

<b>Ticker:</b> NICU CN	<b>3Q23 Cash:</b> C\$16m	<b>Project:</b> Crean Hill
<b>Market cap:</b> C\$96m	<b>Price:</b> C\$0.59/sh	<b>Country:</b> Canada, ON
<b>REC. (unc):</b> BUY	<b>TARGET (unc):</b> C\$1.60/sh	<b>RISK RATING (unc):</b> SPECULATIVE

The agreement with Vale is a solid win this week, bringing confidence to Magna's 'big picture' strategy and the team's ability to 'get it done', hence yesterday's +17% lift in share price. Importantly, this deal with Vale is not for commercial production. So, for investor's wary of UG restarts pre-feasibility level this is not the case, this simply provides the option of selling ore mined (up to 400kt) during Advanced Exploration (AdEx) to potentially self-fund high-grade nickel-copper-PGM growth and chase new discoveries, not dissimilar to how FNX became a massive success story. Notably this defers from the proposed toll milling scenario in the PEA which saw a small ~20kt sample mined during the proposed ~C\$48m AdEx (C\$33m capex + C\$16m opex). Hence, we think a logical next step for the company is to publish an economic study based on a refined LOM plan and potential long-term agreement.

Stepping back—as a nominal 'sense check' using yesterday's grades for reference, we estimate 400kt of in situ material to be mined and processed at Vale's mill could be worth C\$208m at spot prices, based on conservative grades reported here (that notably saw 'minority' 1% Cu and 1g/t PGE+Au). Factoring in recoveries disclosed in the PR, gross revenues move to C\$171m, or C\$125m using our estimated blended 74% payabilities – before grade/schedule optimization. While costs are difficult to estimate at this time, if we assume 20-40% gross margin, we could see between C\$25-50m EBITDA, useful for supporting AdEx and pre-production costs even if speculative at this juncture. For now, we leave our assumptions unchanged ahead of final permits/development decision and **maintain our BUY rating and our C\$1.60/sh PT based on 0.4xNAV<sub>7%-9.50</sub>** for a C\$715m Crean Hill only UG and OP scenario + nominal C\$56m resource excl. inventory + cash. Magna is uniquely positioned vs. peers - on-infrastructure, with permits, and surrounded by mines feeding big hungry mills in one of the best mining camps globally still ripe for discovery. **Upcoming catalysts include:** (i) final permits for UG dewatering in 2Q24, (ii) kicking-off surface advanced exploration/bulk sampling in 2Q24, (iii) a 2Q24 MRE update, and (iv) results from the ongoing/fully funded 25,000m drill program (incl. deep FW target testing).

### Vale off-take unlocks Crean Hill funding opportunity through advanced UG exploration

Magna Mining announced the signing of **Definitive Off-Take Agreement** with **Vale Canada** in Sudbury whereby initial production from Crean Hill will be shipped to Vale's Clarabelle Mill for processing. Magna carried out an extensive metallurgical test program on ore samples from the Crean Hill deposit, achieving predicted recoveries of 80.5% for nickel, 93.6% for copper, and around 70% for Cobalt, PGEs, and gold based on material from the 9400, 9400 FW and 101 FW Zones, and excludes 109 FW zone, which is set for processing through an alternative method to potentially enhance precious metal recovery during advanced exploration. Additionally, the advanced exploration estimated grades (1.5% Ni, 1.0% Cu, 1.0g/t 2PGE+Au) excludes 19km of drilling done by Magna in 2022 (updated MRE expected in 2Q24). Magna is exploring several non-equity sources of capital to fund the UG (final permits in 2Q24) and is fully funded for its 25,000m of exploration drilling in 2024 (drills are active).

### Why we like Magna Mining Inc

1. High grade UG >2% NiEq complimented by permitted pits for scale
2. Vale Off Take agreement enables fast tracked production / advanced exploration
3. Tier-1/globally significant Ni sulphide district near hungry mills/smelters
4. Best in class Sudbury based technical team (formerly FNX Mining)

### Catalysts

- 2024: 25,000m drill program and results
- 2Q24: Final permits
- 2024: Crean Hill bulk sample

- 2Q24: MRE update

Research

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Ticker: NICU-CN		Price / mkt cap: C\$0.59/sh, C\$96m		P/NAV today: 0.16x		Country: Canada, Ontario	
Author: B Gaspar		Rec / IPT: BUY, C\$1.45/sh		1xNAV7%: C\$3.59/sh		Asset: Crean Hill / Shakespeare	
<b>Commodity price</b>		<b>CY22E</b>	<b>CY23E</b>	<b>CY24E</b>	<b>CY25E</b>	<b>CY26E</b>	
Ni price (US\$/t)		20,944	20,944	20,944	20,944	20,944	
Ni price (US\$/t, payable)		11,352	11,352	11,352	11,352	11,352	
<b>Share data (m)</b>		<b>Basic</b>	<b>FD</b>	<b>FF</b>	<b>FD</b>		
Shares (m)		163.4	209.500	452.0			
<b>SOTP project valuation*</b>		<b>C\$m</b>	<b>o/ship</b>	<b>NAVx</b>	<b>C\$/sh</b>		
Crean Hill NPV (build start)		659	100%	1.00x	3.15		
Resources ex inventory @ 1% insitu		59	100%	1.00x	0.28		
Cash 3Q23		16	100%	1.00x	0.07		
Cash from ITM options/warrants		19	100%	1.00x	0.09		
<b>1XNAV C\$</b>		<b>752</b>			<b>3.59</b>		
<i>*Build start, ex fin. cost + G&amp;A, dil. for opts not build</i>							P/NAV today: 0.16x
<b>Asset value: 1xNPV project (C\$m, ungeared)*</b>							
Asset NPV (C\$m)		14,944	17,944	20,944	23,944	26,944	
9.0% discount		338	436	534	631	729	
7.0% discount		430	545	659	773	888	
5.0% discount		547	682	818	953	1,088	
Ungeared project IRR:		30%	36%	42%	48%	54%	
Asset NPV (C\$/sh)		14,944	17,944	20,944	23,944	26,944	
9.0% discount		1.62	2.08	2.55	3.01	3.48	
7.0% discount		2.05	2.60	3.15	3.69	4.24	
5.0% discount		2.61	3.26	3.90	4.55	5.19	
<i>*Project level NPV, excl finance costs and central SGA, discounted to build start</i>							
<b>Group valuation over time^</b>		<b>Mar-24</b>	<b>Mar-25</b>	<b>Mar-26</b>	<b>Mar-27</b>	<b>Mar-28</b>	
Project NPV (C\$m)		659	757	803	847	970	
Resources ex inventory @ 1% insitu		59	59	59	59	59	
Central G&A and finance costs		(73)	(71)	(70)	(68)	(55)	
Net cash prior quarter		12	21	22	134	55	
Cash from ITM options/warrants		19.2	19.2	19.2	19.2	19.2	
Total NAV (C\$m)		676	785	833	991	1,048	
FD share count (m)		301	301	301	452	452	
1xNAV7%/sh FF FD (C\$/sh)		2.24	2.60	2.76	2.19	2.32	
<b>Exit value: 1xNAV/sh company @ 2025 first production (C\$, geared)^</b>							
1xNAV (C\$m)		14,944	17,944	20,944	23,944	26,944	
9.0% discount		470	594	717	839	959	
7.0% discount		555	695	833	971	1,107	
5.0% discount		661	819	977	1,134	1,289	
1xNAV (C\$/sh)		14,944	17,944	20,944	23,944	26,944	
9.0% discount		1.56	1.97	2.38	2.78	3.18	
7.0% discount		1.84	2.30	2.76	3.22	3.67	
5.0% discount		2.19	2.72	3.24	3.76	4.28	
<b>Production (Y1 from 2Q25)</b>		<b>CY25</b>	<b>CY26</b>	<b>CY27</b>	<b>CY28</b>	<b>CY29</b>	
SCPe production (000kt NiEq)^		2.5	3.3	11.8	11.8	14.8	
AISC Co-prod. (US\$/lb Ni)^		8	8	8	8	8	
<i>^CY25-28 toll milling; CY29 owner-operated mill</i>							
		— Sudbury prod'n (LHS, 000t NiEq)		— AISC (RHS, C\$/t NiEq)			
20kt						20	
15kt						15	
10kt						10	
5kt						5	
0kt						0	
		CY25	CY26	CY27	CY28	CY29	

Source: SCP estimates, \*AISC done on ore selling NSR

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HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	1
NOT RATED:	0
TOTAL	58

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