

**Ticker:** NICU CN**1Q24 Cash:** C\$8m**Project:** Crean Hill / Shakespeare**Market cap:** C\$119m**Price:** C\$0.73/sh**Country:** Canada, ON

REC. (unc): BUY

TARGET (unc): C\$1.60/sh

RISK RATING (unc): SPECULATIVE

*We were on site earlier this week, where we got a first-hand look at surface bulk sample ground breaking fully underway. Big picture, things continue to move quickly, with the company on a fast track to production from Lonmin Acquisition to first blast of 20kt surface bulk sample in less than 2 years - impressive in our view – and speaks to quality/dedication of management team and support of local communities - all reminiscent of success story FNX - where management has roots. While the bulk sample will provide key details on metallurgical processing to improve flow sheet design, we see any revenues generated at this stage as bonus in our view. Importantly, advanced engineering and economic studies are ongoing, with a PEA targeted for late 3Q24. We envision a high-grade high-margin scenario in early years to provide cash flows to support the company's near-term growth strategy, noting their vision of being a multi-asset Sudbury producer in the next 5 years.*

**Discovery** is a major focus, with past FNX exploration team (including SVP exploration/geoscience David King, VP mines geology Dr. Mynyr Hoxha, and strategic advisors Gord Morrison and Dr. Catherine Farrow who wrote the book on the deposits), homing in on prospects using new geophysical tools. A total of ~11,000m of drilling remains for this year (of 25,000m planned), with 4,000m complete at Shakespeare regional already. One rig is turning through a resource infill programs at Crean Hill further derisking upcoming UG Advanced Exploration/stopping, while two other rigs continue testing prospective targets (incl potential FW mineralization) - one along the Victoria Shear Zone following-up on EM plates, and a second drill testing an area with good/strong conductive/gravity surveys with the right components for FW mineralization – this is where the fun starts. As such, we **maintain our BUY rating and our C\$1.60/sh PT based on 0.4xNAV<sub>7%-9.50</sub>** for a C\$748m Crean Hill only UG and OP scenario + nominal C\$59m resource excl. inventory + cash. We see a catalyst heavy remainder of the year with results from ongoing drilling, completion of surface bulk sample/processing tests, kicking off UG advanced exploration (portal/decline), and a PEA/MRE update, with key next step securing funding ahead of test mining. The team continues to derisk the project, while making strides towards first production and maintaining discovery upside with parallel development/engineering and exploration – making it one of few high conviction nickel names to own in this market.

**Figure 1: Surface bulk sample showing (A) drill and blast pads and (B) truck being loaded**



Source: SCP

### Site visit: Magna breaks ground on 109FW – 8kt stockpiled to date; PEA/MRE targeting 3Q24

Since acquiring Lonmin less than 2 years ago, Magna has successfully completed all major milestones including the delivery of an updated MRE/PEA for Crean Hill, received all permit and approvals for the

Advanced Exploration plan (400kt of total surface/UG) including filing of an amended closure plan with the Ministry of Mines, receipt of the Permit to Take Water, secured both an ore sale agreement with Vale (for 9400, 9400FW and 101FW Zones) and a toll mill agreement with Glencore (for 109FW), drilled >27km at Crean Hill and ~10km at Shakespeare, and most recently, kicked-off the surface bulk sample with ADLP (partnership between Atikameksheng Anishnawabek, Wahnapiatae First Nation, and Technica Mining).

**Figure 2: Ore (A) stockpile with excavators and (B) samples from blasting**



Source: SCP

**Surface Bulk Sample:** A total of 8,000t of 109FW zone ore has been stockpiled from the first two benches blasted, with the final cut contributing 12,000t of remaining ore material ahead of shipping to **Glencore's Strathcona Mill** in August for batch processing in early September. The full 20,000t sample will be run over 5-7 days to achieve steady state, with assays and processing data recorded to inform an optimized future flow sheet design. Ore grades are expected to be ~0.7% Cu, 0.3% Ni and 8-10g/t PGE, an in-house requirement for milling tests (vs. higher sulphide, higher grade material). Processing expert **Dominic Fragomeni**, PEng with >30 years of plant production, cost/maintenance management, process optimization, plant commissioning and flowsheet development, ~26 years in Sudbury (Glencore/XPS) will be supporting Magna through this process.

**Underground Advanced Exploration:** The company remains on track for Advanced Exploration portal development to commence before YE24 with detailed stope design supported by site Chief Mining Engineer James Kellestine along with engineering work from the PEA running in parallel.

**PEA/MRE updates** are targeted for late 3Q24. While last year's PEA outlined an ore sales agreement base case of ~19kt pa NiEq mined production (steady state) OP/UG scenario with after-tax C\$230m NPV8%-9.50, 23.4% IRR from a 20Mt @ 1.2% NiEq (spot) inventory, we anticipate this year's PEA could see some variations on a higher-cut-off/margin UG up front driving cash flows allowing more flexibility for a mill build or funding for additional strategic acquisitions – which while speculative at this point both support the company's vision of being a multi-asset Sudbury producer in the near-term. After this we could envision a lower-cut-off scenario with incremental feed additions thereafter. Ahead of the PEA we make no changes to our 11Mt @ 2.1% UG (>1.2% NiEq cut-off) and 6Mt @ 0.7% NiEq OP base case at Crean Hill, still leaving room for Shakespeare.

**Exploration:** Magna continues to run exploration activities in parallel, using past and new drilling data, in addition to gravity, EM and mag surveys to home in on prospective targets with new gravity surveys being used/particularly useful to detect heavy off-hole anomalies coincident with typical FW-type mineralization. Coupled with EM surveys that provide azimuth distance and location of conductivity, geophysics has become particularly useful – the team have two experienced geophysicists at site who



were successful with using gravity surveys for Lundin's Eagle Mine in Michigan – providing another useful tool in their toolbox.

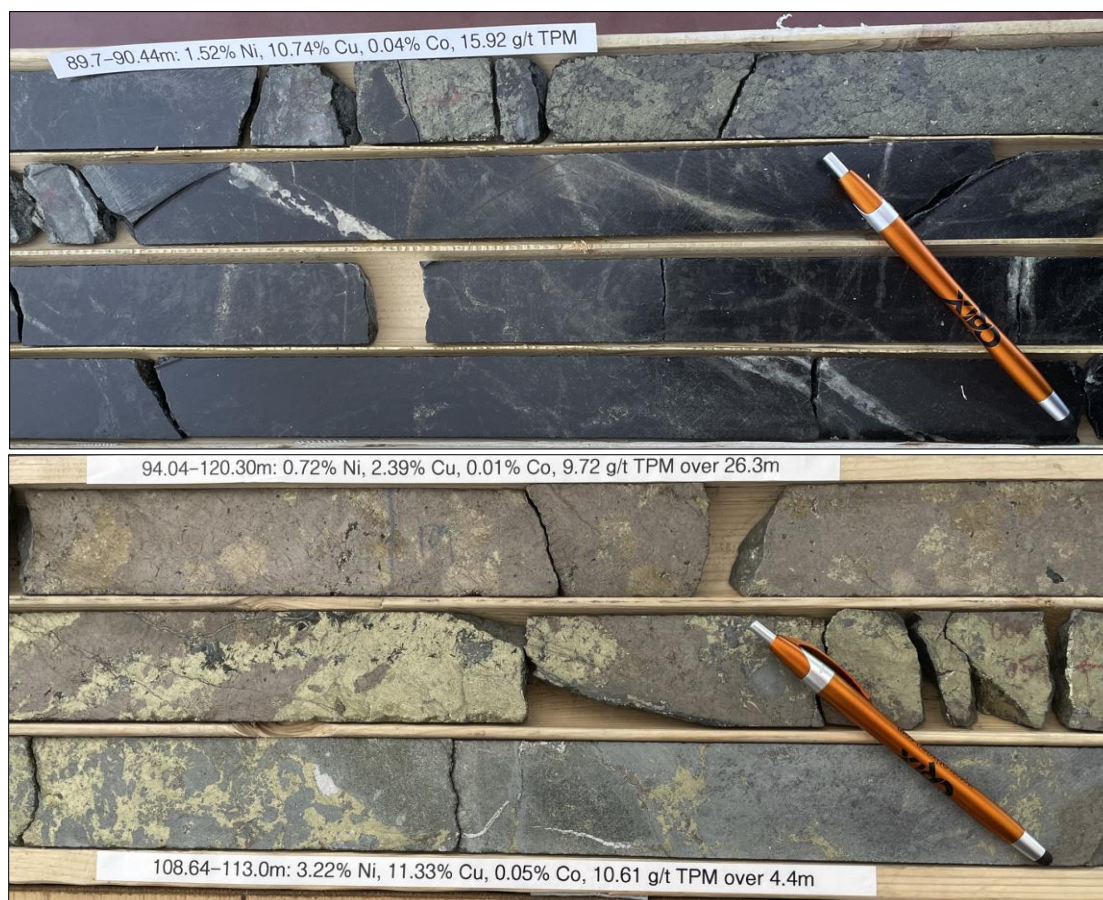
A total of 25,000m was planned for this year, with ~4,000m already completed on Shakespeare regional exploration and ~11,000m remaining, with one rig turning through resource infill programs at Crean Hill ahead of UG Advanced Exploration kicking-off, and two other rigs testing FW/new mineralization potential - one along the Victoria Shear Zone following-up on EM plates, and a second drill testing an area with good/strong conductive/gravity surveys with the right components for FW mineralization.

**Figure 3: (A) proposed portal location and (B) dewatering pump house and discharge line**



Source: SCP

**Figure 4: Select Crean Hill Core**



Source: SCP

**Why we like Magna Mining Inc**

1. High grade UG >2% NiEq complimented by permitted pits for scale
2. Vale 'ore sale' and Glencore 'toll-mill' agreements 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
- 3Q24: MRE/PEA update
- 2H24: UG portal development

**Research**

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<b>Ticker:</b> NICU CN	<b>Price / mkt cap:</b> C\$0.73/sh, C\$119m	<b>P/NAV today:</b> 0.18x	<b>Country:</b> Canada, Ontario
<b>Author:</b> B Gaspar	<b>Rec / PT:</b> BUY, C\$1.6/sh	<b>1xNAV7%:</b> C\$3.96/sh	<b>Asset:</b> Crean Hill / Shakespeare

Commodity price	CY22E	CY23E	CY24E	CY25E	CY26E	Resource/inventory	Mt	NiEq %	Sudbury	Mt	NiEq %
Ni price (US\$/t)	20,944	20,944	20,944	20,944	20,944	Shakespeare pit reserve	12 Mt	0.7%			
Ni price (US\$/t payable)	11,352	11,352	11,352	11,352	11,352	SCPe Crean Hill OP inventory	6 Mt	0.7%	Pit M&I&I	34 Mt	0.8%
Share data (m)	Basic	FD	FF	FD		SCPe Crean Hill UG inventory	11 Mt	2.1%	UG M&I&I	22 Mt	1.6%
Shares (m)	163.5	209.8	405.7			Total	29 Mt	1.2%	Total	56 Mt	1.1%

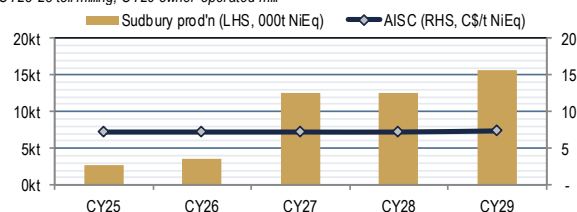
SOTP project valuation*	C\$m	o/ship	NAVx	C\$/sh	Funding: uses	Funding: sources
Crean Hill NPV (build start)	745	100%	1.00x	3.55	Staged build capex Y3 (C\$m)	Cash+pre prod'n ITM op (C\$m)
Resources ex inventory @ 1% insitu	59	100%	1.00x	0.28	Exploration (C\$m)	Asset level SCPe debt (C\$m)
Cash 1Q24	8	100%	1.00x	0.04	UG dev. capex (C\$m)	SCPe expansion equity (C\$m)
Cash from ITM options/warrants	19	100%	1.00x	0.09	SCPe G&A+fin. cost (C\$m)	SCPe pre-build equity (C\$m)
<b>1XNAV C\$</b>	<b>831</b>			<b>3.96</b>	SCPe FCF Y1-2 (C\$m)	Total sources (C\$m)
*Build start, ex fin. cost + G&A, dil. for optns not build					Total uses: group (C\$m)	Buffer:
P/NAV today: 0.18x					340	39

Asset value: 1xNPV project (C\$m, ungeared)*	CY22E	CY23E	CY24E	CY25E	CY26E	Ratio analysis	CY22E	CY23E	CY24E	CY25E	CY26E
Asset NPV (C\$m)	14,944	17,944	20,944	23,944	26,944	Shares out (m)	146.9	163.4	237.8	237.8	359.5
9.0% discount	401	504	607	711	814	EPS (C\$/sh)	-	-	-	7.0	6.9
7.0% discount	503	624	745	866	987	CFPS before w/c (C\$/sh)	-	-	-	(3.2)	2.1
5.0% discount	634	777	920	1,063	1,206	EV (C\$m)	101.1	108.4	141.0	139.7	114.3
Ungeared project IRR:	34%	40%	47%	53%	59%	FCF yield (%)	-	-	-	1%	3%
Asset NPV (C\$/sh)	14,944	17,944	20,944	23,944	26,944	Income statement	CY22E	CY23E	CY24E	CY25E	CY26E
9.0% discount	1.91	2.40	2.90	3.39	3.88	Revenue (C\$m)	-	-	-	54.6	72.8
7.0% discount	2.40	2.98	3.55	4.13	4.71	COGS (C\$m)	-	-	-	19.6	26.2
5.0% discount	3.02	3.70	4.39	5.07	5.75	Gross profit (C\$m)	-	-	-	35.0	46.7

\*Project level NPV, excl finance costs and central SGA, discounted to build start

Group valuation over time^	Sep-24	Sep-25	Sep-26	Sep-27	Sep-28	Cash flow statement	CY22E	CY23E	CY24E	CY25E	CY26E
Project NPV (C\$m)	802	887	917	1,001	1,143	EBITDA (C\$m)	(1.9)	(10.3)	(8.6)	27.8	39.8
Resources ex inventory @ 1% insitu	59	59	59	59	59	Add share based (C\$m)	0.0	1.5	0.9	0.9	0.9
Central G&A and finance costs	(71)	(69)	(67)	(61)	(43)	Net change wkg cap (C\$m)	0.2	0.3	(0.3)	9.0	-
Net cash prior quarter	56	22	153	122	33	Cash flow ops (C\$m)	(2.2)	(10.6)	(8.3)	9.1	26.5
Cash from ITM options/warrants	19.2	19.2	19.2	19.2	19.2	PP&E - build + sust. (C\$m)	(0.0)	(0.1)	(35.0)	(7.8)	(18.9)
Total NAV (C\$m)	865	918	1,080	1,141	1,211	PP&E - exp'n (C\$m)	(0.1)	-	-	-	-
FD share count (m)	284	284	406	406	406	Cash flow inv. (C\$m)	(0.1)	(0.1)	(35.0)	(7.8)	(18.9)
1xNAV7%/sh FF FD (C\$/sh)	3.04	3.23	2.66	2.81	2.98	Share issue (C\$m)	-	18.4	65.1	-	106.6
Exit value: 1xNAV/sh company @ 2025 first production (C\$, geared)^						Debt draw (repay) (C\$m)	-	-	(0.0)	-	49.5
1xNAV (C\$m)	14,944	17,944	20,944	23,944	26,944	Cash flow fin. (C\$m)	(0.0)	15.4	65.1	-	156.0
9.0% discount	683	819	955	1,089	1,221	Net change in cash (C\$m)	(2.1)	4.7	21.8	1.3	163.6
7.0% discount	777	929	1,080	1,230	1,379	Balance sheet	CY22E	CY23E	CY24E	CY25E	CY26E
5.0% discount	892	1,064	1,235	1,404	1,572	Cash (C\$m)	6.2	10.9	32.7	33.9	197.6
1xNAV (C\$/sh)	14,944	17,944	20,944	23,944	26,944	Acc rec. + invet. (C\$m)	1.4	1.8	2.2	11.0	11.0
9.0% discount	1.68	2.02	2.35	2.68	3.01	PP&E & exp'n (C\$m)	0.1	0.1	35.1	42.4	60.6
7.0% discount	1.91	2.29	2.66	3.03	3.40	Total assets (C\$m)	7.7	12.8	69.9	87.4	269.2
5.0% discount	2.20	2.62	3.04	3.46	3.87	Debt (C\$m)	0.0	-	-	-	49.5
Production (Y1 from 2Q25)	CY25	CY26	CY27	CY28	CY29	Accounts payable (C\$m)	1.7	1.6	2.3	2.2	2.2
SCPe production (000kt NiEq)^	2.6	3.5	12.5	12.5	15.6	Others (C\$m)	6.9	11.9	34.1	44.2	207.8
AISC Co-prod. (US\$/lb Ni)*	7	7	7	7	7	Total liabilities (C\$m)	5.1	5.4	5.4	5.2	54.7
^CY25-28 toll milling; CY29 owner-operated mill						Shareholders' equity (C\$m)	32.5	45.8	111.6	112.5	220.0
						Reserves (C\$m)	3.2	4.4	4.6	4.6	4.6
						Retained earnings (C\$m)	(33.0)	(42.9)	(51.6)	(35.0)	(10.1)
						Liabilities + equity (C\$m)	7.7	12.8	69.9	87.4	269.2

^CY25-28 toll milling; CY29 owner-operated mill



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



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BUY:	48
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	1
NOT RATED:	0
TOTAL	49

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