



The Road To A Billion Dollar Valuation

Galleon Gold is developing the West Cache gold project 13 km west of Timmins, Ontario. The 2022 PEA outlined a 2.4ktpd underground mine producing roughly 85kozpa through third party processing. Since then Galleon has expanded the resource system, substantially grown the higher grade Zone 9, secured regional processing capacity and moved into underground development.

The company controls an 11,570 ha land package assembled over many years, with EVP Lisa Buchan playing an important role in consolidating the surrounding ground. The current 1.56Moz resource covers only part of that system and predates much of the drilling that has changed our view of the project. Zone 9 supported the bulk sample when it was materially smaller and now increasingly looks capable of supporting close to 1Moz on its own. More importantly, it is one higher grade shoot within a much broader system of parallel zones.

Galleon is led by David Russell, a mining engineer with decades of operating and mine building experience. His background includes building Black Fox in Timmins and operating or rebuilding a long list of underground and open pit mines across North America. He is an operator rather than a promoter. We generally avoid underground developers through first ore and prefer buying them after development problems have been exposed, but we are making an exception for Galleon.

Management's initial target is an 85–100kozpa mine with at least a 10 year life, followed by expansion as additional zones are opened. The feasibility work is increasingly moving toward a larger operation than the old PEA, while our own base case ramps to 150kozpa by 2031. We believe there is further upside if Zone 9 and the surrounding shoots support a higher blended head grade.

The decline is currently advancing toward Zone 9 for the bulk sample while drilling continues across the wider system, with an updated MRE expected around February. Management intends for the bulk sample program to roll directly into continued underground development. By the time feasibility is completed, Galleon should have actual underground development rates, stope performance and mill reconciliation data rather than relying primarily on engineering assumptions.

We do not think the current valuation reflects the change in project scale. Our revised base case assumes 150kozpa production, US\$4,000 gold and current Timmins operating costs. On that basis we estimate C\$1.61bn of asset NPV5, or approximately C\$5.61/share of project NPV after our modeled financing, against a current fully diluted market capitalization of roughly C\$295m.

Company Data

Shares - Ordinary (M)	135.6
Options / Perf. Rights / Warrants (M)	104.6
Total (fully diluted) (M)	240.2
Market capitalisation FD (US \$M)	212.7
Cash (US \$M)	23.1
12 month low/high	C\$0.53/ C\$1.38
Free Float (%)	~50%
Undiluted P/ NAV	0.11x

Share Price: **C\$1.23**

12m Upside **148%**

Metric	CY27	CY28	CY29	CY30	CY31	CY32
Payable gold production (koz)	20.1	65.2	107.7	134.1	150.0	150.0
Head grade (g/t)	8.13	3.50	3.55	3.60	3.60	3.60
Ore processed (Mt)	0.087	0.650	1.000	1.300	1.455	1.455
Asset AISC (US\$koz)	\$809	\$2,183	\$2,073	\$2,044	\$2,044	\$2,044
Revenue (US\$M)	\$80.4	\$260.4	\$406.3	\$535.6	\$599.2	\$599.2
EBITDA (US\$M)	\$61.3	\$136.2	\$216.5	\$289.7	\$324.4	\$324.4
EPS—pro-forma diluted (US\$)	\$0.129	\$0.303	\$0.458	\$0.597	\$0.654	\$0.640
FCF (US\$M)	\$39.3	(\$44.3)	\$16.3	\$182.1	\$198.8	\$196.9
Current FD EV (US\$M)	\$198.0	\$198.0	\$198.0	\$198.0	\$198.0	\$198.0
EV/EBITDA (x)	3.23x	1.45x	0.91x	0.68x	0.61x	0.61x



Development, Processing and Funding

The toll milling strategy works particularly well because of West Cache's location. Pan American Silver is the current processing partner through Bell Creek, a 19.9% cornerstone shareholder and senior lender, and is also the most natural long term acquirer. Management has been clear with us that this is not the exit they are actively seeking and that any transaction would need to occur at a materially higher valuation. Galleon also has a strong relationship with Tony Makuch at Discovery Silver, which management views as an alternative regional processing route should the Pan American relationship deteriorate. Discovery was not used initially largely because its Timmins transaction had not yet closed when Galleon was arranging the Pan American deal.

Recent Canadian projects suggest a new 2–5ktpd processing plant can cost roughly C\$85–100m before much of the surrounding mine infrastructure, while complete project builds can move above C\$300m. Management's C\$130–150m estimate for a dedicated West Cache plant therefore looks slightly light to us but reasonable as a plant only number. More importantly, a standalone plant is not required ahead of first production. Galleon can toll mill while continuing to advance the underground and permit and build a dedicated plant later.

The capital structure is less clean. Getting West Cache to this point required a mix of convertible debt, warrants and equity, although we think the convertible strategy has worked well relative to issuing equity at much lower prices. Galleon funded project advancement through converts struck between C\$0.165 and C\$0.45, preserving cash and deferring dilution while the project and share price advanced.

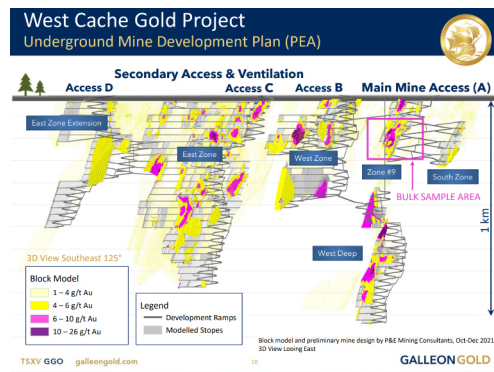
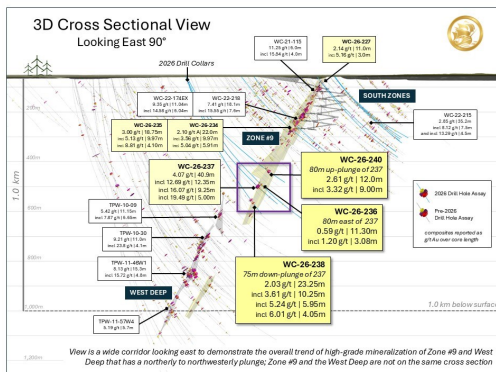
Management expects the bulk sample program to roll directly into continued development. Over the next 9–12 months, the company expects to have the decline substantially advanced, close spaced underground drilling underway and enough operating data to decide whether to expand the existing permit or move directly into final mine permitting. The bulk sample is intended to provide the mining and processing data required for the next stage of development while development continues underground.

The toll milling route keeps upfront capital lower and allows Galleon to move into commercial production without first funding a standalone processing plant. If West Cache grows to a scale that justifies its own mill, that decision can be made later with substantially more drilling, underground development and operating data behind it.



Resource Growth and The Long Term Plan

Management believes there is considerably more gold to find at West Cache and intends to develop the asset themselves. A 3Moz underground resource would already be very significant, while the best part of the system, Zone 9, has continued to exceed expectations.



The reason a system like this survived only 13 km from Timmins is cover. West Cache sits beneath extensive glacial till with very little bedrock exposure, so the area was largely missed during the early Porcupine gold rush. Much of the geology has therefore had to be built through drilling and geophysics rather than simply following mineralisation at surface.

West Cache sits in a classic Timmins style gold system, with mineralisation developed along major structures and repeated across several host rocks. One of the more interesting features of the camp is that many major orogenic deposits, including Hollinger and McIntyre, are closely associated with porphyry intrusions even though they are not porphyry deposits. The intrusions simply provide favourable rocks for deformation, veining and fluid flow. At West Cache, the older zones sit around the Bristol intrusive complex while Zone 9, West Deep and the South Zone demonstrate that the same mineralising system also carries high grades into the surrounding sediments.

The 2022 resource therefore does a poor job of representing what West Cache looks like today. Zone 9 was only beginning to be understood and a substantial amount of drilling completed since then sits outside the old model. The 2026 program has continued to extend the zone at depth, including 12.69 g/t over 12.35 m and 6.8 g/t over 19.45 m, both within wider mineralised envelopes.

The deeper drilling has also changed the geological interpretation. Management had been concerned that Zone 9 might bend, fault off or disappear before reaching the historic West Deep mineralisation. Instead, the latest interpretation has Zone 9 and West Deep as two closely spaced mineralised pieces roughly 50 m apart. The two zones share similar host rocks, alteration, sulphide mineralisation and plunge geometry, while West Deep itself extends from roughly 500 m to 1,000 m below surface.

A useful way to frame the potential scale I use my favourite thumb suck metric of ounces per vertical metre. PAAS's nearby 144 Gap discovery built to roughly 621koz over around 400 m of vertical extent, or approximately 1,550 oz per vertical metre. Using Russell's working geometry for Zone 9 of roughly 250 m strike and a 10 m mining width, 6–8 g/t gives around 1,400–1,850 oz per vertical metre. Over 500 m that is roughly 0.7–0.9Moz. Extend the same geometry to 1 km and it becomes roughly 1.4–1.85Moz before including the wider lower grade envelope, West Deep or the South Zone.

The higher grade material materially changes the production profile. The old PEA averaged roughly 3.1 g/t and required 2.4ktpd to produce around 85kozpa. Our revised mine case assumes Zone 9 contributes roughly 20% of tonnes at a diluted 6 g/t while the remaining zones average around 3 g/t, producing a blended feed grade of approximately 3.5–3.6 g/t. At full production the mine processes roughly 4ktpd and produces 150kozpa, with Zone 9 supplying approximately one third of the ounces.

The upcoming MRE should be the first resource that properly reflects the growth of Zone 9 and could move West Cache toward management's roughly 3Moz target. If the broader system continues producing parallel shoots, we think 150kozpa is a credible base development case and 200kozpa becomes the longer term opportunity rather than the 85kozpa ceiling implied by the old PEA.



Valuation and Funding

The 2022 PEA cost base is no longer usable. It assumed total operating costs of C\$96.92/t, including C\$64.40/t of underground mining. Current Timmins underground operations are running at more than twice those levels, while West Cache will initially operate at smaller scale and carry third party haulage and toll milling margins.

We use C\$260/t of operating costs, comprising roughly C\$150/t underground mining, C\$20/t haulage, C\$60/t toll processing, C\$25/t site G&A and C\$5/t of other costs. Our base case ramps from the bulk sample in 2027 to 65koz in 2028, 102koz in 2029, 134koz in 2030 and 150kozpa from 2031. Throughput reaches approximately 1.46Mtpa, or 4ktpd, at a blended head grade of around 3.6 g/t. Zone 9 contributes roughly 20% of tonnes at 6 g/t diluted, with the remaining zones averaging around 3 g/t.

We have also materially increased the capital assumptions. Development capital rises 20% to C\$342m across 2028–29, in addition to approximately C\$43m of remaining startup construction. Sustaining capital reaches roughly C\$46.6m per year at full production. These assumptions are still not aggressive relative to recent Canadian development studies. Goldfields carries roughly C\$301m of total project capital for a 4,950tpd operation, while standalone plant estimates at Goldfields and Eau Claire are around C\$85–90m before much of the surrounding mine infrastructure.

Despite the higher cost base, the larger and higher grade production profile remains highly economic. Steady state AISC is approximately US\$2,050/oz including corporate overhead. At US\$4,000 gold and a 5% discount rate, the 150koz case produces an asset NPV5 of C\$1.61bn. At full production, the operation generates approximately C\$451m of annual EBITDA and C\$270m of annual FCF.

The funding requirement is substantially lower than the headline development capital suggests because the build is staged. Galleon already has capital committed to underground development, the bulk sample generates revenue before full commercial production and toll milling avoids putting another C\$100m plus of plant capital ahead of first revenue. Including repayment of the PAAS facility and a C\$10m cash buffer, our model requires approximately C\$47m of additional funding.

The warrant overhang could fund a meaningful portion of this. Approximately C\$18–20m could come from warrant exercises. At C\$20m of proceeds, the modeled new equity requirement falls to roughly C\$29m, implying approximately 10% additional dilution.

Using 287.7m shares, the C\$1.61bn asset NPV5 equates to approximately C\$5.61/share of project NPV. Indicative equity NAV after cash, debt, corporate overhead and financing proceeds is approximately C\$5.72/share.

The 150koz case does not depend on Zone 9 carrying the mine. At full production, Zone 9 contributes only around 20% of tonnes and roughly one third of ounces. The balance comes from the broader West Cache resource at approximately 3 g/t. One higher grade shoot materially improves the blended feed while the wider system provides the tonnes.

There is further upside toward 200kozpa if additional shoots are defined across the system, but this is not required for the base case. At 150kozpa, West Cache already generates more than C\$1.6bn of NPV5.

Wesdome provides useful valuation context. It guides to roughly 180–205kozpa in 2026 at US\$1,525–1,700/oz AISC and carries a market capitalization of around C\$5.1bn. West Cache is earlier stage and our modeled costs are materially higher, but a 150–200kozpa Canadian underground mine with a long reserve life belongs in a very different valuation category from the 85kozpa project presented in the 2022 PEA.

Our current base case is therefore 150kozpa production, US\$4,000 gold, C\$260/t operating costs, approximately US\$2,050/oz steady state AISC, C\$342m of later development capital, C\$1.61bn of asset NPV5 and C\$5.61/share of project NPV after 16.5% additional dilution.

