

Action Summary – 2 February 2023

Analyst Theodore R. O'Neill

- **We are updating our model and setting expectations for the March quarter.** Reiterate our Buy rating and \$6 price target
- **Company approved reduction in share count.** On Jan 17, the company announced it had shareholder approval to lower the authorized share count to 200MM from 2B.
- **Audit pending.** Obviously, a lot can change due to covid and travel issues, but the company anticipates having three-year audited financials sometime in the March 2023 quarter, or thereabouts.
- **Potential Uplisting.** Audited results are needed to proceed with a desired uplisting on either the OTCQB Venture or the NYSE American.
- **Change in estimates.** We are making changes to the balance sheet to reflect the current arrangement that keeps profits from its mines in Indonesia, stranded in Indonesia. Our revised balance sheet shows lower cash balances and higher long-term asset balances.
- **Shares selling for a significant discount to peers.** Shares are trading at a ~96% discount to peers on multiple of sales, ~97% discount to earnings and a ~90% discount to book while book, earnings and sales are growing.

2/1 Closing price: \$0.10 USD	Market cap: \$4 million	Multiple of book: 0.22	EV/2024 Sales: 0.13
Diluted shares outstanding: 39 million	Insider ownership: 40%	3-mo avg. daily trading volume: >500,000	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	• \$0.5
• 2023E	• \$1.6

Debt (in USD millions)

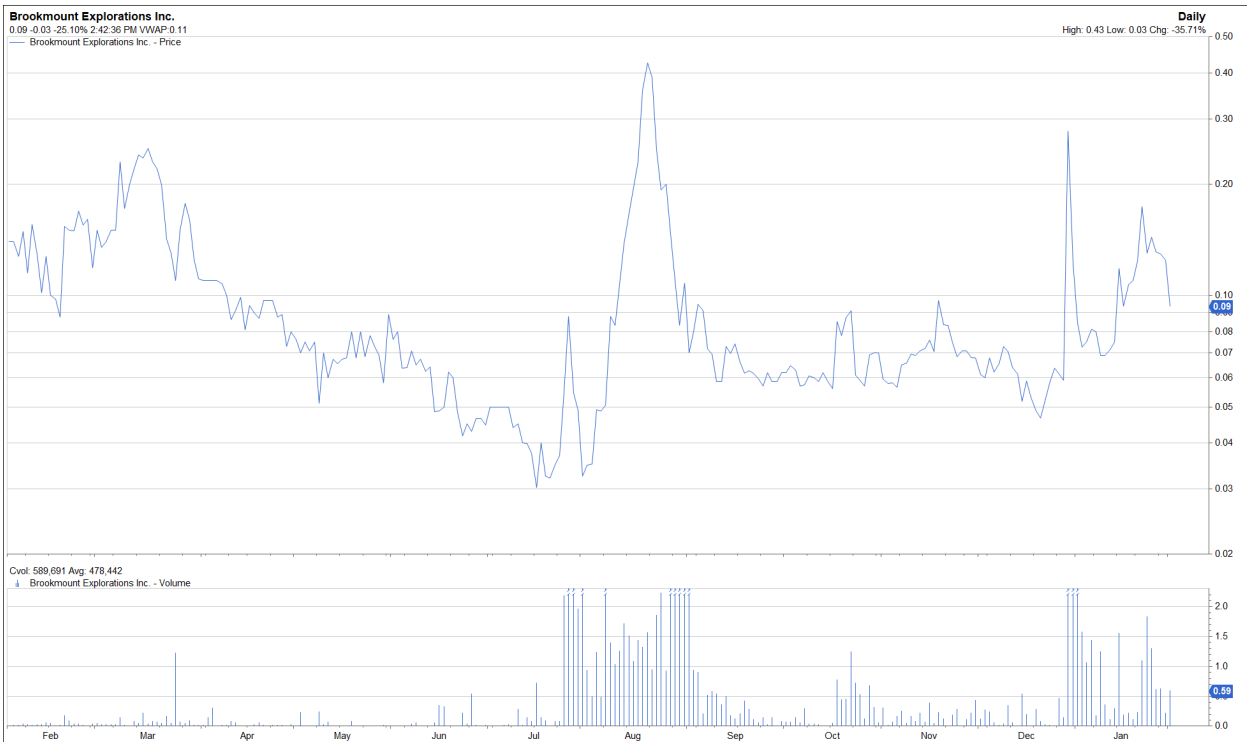
• 2021A	• \$0.00
• 2022E	• \$0.00
• 2023E	• \$0.00

Risks/Valuation

- Risks: economic conditions, competition, inflation, low trading volume, country risk and possible changes to historical results post audit.
- 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

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 2)
- 2) Valuation relative to peers (see Figure 3)

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 2 below. Note, this model understates future new products 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.



Brookmount Gold Corp. (Brookmount Explorations, Inc.) BMXI-US - Buy \$6 PT

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 3 is a summary of our BMXI peer comparison. The average Market Cap/Sales for 2024 is 3.81x. If BMXI was given an average multiple, its market cap would be \$77MM for a share price of ~\$2. This would imply a PE of 4x when the average is 13x. At the average PE, the implied share price would be ~\$6, or approximately our price target. This broadly confirms our view that, along with our discounted earnings model, the shares are undervalued.

Brookmount Gold Corp. (Brookmount Explorations, Inc.) BMXI-US - Buy \$6 PT

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

FactSet Ticker	Company Name	Closing Price	Market Cap \$MM	EV \$MM	2024 Consensus Multiples except Book			
					Market Cap / Sales	EV / Sales	Price to Book	PE
KOZAL.E-TR	Koza Altin Isletmeleri A.S. (Koza Gold)	\$29.50	4,499	3,967	9.21	8.11	1.67	12.64
TFPM-CA	Triple Flag Precious Metals Corp. (CA Listing)	\$13.49	2,709	2,018	12.87	8.93		29.26
SSL-CA	Sandstorm Gold Ltd. (CA Listing)	\$5.79	1,725	1,956	9.35	8.63	2.01	47.65
KNT-CA	K92 Mining Inc	\$5.77	1,345	1,272	5.86	3.56	5.67	11.95
WDO-CA	Wesdome Gold Mines Ltd	\$4.62	659	669	3.07	2.01	4.13	8.03
EDR-CA	Endeavour Silver Corp. (CA Listing)	\$3.47	659	594	3.41	2.25	3.04	22.14
MMX-CA	Maverix Metals Inc (CA Listing)	\$4.89		757	12.44	12.10	1.72	32.63
ORA-CA	Aura Minerals Inc. (CA Listing)	\$8.60	620	713	1.15	1.15	2.22	3.52
SVM-CA	Silvercorp Metals Inc. (CA Listing)	\$3.47	613	499	2.91	2.14	1.26	11.52
GGD-CA	Gogold Resources, Inc.	\$1.67	495	429	10.48	9.59	1.41	16.77
VGCX-CA	Victoria Gold Corp.	\$7.86	507	666	1.55	1.84	1.85	11.86
ARIS-CA	Aris Mining Corp	\$3.44	468	405	0.99	0.77	0.86	3.29
AR-CA	Argonaut Gold Ltd.	\$0.53	445	491	0.81	0.51	0.71	4.92
EUR-FR	Euro Ressources SA	\$3.38	211	192			4.47	
JAG-CA	Jaquar Mining Inc (CA Listing)	\$2.12	154	133	0.98	0.84	1.17	10.60
CMCL-US	Caledonia Mining Corp. (US Listing)	\$13.76	238	193	1.46	1.23	0.92	13.10
FTCO-US	Fortitude Gold Corp.	\$6.40	154	114			1.41	
MND-CA	Mandalay Resources Corp.	\$1.83	169	157	0.92	0.73	0.95	5.27
RBX-CA	Robex Resources Inc.	\$0.23	198	144			2.43	
APM-CA	Andean Precious Metals Corp	\$0.73	115	26	1.11		2.13	
DNG-CA	Dynacor Group Inc (CA Listing)	\$2.15	83	54	0.37		1.35	
MKO-CA	Mako Mining Corp	\$0.14	94	109			7.48	
DYNR-US	DynaResource, Inc.	\$2.37	49	41				
FISH-CA	Saifish Royalty Corp.	\$0.80	58	56				
ALTN-GB	AltynGold PLC	\$1.76	48	72			0.77	
MTR-GB	Metal Tiger PLC	\$0.20	33	18			0.90	
SRB-GB	Serabi Gold PLC (Registered)	\$0.46	35	32	0.53		0.73	4.22
ATY-CA	Atico Mining Corp.	\$0.19	23	41	0.36	0.85	0.60	3.19
GDP-GB	Goldplat Plc	\$0.13	21	25			0.84	
KLD-CA	Kenorland Minerals Ltd.	\$0.61	27	26			2.04	
SGI-CA	Superior Gold Inc	\$0.20	25	24	0.16	0.16	1.62	0.89
ATLY-CA	Altaley Mining Corporation	\$0.31	11	48			4.07	
AUR-SE	Auriant Mining AB	\$0.13	13	64				
	AVERAGE				3.81	3.63	2.08	13.34
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.	\$0.12	3	3	0.14	0.13	0.22	0.34
BMXI-US	Discount to peers:				-96%	-97%	-90%	-97%

Source: Litchfield Hills Research LLC and FactSet



Brookmount Gold Corp. (Brookmount Explorations, Inc.) BMXI-US - Buy \$6 PT

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

November ending year	2020A Year	2021A Year	2022E				2022E Year	2023E				2023E Year
			Q1A	Q2A	Q3A	Q4E		Q1E	Q2E	Q3E	Q4E	
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
Growth		28%	33%	46%	30%	5%	26%	19%	9%	13%	15%	14%
Cost of Goods	2,827	4,292	1,350	1,508	1,463	1,500	5,821	1,584	1,650	1,683	1,749	6,666
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	200	499	240	288	346	415	1,288
SG&A	1,418	1,758	389	425	375	390	1,579	402	414	426	439	1,681
Total Operating Expenses	1,620	2,010	451	547	490	590	2,078	642	702	772	854	2,969
Operating Income	6,538	7,768	2,240	2,530	2,577	2,510	9,857	2,574	2,648	2,645	2,697	10,565
Operating income %	60%	55%	55%	55%	57%	55%	56%	54%	53%	52%	51%	52%
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	2,510	9,807	2,574	2,648	2,645	2,697	10,565
Taxes (benefit)	850	1,100	295	605	125	251	1,276	257	265	265	270	1,057
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	\$2,259	\$8,531	\$2,317	\$2,383	\$2,381	\$2,428	\$9,509
EPS, as reported	\$0.45	\$0.37	\$0.10	\$0.08	\$0.06	\$0.06	\$0.28	\$0.06	\$0.06	\$0.06	\$0.06	\$0.24
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)



Brookmount Gold Corp. (Brookmount Explorations, Inc.)
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November ending year	FY2023E	FY2022E	FY2021A	FY2020A
Balance sheet				
Current Assets				
Cash and S.T.I.	\$1,584	\$515	\$69	\$172
Accounts receivable	0	0	0	0
Inventories	2,000	1,250	1,125	224
Other assets	0	0	0	3
Total Current Assets	3,584	1,765	1,194	399
PP&E				
Land Usage Rights	16,000	13,500	8,300	5,800
Other LT assets	16,000	13,500	8,300	7,433
Total Assets	\$40,584	\$30,265	\$21,940	\$14,452
Current Liabilities				
Accounts payable	\$500	\$200	\$308	\$6
Convertible notes	700	400	1,339	780
Income taxes payable				
Other current liabilities	0	0	1	28
Total current liabilities	1,200	600	1,648	814
Unpaid capital commitments				
Other long-term	0	0	244	244
Total Liabilities	1,200	600	1,892	1,058
Stockholders' Equity				
Preferred stock	0	0	0	0
Common stock	270	260	237	233
Additional paid-in-capital	2,000	1,800	737	737
Retained earnings	38,025	28,516	19,985	13,335
Adjustments to equity	(911)	(911)	(911)	(911)
Total stockholders' equity	39,384	29,665	20,048	13,394
Total Liabilities and equity	\$40,584	\$30,265	\$21,940	\$14,452

Source: Company reports and Litchfield Hills Research LLC

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



Brookmount Gold Corp. (Brookmount Explorations, Inc.)
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	2024E	2023E	2022E	2021A
Net Income / (loss)	11,922	9,509	\$8,531	6,650
Receivables	0	0	0	0
Inventory	(1,000)	(750)	(125)	(901)
Other	0	0	0	3
PP&E	(2,000)	(2,000)	(2,950)	(230)
Land Usage Rights	(4,000)	(2,500)	(5,200)	(2,500)
Other LT assets	(4,000)	(4,000)	396	(3,963)
Accounts payable	0	300	(108)	302
Convertible notes	0	0	(214)	309
Income taxes payable	0	300	(725)	250
Other current liabilities	0	0	(1)	(27)
Unpaid capital commitments	0	0	(244)	0
Other long-term	0	0	0	0
Preferred stock	0	0	0	0
Common stock	0	10	23	3
Additional paid-in-capital	0	200	1,063	0
Adjustments to equity	0	0	0	0
Other				
Total Cash Flow	922	1,069	\$446	(104)

Source: Litchfield Hills Research LLC

Disclosures:

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