

Action Summary – 17 November 2022

Analyst Theodore R. O'Neill *is initiating coverage of Brookmount Gold Corp. (Brookmount Explorations, Inc.) with a Buy rating and a \$6 price target*

- **We are initiating coverage of Brookmount with a Buy rating and a \$6 price target**
- **BMXI is a high-growth gold-producing company** that engages in the global exploration, development, and production of gold. The company has a portfolio of gold projects in Indonesia (Talawaan and Manado), Canada (Moosehorn) and the United States (McArthur Creek in Alaska). Led by a team of professionals with years in the industry, including geologists and mining engineers, the company follows strict environmental-care processes to exploit the gold mines, seeking profitability while supporting local communities.
- **Currently experiencing high growth.** The company has produced double digit sales, EBITDA, and asset growth for the past two years and we forecast that to continue into 2023.
- **Consistently profitable over a long period.** It has reported profit at the operating income line for the past 15 quarters
- **Significant EBITDA generation.** Over the last five years, adjusted EBITDA has ranged from 43% to 69% of revenue
- **ESG Focused.** BMXI management is committed to sustainable and responsible operations in Indonesia & North America. It has adopted a social responsibility plan and, applying environmentally sustainable practices, enables it to operate in these environments.
- **Shares selling for a significant discount to peers.** Shares are trading at a ~95% discount to peers on multiple of sales, ~99% discount to earnings and a ~90% discount to book while book, earnings and sales are growing

11/16 Closing price: \$0.07 USD	Market cap: \$3 million	Multiple of book: 0.22	EV/2023 Sales: 0.13
Diluted shares outstanding: 39 million	Insider ownership: 40%	3-mo avg. daily trading volume: >700,000	Dividend/Yield: NA/NA

GAAP estimates (EPS in USD – Revenue in USD millions)

Period	EPS	Revenue	Op Margin
1Q21A	\$0.10	\$3.03	56%
2Q21A	\$0.10	\$3.14	54%
3Q21A	\$0.13	\$3.50	55%
4Q21A	<u>\$0.18</u>	<u>\$4.40</u>	<u>56%</u>
FY21A	<u>\$0.37</u>	<u>\$14.07</u>	<u>55%</u>
1Q22A	\$0.10	\$4.04	55%
2Q22A	\$0.08	\$4.59	55%
3Q22A	\$0.06	\$4.53	57%
4Q22E	<u>\$0.06</u>	<u>\$4.60</u>	<u>56%</u>
FY22E	<u>\$0.28</u>	<u>\$17.76</u>	<u>56%</u>
1Q23E	\$0.06	\$4.80	56%
2Q23E	\$0.06	\$5.00	56%
3Q23E	\$0.07	\$5.10	56%
4Q23E	<u>\$0.07</u>	<u>\$5.30</u>	<u>56%</u>
FY23E	<u>\$0.26</u>	<u>\$20.20</u>	<u>56%</u>

Note: Numbers may not add due to rounding. See our full model at the back of this report.

Cash balance (in USD millions)

• 2021A	• \$0.07
• 2022E	• \$6.8
• 2023E	• \$14.1

Debt (in USD millions)

• 2021A	• \$0.00
• 2022E	• \$0.00
• 2023E	• \$0.00

Risks/Valuation

- Risks: economic conditions, competition, inflation, low trading volume, country risk
- Our \$6 price target is derived from our discounted future earnings model

Company description: Brookmount Gold (OTC: BMXI) is a high-growth gold-producing company incorporated and listed in the United States. It engages in the global exploration, development, and production of gold. The company has a portfolio of gold projects in Indonesia, Canada, and the United States. Led by a team of professionals with years in the industry, the company follows strict environmental-care processes to exploit the gold mines, seeking profitability while supporting local communities.

Figure 1 – Brookmount Explorations, Inc. – One-Year Trading snapshot



Source: FactSet

Investment Thesis

We are initiating coverage on Brookmount Explorations (BMXI) with a Buy rating and a \$6 Price Target

BMXI is a high-growth gold-producing company that engages in the global exploration, development, and production of gold. The company has a portfolio of gold projects in Indonesia (Talawaan and Manado), Canada (Moosehorn) and the United States (McArthur Creek in Alaska). Led by a team of professionals with years in the industry, including geologists and mining engineers, the company follows strict environmental-care processes to exploit the gold mines, seeking profitability while supporting local communities.

Currently experiencing high growth. The company has produced double digit sales, EBITDA, and asset growth for the past two years and we forecast that to continue into 2023.

Consistently profitable over a long period. It has reported profit at the operating income line for the past 15 quarters (see Figure 2).

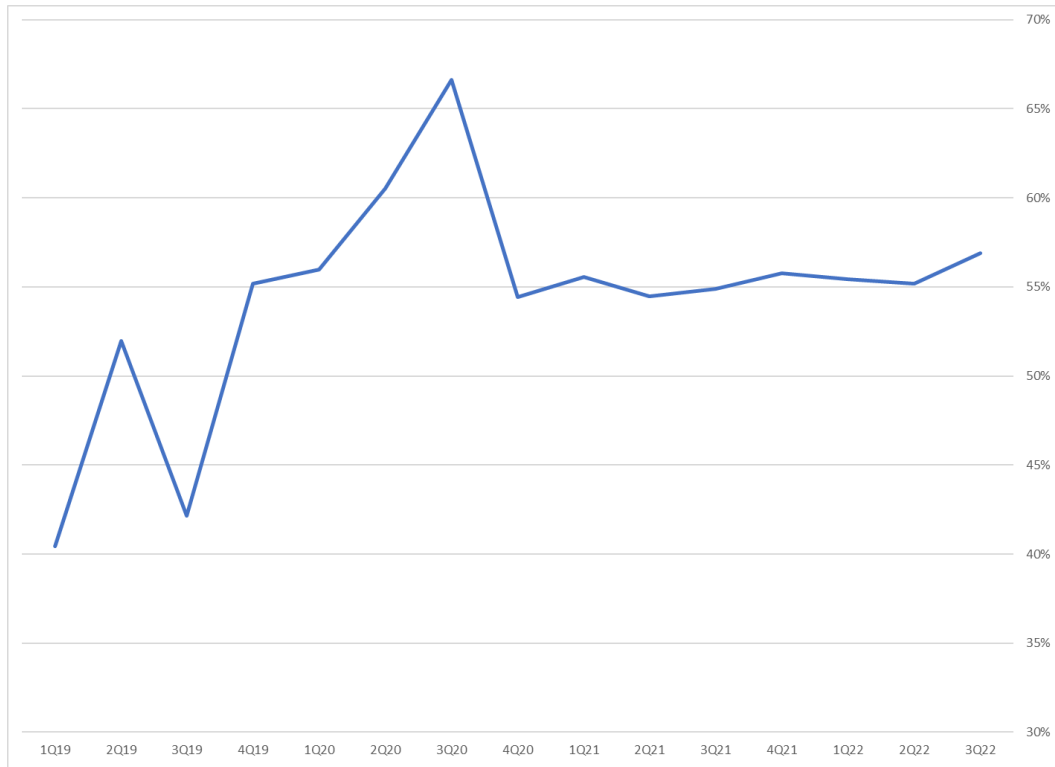
Significant EBITDA generation. Over the last two years, adjusted EBITDA has ranged from 43% to 69% of revenue.

ESG Focused. BMXI management is committed to sustainable and responsible operations in Indonesia and North America. It has adopted a social responsibility plan and, applying environmentally sustainable practices, enables it to operate in these environments.

Shares selling for a significant discount to peers. Shares are trading at a ~95% discount to peers on multiple of sales, ~99% discount to earnings and a ~90% discount to book while book, earnings and sales are growing.

Corporate Milestones. Company financial data is being audited. We expect audited results to be released shortly and if needed, we will update our model. The company is in the process of changing its name to Brookmount Gold Corp and that is why we show Brookmount Explorations, Inc. in parenthesis.

Figure 2 – Brookmount Explorations Inc. – Operating Income Profitability by Quarter 2019-present



Source: FactSet and Litchfield Hills Research

Valuation and Price Target

Valuation Methodology

We believe BMXI is undervalued, and we support that belief with two valuation techniques. For the purposes of determining our price target we use a discounted future earnings model, which we then compare to its valuation relative to peers. The following valuation techniques are being used:

- 1) The discounted value of all future earnings was used for our price target (see Figure 3)
- 2) Valuation relative to peers (see Figure 4)

Discounted Future Earnings – Basis for Price Target

Our 12-month price target of \$6 is based on a discounted earnings model. For valuation purposes, we sum up all future earnings on a GAAP basis and discount them at 20%. We assume the company grows rapidly until 2034 before growth eventually slows to GDP. Our valuation model is shown in Figure 3 below. Note, this model understates future new products



Brookmount Gold Corp. (Brookmount Explorations, Inc.)

BMXI-US - Buy \$6 PT

and growth through acquisitions and probably understates the tax benefits, but offsetting that, the earnings never have a down year. The implied share price is \$5.58 which we round up to \$6.

Figure 3 – Brookmount Explorations, Inc. – Price Target Calculation

Disc. Future Earnings \$5.58		
Year	EPS	Discounted EPS
2022	\$0.26	\$0.26
2023	\$0.36	\$0.30
2024	\$0.45	\$0.31
2025	\$0.60	\$0.35
2026	\$0.85	\$0.41
2027	\$1.00	\$0.40
Terminal Value:		\$3.55

Source: Litchfield Hills Research LLC

Valuation Relative to Peers

Figure 4 is a summary of our BMXI peer comparison. The average Market Cap/Sales for 2023 is 2.91x. If BMXI was given an average multiple, its market cap would be \$58.8MM for a share price of \$1.50. This would imply a PE of 4x when the average is 18x. At the average PE, the implied share price would be \$6.66, or approximately our price target. This broadly confirms our view that, along with our discounted earnings model, the shares are undervalued.

Figure 4 – Brookmount Explorations, Inc. – Valuation of Peers

FactSet Ticker	Company Name	Closing Price	Market Cap \$MM	EV \$MM	2023 Consensus Multiples except Book			
					Market Cap / Sales	EV / Sales	Price to Book	PE
KOZAL.E-TR	Koza Altin Isletmeleri A.S. (Koza Gold)	\$12.92	1,970	1,439	4.40	3.24	1.67	6.90
TFPM-CA	Triple Flag Precious Metals Corp. (CA Listing)	\$11.26	1,757	1,671	9.89	9.39	1.45	25.79
SSL-CA	Sandstorm Gold Ltd. (CA Listing)	\$5.20	1,552	1,814	8.50	8.95	2.01	54.78
KNT-CA	K92 Mining Inc	\$5.44	1,234	1,194	4.90	4.59	5.67	17.29
WDO-CA	Wesdome Gold Mines Ltd	\$6.44	917	927	3.11	3.14	4.13	15.93
EDR-CA	Endeavour Silver Corp. (CA Listing)	\$3.33	632	568	3.88	3.25	3.04	70.03
MMX-CA	Maverix Metals Inc (CA Listing)	\$3.95	582	616	9.84	10.42	1.72	31.69
ORA-CA	Aura Minerals Inc. (CA Listing)	\$6.91	503	590	0.87	1.04	2.22	3.01
SVM-CA	Silvercorp Metals Inc. (CA Listing)	\$2.78	491	377	2.32	1.78	1.26	12.40
GGD-CA	Gogold Resources, Inc.	\$1.32	389	331	8.66	6.82	2.95	77.42
VGX-CA	Victoria Gold Corp.	\$5.99	386	545	1.22	1.78	1.85	7.65
ARIS-CA	Aris Mining Corp	\$2.59	352	331	0.71	0.65	0.86	3.52
AR-CA	Argonaut Gold Ltd.	\$0.26	202	291	0.43	0.45	0.71	3.60
EUR-FR	Euro Ressources SA	\$3.06	191	177			4.47	
JAG-CA	Jaguar Mining Inc (CA Listing)	\$2.08	150	129	0.97	0.82	1.17	8.33
CMCL-US	Caledonia Mining Corp. (US Listing)	\$11.50	148	164	1.07	1.15	0.92	5.46
FTCO-US	Fortitude Gold Corp.	\$5.71	137	97			1.41	
MND-CA	Mandalay Resources Corp.	\$1.37	126	114	0.57	0.51	0.95	3.09
RBX-CA	Robex Resources Inc.	\$0.21	124	125			2.43	
APM-CA	Andean Precious Metals Corp	\$0.56	88	(1)	0.86		2.13	
DNG-CA	Dynacor Group Inc (CA Listing)	\$1.93	75	44	0.34	0.21	1.35	5.77
MKO-CA	Mako Mining Corp	\$0.10	64	78			7.48	
DYNR-US	DynaResource, Inc.	\$2.44	51	43				
FISH-CA	Sailfish Royalty Corp.	\$0.53	38	36				
ALTN-GB	AltynGold PLC	\$1.15	31	55			0.77	
MTR-GB	Metal Tiger PLC	\$0.17	28	13			0.90	
SRB-GB	Serabi Gold PLC (Registered)	\$0.35	26	24	0.41		0.73	8.69
ATY-CA	Atico Mining Corp.	\$0.21	26	39	0.40	0.61	0.60	6.02
GDP-GB	Goldplat Plc	\$0.14	24	28	0.48	0.55	0.84	5.00
KLD-CA	Kenorland Minerals Ltd.	\$0.51	22	23			2.04	
SJI-CA	Superior Gold Inc	\$0.18	22	14	0.15	0.09	1.62	2.76
ATLY-CA	Altaley Mining Corporation	\$0.07	20	56			4.07	
AUR-SE	Auriant Mining AB	\$0.14	14	66				
	AVERAGE				<u>2.91</u>	<u>2.97</u>	<u>2.11</u>	<u>17.86</u>
We removed metrics and replaced with NMF where the metrics were more than 10x standard deviations from the average to avoid skewing the data								
BMXI-US	Brookmount Explorations Inc.	\$0.08	3	3	0.14	0.13	0.22	0.21
BMXI-US	Discount to peers:				-95%	-96%	-90%	-99%

Source: Litchfield Hills Research LLC and FactSet

Company Background

Brookmount Gold Corp (OTC: "BMXI") is a US based, publicly listed company that serves as an investment platform for high value gold assets. The company is targeting acquisitions of high-quality assets comprising gold resources with

JORC/43-101 verification which can be developed through rapid and efficient deployment of technology and converted into cash flow to finance further expansion. Brookmount Gold Corp incorporated in Nevada made its first investment in northern Indonesia in 2016. Recently the company acquired 100% of the Moosehorn Gold project approximately 5,000 hectares, in the Tintina Gold Belt which stretches from Alaska in the US to Yukon in Canada, continuing its expansion strategy. Additionally, Brookmount owns and operates two gold mining and production facilities in Northern Sulawesi province, one of Indonesia's most significant areas of gold mineralization. The area has been extensively surveyed, assessed, and operated in the past by other major international gold production companies.

Strategy

The company is pursuing a three-pronged strategy to enhance and grow shareholder value.

- 1) Pursue organic growth through the development of sustainable and profitable gold mining systems and assets
- 2) Pursue inorganic growth through international asset acquisitions
- 3) Increase stock market liquidity by regular and consistent communications with current and prospective investors

ESG Focus

The company is also dedicated to working together with local communities to create jobs and support growth. As its operations are currently based mainly in ecologically sensitive areas, it conducts its mining and processing activities on an environmental platform. For example, its tailings ponds and leach pads are closed systems lined with heavy-duty plastic liners to prevent possible leakage of chemicals into the subsoil. After leaching runs, the processed ore remaining on the leach pad is typically washed for two days with fresh water to remove any traces of chemicals before being returned to excavation sites and replanted with native plant species. At its original operation in Manado, Indonesia, where processing is not heap leach but centered around five heavy-duty floatation tanks, tailing ponds and water reservoirs are fully lined. Smelting is conducted offsite in a sealed, ventilated, special-purpose facility. At the Moosehorn property, a solar-powered system is already in place to provide light and power water heaters as needed. A grey wastewater system will be designed to maximize recycling efforts on-site.

Properties

Talawaan (Indonesia)

50-hectare reserve and onsite processing facility located in a high-grade volcanic-hosted sediment body in the district of Talawaan, adjacent to the airport at Manado, the regional capital. Recently renovated and upgraded facility. Comprises over 50 ball mills (ore crushers), five high-capacity floatation tanks, tailing ponds and off-site smelting operations. Ore is excavated at shallow depths from strategic locations on the property based on existing ore distribution data as well as onsite drill tests. The facility also processes ore on a contract basis from 3rd party operators with a long business relationship with BMXI. Traditional processing uses ball mills to reduce the size of ore particles and floatation tanks for the separation and cyanidation process. The final smelting process for both operations is similar. The offsite smelting facilities are wholly owned and capable of refining gold both to Phase 1 ("doré" of 60-75% purity because it also contains silver and other precious metals) and Phase 2 (investment grade) gold of 99% purity.

Alason (Indonesia)

Area of approximately 18 hectares of high-grade volcanic ore body in a rich mineralization area about 3 hours west of Manado. Net revenue from production is shared between the parties on a 30/70 basis. To date, 2 leach pads (and associated infrastructure) have been constructed with a total processing capacity of 42,000 tonnes of ore. Initial processing took place

in February 2020, producing approximately 280 oz. of gold). Through March 2022, 3 production runs on the Alason leach pad were completed, with a total production of 15kg of 99% pure Au, valued at around \$900K.

Moosehorn Gold Project (Canada)

Canadian-based exploration target with projected near-term gold production from both placer and hard rock sources. Moosehorn was partially surveyed under 43-101 requirements, resulting in a current estimated total resource of 39,000 oz Au. The project has been acquired and is 100% owned by BMXI. Similar geological setting as the nearby Coffee Creek deposit (1.8 million ounces) and the Pogo Mine (4.6 million ounces) and Fort Knox mine (2.0 million ounces). 234 quartz mineral claims (~4300 hectares). Numerous gold mineralized drill-ready targets. Exploration permits and water licenses are in place. Brookmount announced initial production (bulk sampling) from Moosehorn by the end of 2022. The production will be refined to the highest level of purity (9999) suitable for use in investment-grade items.

McArthur Creek, Alaska

The McArthur Creek project was the first acquisition by Brookmount in the United States. The property comprises approximately 250 HA of high-grade Au resource, is located effectively adjacent to the Moosehorn project, and shares identical topography. The net profit from the property will be split between the company and the vendor on a 60/40 basis. The McArthur Creek property also provides direct access to the Trans Alaska highway, facilitating the movement of heavy excavation and mining equipment back and forth on both the Moosehorn and McArthur Creek properties

Management

Nils Ollquist, Executive Director & CEO

Mr. Ollquist has over 40 years of government and private sector experience, including manufacturing, financial services, and mining. He has degrees in economics and law from the Australian National University and worked for international banks in the US and Asia before establishing a boutique financial advisory firm in Hong Kong in 1993.

Errin Kimball, Executive Director, Global Operations

Mr. Kimball is a geologist with 30 years' experience in exploration and development in mining and related activities. He holds a Specialization in Geology degree from the University of Alberta, Canada. He has served as Vice President Exploration for Oilsands Quest Inc., Chief Geologist for Synenco Energy in Canada, and Aggregate & Industrial Minerals Geologist for the Alberta Geological Survey.

Fred Kempson, Independent Director

Mr. Kempson is a highly experienced international banker with extensive exposure to the resources industry, including gold and coal markets in Australia and UK. Chief Executive roles included Australasian Head for Security Pacific Bank and Australian Investment Finance Corporation, a consortium bank including ANZ Banking Group and Bank of Montreal. Mr. Kempson has also served as an Australian Representative for the Swiss Private banking subsidiary of Bank of New York and is currently also an independent director of Norseman Gold PLC (UK) and AHA Retail Partners PLC (UK).



Brookmount Gold Corp. (Brookmount Explorations, Inc.)

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Chris Lim, CFO

Mr. Lim is a Qualified CPA with over 15 years of audit and accounting experience, including two years at Deloitte Touche Melbourne. He has acted as contract CFO for several US listed companies, is an experienced US GAAP accountant, and is qualified under PCAOB guidelines.

Figure 5 – Brookmount Explorations, Inc. – Comp Table

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BMXI-US	Discount to peers:				-95%	-96%	-90%	-99%

Source: FactSet and Litchfield Hills Research LLC

Figure 6 – Brookmount Explorations, Inc. – Income Statement (\$ in 000 except per share)

November ending year	2020A	2021A	2022E				2022E	2023E				2023E
	Year	Year	Q1A	Q2A	Q3A	Q4E	Year	Q1E	Q2E	Q3E	Q4E	Year
Total revenue	\$10,985	\$14,070	\$4,041	\$4,585	\$4,530	\$4,600	\$17,756	\$4,800	\$5,000	\$5,100	\$5,300	\$20,200
<i>Growth</i>		28%	33%	46%	30%	5%	26%	19%	9%	13%	15%	14%
Cost of Goods	<u>2,827</u>	<u>4,292</u>	<u>1,350</u>	<u>1,508</u>	<u>1,463</u>	<u>1,500</u>	<u>5,821</u>	<u>1,584</u>	<u>1,650</u>	<u>1,683</u>	<u>1,749</u>	<u>6,666</u>
Gross Profit	8,158	9,778	2,691	3,077	3,067	3,100	11,935	3,216	3,350	3,417	3,551	13,534
Depreciation and amortization	202	252	62	122	115	115	414	118	122	126	129	496
SG&A	<u>1,418</u>	<u>1,758</u>	<u>389</u>	<u>425</u>	<u>375</u>	<u>390</u>	<u>1,579</u>	<u>402</u>	<u>414</u>	<u>426</u>	<u>439</u>	<u>1,681</u>
Total Operating Expenses	1,620	2,010	451	547	490	505	1,993	520	536	552	568	2,176
Operating Income	6,538	7,768	2,240	2,530	2,577	2,595	9,942	2,696	2,814	2,865	2,983	11,358
Operating income %	60%	55%	55%	55%	57%	56%	56%	56%	56%	56%	56%	56%
Total Other Items	(26)	(18)	(18)	(16)	(16)	0	(50)	0	0	0	0	0
Pre-Tax Income	6,512	7,750	2,222	2,514	2,561	2,595	9,892	2,696	2,814	2,865	2,983	11,358
Taxes (benefit)	<u>850</u>	<u>1,100</u>	<u>295</u>	<u>605</u>	<u>125</u>	<u>260</u>	<u>1,285</u>	<u>270</u>	<u>281</u>	<u>287</u>	<u>298</u>	<u>1,136</u>
Tax Rate	13%	14%	13%	24%	5%	10%	13%	10%	10%	10%	10%	10%
Net Income	\$5,662	\$6,650	\$1,927	\$1,909	\$2,436	\$2,336	\$8,608	\$2,426	\$2,533	\$2,579	\$2,684	\$10,222
EPS, as reported	\$0.45	\$0.37	\$0.10	\$0.08	\$0.06	\$0.06	\$0.28	\$0.06	\$0.06	\$0.07	\$0.07	\$0.26
Diluted Shares Outstanding	12,514	17,795	20,095	23,079	39,064	39,264	30,375	39,464	39,564	39,664	39,864	39,639

Source: Company reports and Litchfield Hills Research LLC

Figure 7 – Brookmount Explorations, Inc. – Balance Sheet (\$ in 000)

November ending year	FY2024E	FY2023E	FY2022E	FY2021A	FY2020A
Balance sheet					
Current Assets					
Cash and S.T.I.	\$22,864	\$14,139	\$6,817	\$69	\$172
Accounts receivable	0	0	0	0	0
Inventories	3,000	2,000	1,000	1,125	224
Other assets	0	0	0	0	3
Total Current Assets	25,864	16,139	7,817	1,194	399
PP&E	2,000	1,400	1,200	1,050	820
Land Usage Rights					5,800
Other LT assets	12,000	10,000	9,000	8,300	7,433
Total Assets	\$54,864	\$40,539	\$30,017	\$21,940	\$14,452
Current Liabilities					
Accounts payable	\$1,000	\$500	\$200	\$308	\$6
Convertible notes	700	700	700	1,339	780
Income taxes payable					
Other current liabilities	500	500	500	1	28
Total current liabilities	2,200	1,700	1,400	1,648	814
Unpaid capital commitments	0	0	0	244	244
Other long-term	0	0	0	0	0
Total Liabilities	2,200	1,700	1,400	1,892	1,058
Stockholders' Equity					
Preferred stock	0	0	0	0	0
Common stock	237	237	237	237	233
Additional paid-in-capital	737	737	737	737	737
Retained earnings	52,601	38,776	28,554	19,985	13,335
Adjustments to equity	(911)	(911)	(911)	(911)	(911)
Total stockholders' equity	52,664	38,839	28,617	20,048	13,394
Total Liabilities and equity	\$54,864	\$40,539	\$30,017	\$21,940	\$14,452

Source: Company reports and Litchfield Hills Research LLC

Figure 8 – Brookmount Explorations, Inc. – Cash Flow (\$ in 000)

	2024E	2023E	2022E	2021A
Net Income / (loss)	13,825	10,222	\$8,569	6,650
Receivables	0	0	0	0
Inventory	(1,000)	(1,000)	125	(901)
Other	0	0	0	3
PP&E	(600)	(200)	(150)	(230)
Land Usage Rights	(2,000)	(1,000)	(700)	(2,500)
Other LT assets	(2,000)	(1,000)	(604)	(3,963)
Accounts payable	500	300	(108)	302
Convertible notes	0	0	(214)	309
Income taxes payable	0	0	(425)	250
Other current liabilities	0	0	499	(27)
Unpaid capital commitments	0	0	(244)	0
Other long-term	0	0	0	0
Preferred stock	0	0	0	0
Common stock	0	0	0	3
Additional paid-in-capital	0	0	0	0
Adjustments to equity	0	0	0	0
Other				
Total Cash Flow	8,725	7,322	\$6,748	(104)

Source: Litchfield Hills Research LLC

Disclosures:

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Brookmount Gold Corp. (Brookmount Explorations, Inc.)

BMXI-US -
Buy \$6 PT

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