

# EQUITY RESEARCH QUICK TAKE



Capital  
Markets

RBC Dominion Securities Inc.  
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## Artemis Gold Inc.

### Accelerated expansion study outlines upside optionality offset by higher capex

TSXV: ARTG | CAD 7.04 | Outperform | Speculative Risk | Price Target CAD 9.00

Sentiment: Neutral

**Our view:** We expect a neutral reaction from Artemis shares following the results of the accelerated expansion study at Blackwater. In our view, the updated study outlines upside optionality in ramping up production past 500 Koz+ by Year 3 via expanded capacity in both Phase 2 and 3, but also comes with significantly higher capex. We anticipate focus around potential funding options should the company decide to move ahead with a decision to be evaluated in H2/24, and management highlighted additional upside opportunities operationally on mine planning, fleet, and optimization of the deposit. Overall, we view the update constructively in highlighting the inherent optionality at Blackwater but anticipate ongoing investor focus around near-term execution of Phase 1 construction, which remains on track for first gold in H2/24.

#### Accelerated expansion study outlines stronger output and higher capital

- Acceleration of the phased expansion includes Phase 2 to 15 Mtpa in year 3 (previously 12 Mtpa by year 6) and Phase 3 to 25 Mtpa in year 7 (previously 20 Mtpa by year 11)
  - Guided additions required for Phase 2 expansion include a SAG mill, second ball mill, and additional leach tanks/corresponding infrastructure with certain Phase 1 components already having been upsized based on potential accelerated expansion
- Phase 2 capex now estimated at C\$592M (vs C\$347M previously)
- Phase 3 capex now estimated at C\$852M (vs C\$374M previously)
- At end of 2023, C\$389M of the C\$730-750M Phase 1 budget had been spent with 84% of total capex committed
- Management highlighted additional opportunities excluded from the study including (1) pit optimization at higher gold prices vs the \$1,400/oz reserve and additional exploration opportunities, (2) autonomous hauling/fleet electrification, and (3) alternative haul routes/phase 3 processing methodologies.
- The expansion study was based on existing reserves with operating costs updated for 2024 estimates
- A potential decision is expected to be evaluated by the board in H2/24

*Please see pg 2 for expansion study assumptions vs 2021 FS and RBC estimates*

#### Conference call:

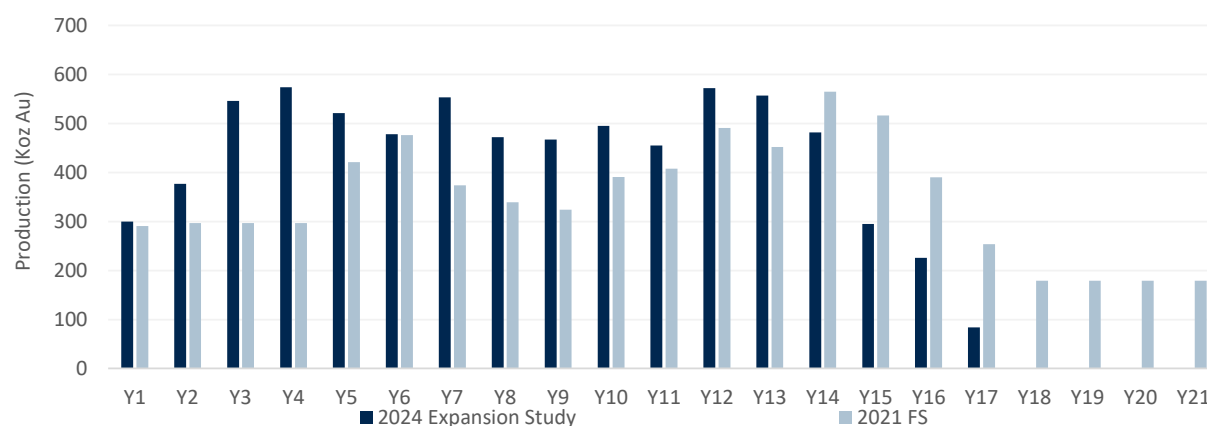
- Thurs Feb 22 at 12 pm ET (844-763-8274 / 647-484-8814)

### Exhibit 1 - Blackwater project expansion study vs 2021 FS and RBC estimates

Blackwater Project	Feasibility Study	Expansion Study	RBC	Variance	Variance
	Sep-21	Feb-24	Estimates	Expansion vs FS	Expansion vs RBC
<b>Operating Assumptions</b>					
Estimated mine life (years)	22.0	17.0	21.0	(23%)	(19%)
Ore Mined (Mt)	334.0	334.3	337.7	0%	(1%)
Waste Mined (Mt)	673.0	672.9	675.6	(0%)	(0%)
Strip ratio	2.0	2.0	2.0	(0%)	0%
Recovery - gold (%)	93%	93%	93%	0%	0%
Total gold production (Koz)	7,453	7,453	7,491	0%	(1%)
Average annual gold (Koz)	339	438	357	29%	23%
<b>Operating Cost Assumptions</b>					
Mining - (C\$/t mined)	\$2.60	\$2.57	\$2.99	(1%)	(14%)
Mining - (C\$/t processed)	\$7.57	\$7.48	\$8.95	(1%)	(16%)
Processing - (C\$/t processed)	\$8.32	\$9.88	\$9.70	19%	2%
G&A/Refining/Other - (C\$/t processed)	<u>\$2.07</u>	<u>\$2.67</u>	<u>\$4.70</u>	29%	(43%)
<b>Total Operating Cost (C\$/t processed)</b>	<b>\$17.96</b>	<b>\$20.03</b>	<b>\$23.34</b>	<b>12%</b>	<b>(14%)</b>
<b>Cash Costs and Capital</b>					
Total cash costs (\$/oz)	\$569	\$645	\$746	13%	(14%)
Mine-site AISC (\$/oz)	\$672	\$781	\$835	16%	(6%)
Phase 2 capital requirement (\$M CAD)	\$347	\$592	\$375	71%	58%
Phase 3 capital requirement (\$M CAD)	\$374	\$852	\$375	128%	127%
Sustaining capital (\$M CAD)	\$831	\$1,122	\$829	35%	35%
Sustaining capital (\$M/yr CAD)	\$38	\$66	\$39	75%	67%

Source: Company reports, RBC Capital Markets estimates

### Exhibit 2 - Blackwater Production Profile - 2024 Expansion Study vs 2021 FS



Source: Company reports



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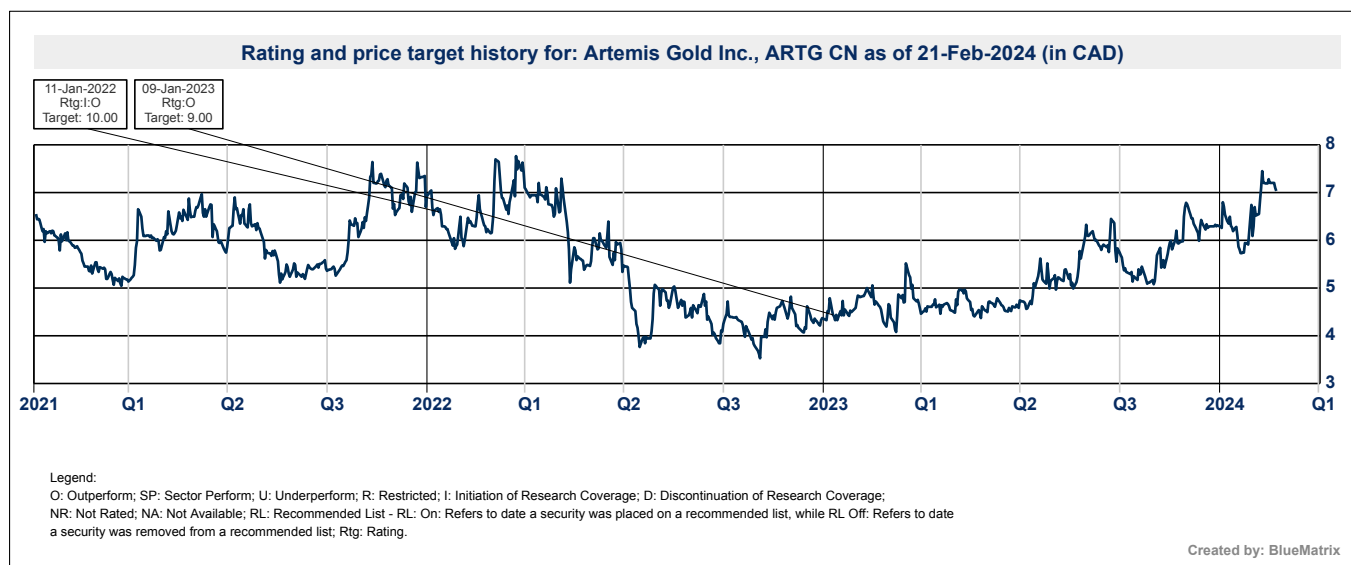
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HOLD [Sector Perform]	575	39.66	154	26.78
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### Artemis Gold Inc.

#### Valuation

We derive our C\$9 price target by applying a 1.0x P/NAV multiple, in line with comparable Emerging peers, based on a \$1,700/oz long-term gold price. Our Outperform rating is premised on ARTG's growth profile within a Tier I jurisdiction, exploration upside, and M&A potential.



We apply a Speculative Risk qualifier given de-risking events ahead, comparable to other companies in similar stages of development. The implied return to our price target supports our Outperform rating.

### Risks to rating and price target

- **Commodity risk.** Related to gold price
- **Construction/Capex inflation risk.** Related to ongoing cost inflation and rising project development costs along with execution risk on construction of Blackwater
- **Liquidity risk.** Related to below-average liquidity inherent in junior gold developers and in part driven by significant board/management ownership

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