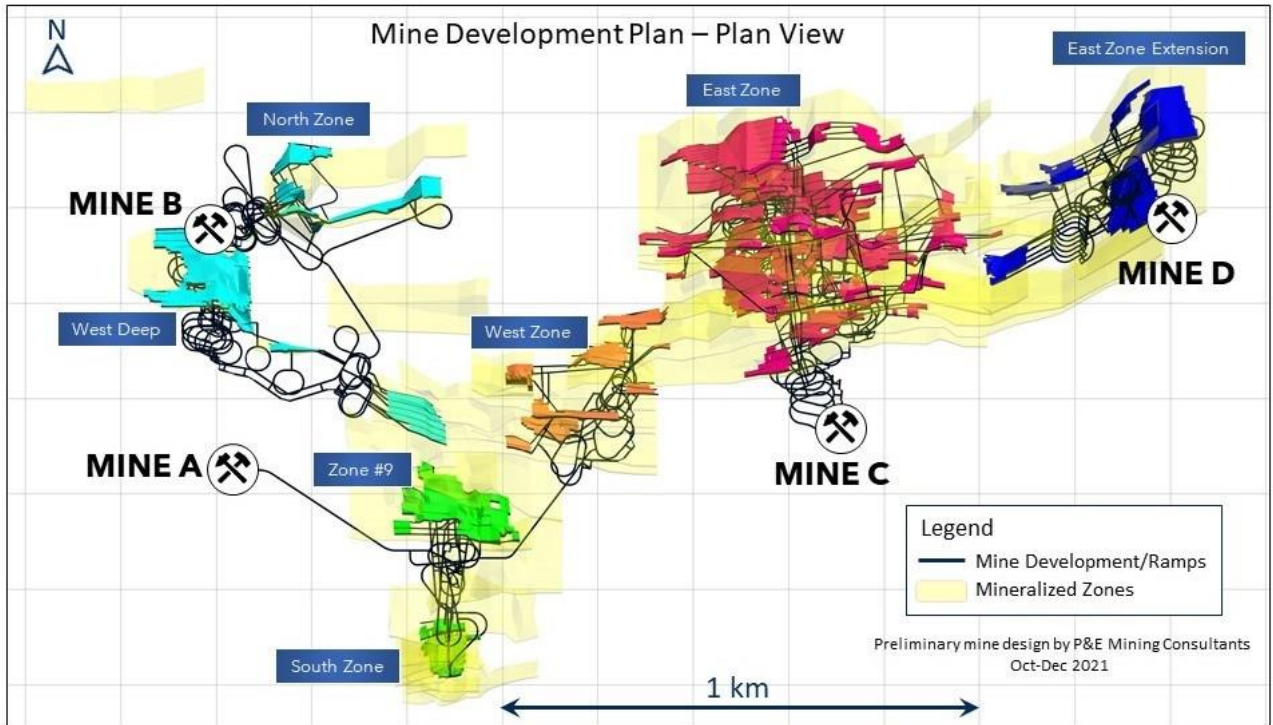
- Robust project economics unveiled. The after-tax NPV5% at Au price of US\$1,700/oz stood at C\$240M with an IRR of 26.7%, and payback period of 3.3 years (Figure 1).** The updated resource was based on 557 drill holes (~210,000m) including resampled assays of historic drilling. The combined I&L resource of ~1.56Mt (~472k Au indicated at 3.63 g/t and ~1.1Moz Au inferred at 2.87 g/t) is ~20% higher than the September 2021 MRE and about ~45% higher than the 2013 MRE. The PEA envisions a ramp-accessed underground mine and a toll milling arrangement. Because the project is located in the prolific Timmins area, there are several existing mills that are expected to have excess capacity in the coming years. The project would have four ramp-accessed mines with a total life of 11 years at 2,400 tpd, producing an average of 85,500 oz Au/year. We highlight that an alternative scenario that includes an on-site mill also demonstrates positive economics with pre-tax NPV5% of C\$368M.
 - Further resource upgrades and PFS planned.** There is still plenty of upside potential as less than 10% of the property has been explored, and host rock both north and south of the current mineral resource remains untested. The company has hinted towards additional infill and step-out drilling to further upgrade the resource estimates that could lead to a pre-feasibility study (PFS). The focus would be on deep drilling the sparsely explored area between Zone #9 and West Deep.
 - Initial production in sight.** In early to mid-2023, pending permits, Galleon plans to commence underground test mining of the high-grade Zone #9. This could lead to initial production for a modest initial cost, perhaps overlapping with the construction of the larger mining project. Galleon has management with the right experience, as it is led by President & CEO David Russell, who has decades of mine building experience, most notably in the Timmins area with Apollo Gold.
- We maintain our BUY rating and raise our target price to C\$0.40/sh price target.** Our target is based on a sum-of-parts valuation, including a mine model for West Cache. Galleon trades at a discount on an EV/oz AuEq basis (US\$20/oz vs. peers at US\$41/oz), but we believe Galleon's top mining jurisdiction and strong management team should warrant a premium. **Upcoming catalysts:** 1) Exploration drilling in multiple areas (2022), 2) Pre-feasibility study, and 3) Initial test mining at Zone #9 (2023).

Figure 1: Summary of PEA financial results (All costs in CAD unless mentioned otherwise)

General		
Gold Price (US\$/oz)	1,700	
Exchange Rate (US\$:C\$)	0.76	
LOM (years)	11	
Production		
Total Gold Mine Production (oz)	940,200	
Average Annual Production (oz)	85,470	
Total Mill Ounces Recovered (oz)	893,200	
Operating Costs		
Mining Cost (\$/t Mined)	64.40	
Processing Cost (\$/t Processed)	28.00	
G&A Cost (\$/t Processed)	4.51	
Total Operating Costs (\$/t Processed)	96.92	
Royalty NSR after 1 % buyback (%)	2	
Cash Costs (US\$/oz Au)	814	
AISC (US\$/oz Au)	987	
Capital Costs		
Initial Capital (\$M)	150	
Sustaining Capital (\$M)	199	
Closure Costs (\$M)	5	
Financials	Pre-Tax	After-Tax
NPV (5%) (\$M)	378	240
IRR (%)	33.7	26.7
Payback (years)	3.0	3.3

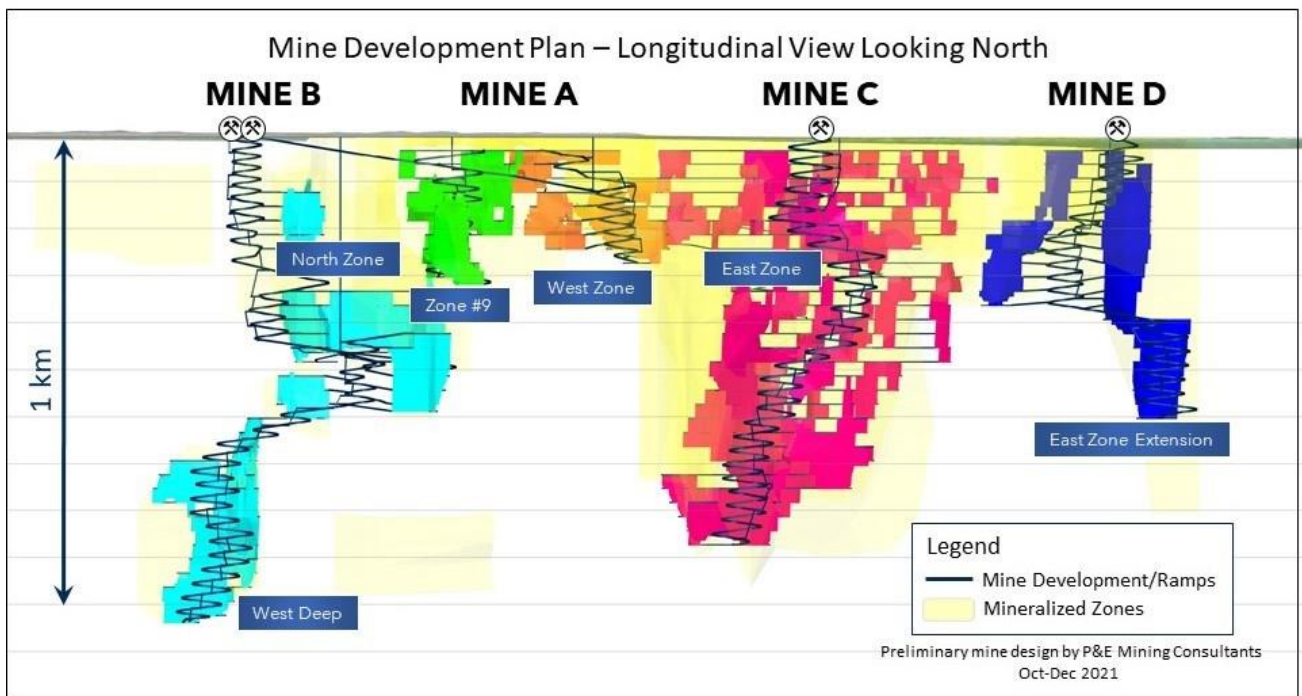
Source: Company Reports

Figure 2: Plan view of West Cache underground mine development plan



Source: Company Reports

Figure 3: Cross section of West Cache mine development plan



Source: Company Reports

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Disclosure Statement
 Updated January 12, 2021

Recommendation / Target Change			Red Cloud Securities has this percentage of its universe assigned as the following:	
Date	Rating	Target	Status	%
2020-08-17	BUY	0.40	BUY	74%
2020-09-10	BUY	0.40	BUY (S)	22%
2020-09-30	BUY	0.40	HOLD	0%
2020-10-22	BUY	0.40	SELL / Tender	0%
2020-10-29	BUY	0.40	NA	3%
2020-11-11	BUY	0.35	Under Review	1%
2020-11-18	BUY	0.35		
2020-12-04	BUY	0.35		
2021-01-13	BUY	0.35		
2021-01-27	BUY	0.35		
2021-02-03	BUY	0.35		
2021-03-08	Under Review	Under Review		
2021-03-08	Under Review	Under Review		
2021-04-15	BUY	0.35		
2021-04-15	BUY	0.35		
2021-04-22	BUY	0.35		
2021-04-28	BUY	0.35		
2021-07-14	BUY	0.35		
2021-07-22	BUY	0.35		
2021-09-09	BUY	0.35		
2021-10-13	BUY	0.30		
2021-10-19	BUY	0.30		

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Company Name	Ticker Symbol	Disclosures
Galleon Gold Corp.	TSXV:GGO	3,4

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