

Mammoth Resources Corp. (TSXV: MTH)

Preparing for an Aggressive 50-Hole Drill Program

BUY

Current Price: C\$0.18

Fair Value: C\$0.45

Risk: 5

Sector / Industry: Junior Resource

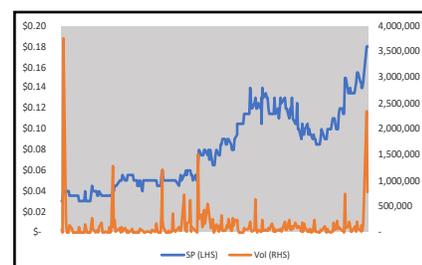
[Click here for more research on the company and to share your views](#)

Highlights

- Shares are **up 140% since our previous report** in November 2020.
- Identified **four initial targets (surface to depths of up to 200 m)** for an upcoming drill program at its 100% owned Tenoriba gold-silver project in southwestern Chihuahua state, Mexico.
- A recent study/review conducted by third-party geologists confirmed that Tenoriba has **similarities with Alamos Gold's/TSX: AGI Mulatos mine and Newmont's/NYSE: NEM El Sauzal mine**. The study concluded that Tenoriba has potential to host an economic deposit, and indicated that Tenoriba is only partially tested.
- In January 2021, the company obtained drill permits for up to 139 holes. **MTH has announced a \$2.6M financing to fund a 50-hole (7,500 m) drill program.**
- Approximately \$5.5M has been spent on the project to date. MTH's MCAP is \$8.6M, implying that the market is assigning limited upside for Tenoriba. A prior option agreement with Centerra Gold Inc. (TSX: CG) had valued Tenoriba at US\$13M.
- We expect **gold prices to strengthen in H2-2021**, as inflation kicks in from a global economic recovery. We also expect the high volatility, and significant decline in bitcoin prices to drive some investors back to gold. Over the past 12 months, we believe bitcoin had been attracting capital away from gold due to bitcoin's limited supply, and potential to be an inflation hedge.

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

Price Performance (1-year)



	YTD	12M
Ret. TSXV	57%	500%
	7%	78%

Company Data

52 Week Range	C\$0.03 - C\$0.21
Shares O/S	47.6M
Market Cap.	C\$8.6M
Yield (forward)	N/A
P/E (forward)	N/A
P/B	5.2x

Key Financial Data (FYE - Jan 31) (C\$)	2019	2020 (9M)
Cash	\$2,618	\$47,365
Working Capital	-\$759,700	-\$701,637
Mineral Assets	\$2,259,698	\$2,288,149
Total Assets	\$2,436,440	\$2,494,473
Net Income (Loss)	-\$60,701	-\$222,270
EPS	-\$0.00	-\$0.00

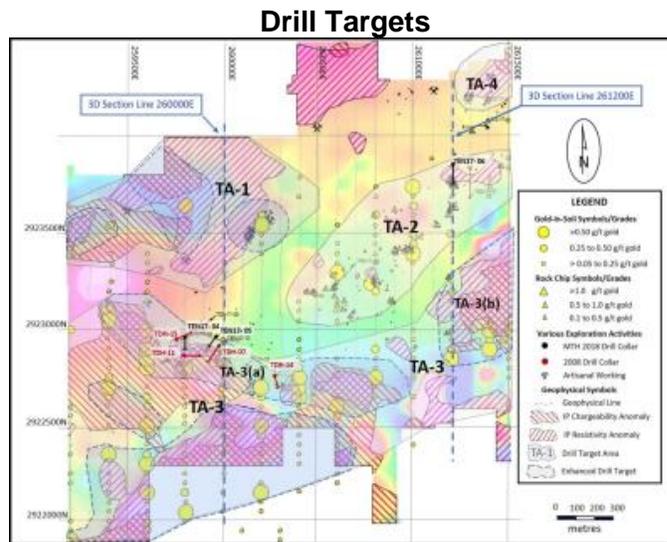
Currently raising \$2.6M

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

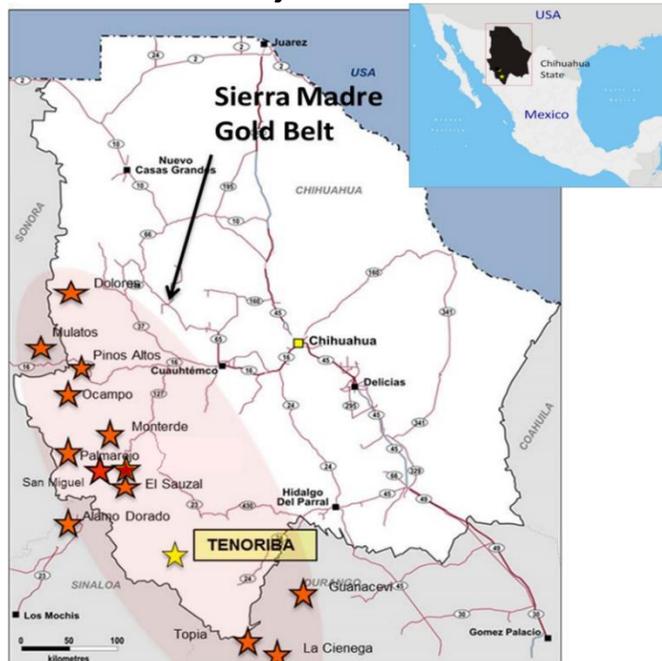
Preparing for a Drill Program at Tenoriba

On May 13, 2021, the company announced that it has identified initial targets for an upcoming drill program. The targets were identified based on a recently completed 2.4 km/3D modelling of geophysical data, and historic data, including 3,000 soil samples, 750+ surface rock chip and grab samples, artisanal mine workings, and a previously completed 28-hole drill program. **Four targets have been identified (TA-1 to TA-4), with depths of up to 200 m.** TA-1 and 2 are estimated to extend over 1 km, TA-3 over 2.5 km, and TA-4 over 0.3 km. Historical work was primarily focused on the TA-3 (a) target area.

Four initial targets



Project Location

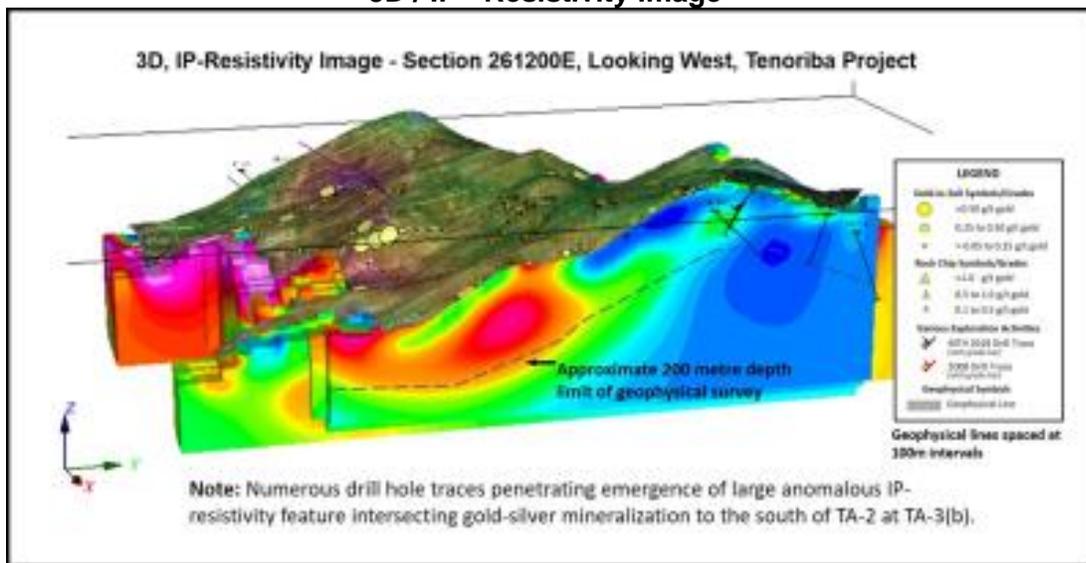


Source: Company

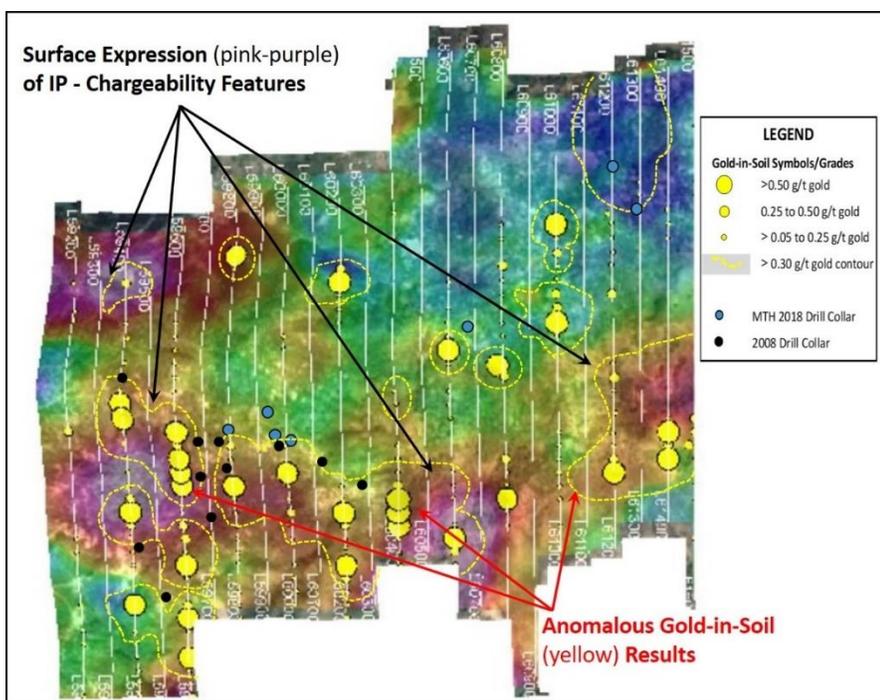
Tenoriba is located in the Sierra Madre belt

The region is host to several well-known multi-million ounce mines/advanced stage deposits owned by majors

3D / IP - Resistivity Image



IP - Chargeability



Source: Company

The four targets have depths of up to 200 m (same as the depth limit of the geophysical survey), and remain open at depth

All four targets showed high chargeability and resistivity features coincident with surface gold mineralization

28 holes/5,000 m of drilling sporadically testing 4 km of the mineralized trend

In total, the project has had **28 holes/5,000 m (15 holes in 2007-2008, and 13 holes in 2017/2018) drilled** along 4 km of the 6 km trend of known gold-silver mineralization. Drilling targeted three areas: Masuparia (19 holes), El Moreno (four), and Carneritos (five). 23 of 28 holes returned significant gold intercepts, including **4 gpt over 24.7 m, and 0.5 gpt over 126.8 m (including 1.2 gpt over 25 m).**

Potential for copper

Sparsely tested

A recent study/review conducted by two third-party geologists confirmed that Tenoriba has characteristics associated with **high-sulphidation epithermal precious metal systems over a 15 sq. km area**. The study also concluded that Tenoriba has similarities with Alamos Gold’s Mulatos mine and Newmont’s El Sauzal mine. Note that Tenoriba also has potential for a porphyry copper-gold deposit at depth, as the source of high sulphidation mineral systems are typically porphyry metal systems. Note that 2018 drilling had returned 3.6% copper over 7.2 m. **Another noteworthy comment in the study was that Tenoriba is modestly tested through sparse drilling.** The authors recommended continued exploration for at least two more years to fully test the entire land package.

Next Steps

Drilling to commence in early Q3

MTH intends to announce additional 3D geophysical modelling, and drill target selection. **In the last six months, the company obtained surface access for two years, and drill permits for up to 139 drill holes.** MTH is planning a 7,500 m (50 holes) drill program, to average depths of approximately 150 m. The initial program will have two to four holes per target. Based on results from this drilling, a maiden mineral resource might be calculated in 2022.

FRC’s Internal Estimate

Based on the geophysical survey, we are increasing our assumption of depth from 100 m to 150 m

As a result, our preliminary resource estimate increased by 50%

We continue to assume that only 10% of the three most prospective areas are mineralized, at an average grade of 0.65 gpt

FRC Speculative Resource

	Los Carneritos	El Moreno	Masuparía	Total	Total over 15 sq.km
Strike (km)	1.50	1.50	1.50		
Width (km)	0.70	0.50	1.50		
Area (sq.km)	1.05	0.75	2.25	4.05	
Depth (km)	0.15	0.15	0.15		
Tonnage	409,500,000	292,500,000	877,500,000	1,579,500,000	3,900,000,000
Discount	90%	90%	90%	90%	90%
Net Tonnage	40,950,000	29,250,000	87,750,000	157,950,000	390,000,000
Grade (gpt)	0.65	0.65	0.65	0.65	0.65
Contained Oz	851,760	608,400	1,825,200	3,285,360	8,112,000

Source: FRC

Financials

Raising \$2.6M

Financial Position (YE – January 31st)

(in C\$)	2019	2020 (9M)
Cash	\$2,618	\$47,365
Working Capital	-\$759,700	-\$701,637
Current Ratio	0.05	0.11
LT Debt / Assets	-	-
Monthly Burn Rate (incl. G&A)	-\$14,296	-\$12,738
Exploration and Development	\$65,701	-\$11,841
Cash from Financing Activities	\$3,229	107,445

Source: Company / FRC

MTH is pursuing a \$2.59M financing at \$0.14 per unit. Each unit will consist of a common share and one full warrant (exercise price of \$0.21 for 18 months). Funds will be used for the upcoming drill program. **A noteworthy point is that the drill contractor has agreed to accept up to 30% of their cost in shares of this private placement.**

We estimate the company currently has 2.86M options (weighted average exercise price of \$0.08 per share) and nil warrants outstanding. All the options (\$228k) are in the money.

Valuation and Rating

Gold juniors are trading at \$64/oz, up from \$61 at the time of our previous report in November 2020

Gold Juniors

Company	EV / Resource
1 Pure Gold Mining Inc.	\$325.71
2 Osisko Mining	\$279.84
3 Victoria Gold Corp	\$276.69
4 Marathon Gold Corp.	\$177.03
5 Bonterra Resources	\$90.68
6 Probe Metals Inc.	\$89.73
7 Sabina Gold	\$70.33
8 GMV Minerals	\$61.05
9 Nighthawk Gold Corp.	\$54.62
10 Gowest Gold Ltd.	\$52.53
11 Renforth Resources	\$48.61
12 Maple Gold Mines Ltd.	\$46.93
13 Monarch Gold	\$43.10
14 Gold Springs	\$28.11
15 Gatling Exploration	\$27.87
16 O3 Mining	\$21.28
Average (excl outliers)	\$63.64

* Net Resource = 100% of Measured and Indicated + 50% of Inferred Resources

Source: FRC / S&P Capital IQ / Various Companies

Continuing to value MTH based on one-third of our internal speculative estimate

Mammoth's Resource (100% interest) - FRC's preliminary estimate (oz)	1,095,120
Average EV/ Resource Ratio (comparables) - 25% discount	\$48
Fair Value of Assets	\$52,270,078
Working Capital	\$1,679,195
Fair Value of MTH's Shares	\$53,949,272
No. of Shares*	121,203,539
Fair Value per Share	\$0.45

*Includes the current \$2.6M financing plus another \$7.5M financing at \$0.14 per share

Source: FRC

Our revised fair value estimate on MTH is \$0.45, up from \$0.27 per share, as we raised our internal resource estimate. We are maintaining our BUY rating. Key catalysts include closing of the current financing, drill program, and stronger gold prices in H2-2021.

Risks

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

- Commodity price risks.
- Tenoriba does not have a NI 43-101 compliant resource estimate.
- Exploration and development risks.
- The company has to raise capital to continue exploration.
- Share dilution.

As with most junior exploration companies, we continue to rate Mammoth shares a risk of 5 (Highly Speculative).

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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The distribution of FRC's ratings are as follows: BUY (69%), HOLD (7%), SELL / SUSPEND (24%).

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